UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from: ____________________ to ____________________

Commission File No. 1-13219

OCWEN FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

(561) 682-8000
(Registrant's telephone number, including area code)

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

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

Securities registered pursuant to Section 12 (g) of the Act: Not applicable.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

Aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates as of June 30, 2021: $277,835,518

Number of shares of common stock outstanding as of February 22, 2022: 9,208,312 shares

Documents incorporated by reference: Portions of our definitive Proxy Statement with respect to our Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2021, are incorporated by reference into Part III, Items 10 - 14.

OCWEN FINANCIAL CORPORATION
2021 FORM 10-K ANNUAL REPORT
TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

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

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

- uncertainty relating to the continuing impacts of the COVID-19 pandemic, including with respect to the response of the U.S. government, state governments, the Federal National Mortgage Association (Fannie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac) (together, the GSEs), the Government National Mortgage Association (Ginnie Mae) and regulators;
- the potential for ongoing COVID-19 related disruption in the financial markets and in commercial activity generally, employment disruption, and other financial difficulties facing our borrowers;
- the proportion of borrowers who enter into forbearance plans, the financial ability of borrowers to resume repayment and their timing for doing so;
- the extent to which our mortgage servicing right (MSR) joint venture with Oaktree Capital Management L.P. and its affiliates (Oaktree), other recent transactions and our enterprise sales initiatives will generate additional subservicing volume and result in increased profitability;
- our ability, and the ability of MSR Asset Vehicle LLC (MAV), to bid competitively for, and close acquisitions of, MSRs on terms that will enable us to achieve our growth objectives and a favorable return on our investment in MAV;
- our ability to reach an agreement to upsize MAV and the timing and terms of any such agreement;
- our ability to identify, enter into and close additional strategic transactions, including the ability to obtain regulatory approvals, enter into definitive financing arrangements, and satisfy closing conditions, and the timing for doing so;
- our ability to efficiently integrate the operations and assets of acquired businesses and to retain their employees and customers over time;
- the extent to which we will be able to execute call rights transactions, and whether such transactions will generate the returns anticipated;
- the adequacy of our financial resources, including our sources of liquidity and ability to sell, fund and recover servicing advances, forward and reverse whole loans, and Home Equity Conversion Mortgage (HECM) and forward loan buyouts and put-backs, as well as repay, renew and extend borrowings, borrow additional amounts as and when required, meet our MSR or other asset investment objectives and comply with our debt agreements, including the financial and other covenants contained in them;
- increased servicing costs based on rising borrower delinquency levels or other factors, including an increase in severe weather events resulting in property damage and financial hardship to our borrowers;
- reduced collection of servicing fees and ancillary income and delayed collection of servicing revenue as a result of forbearance plans and moratoria on evictions and foreclosure proceedings;
- our ability to continue to improve our financial performance through cost re-engineering initiatives and other actions;
- our ability to maintain and increase market share in our target markets;
- uncertainty related to our relationship and remaining agreements with New Residential Investment Corp. (NRZ), our largest servicing client, including the time horizon on which our subservicing agreements will renew or terminate;
- uncertainty related to past, present or future claims, litigation, cease and desist orders and investigations relating to our business practices, including those brought by private parties and state regulators, the Consumer Financial Protection Bureau (CFPB), State Attorneys General, the Securities and Exchange Commission (SEC), the Department of Justice or the Department of Housing and Urban Development (HUD);
- adverse effects on our business as a result of regulatory investigations, litigation, cease and desist orders or settlements and the reactions of key counterparties, including lenders, the GSEs and Ginnie Mae;
- the costs of complying with the terms of our settlements with regulatory agencies and disputes as to whether we have fully complied;

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

Further information on the risks specific to our business is detailed within this report, including under "Risk Factors." 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

ITEM 1. BUSINESS

When we use the terms “Ocwen,” “OCN,” “we,” “us” and “our,” we are referring to Ocwen Financial Corporation and its consolidated subsidiaries.

OVERVIEW

We are a financial services company that services and originates both forward and reverse mortgage loans, through our primary brands, PHH Mortgage and Liberty Reverse Mortgage. We have a strong track record of success as a leader in the servicing industry in foreclosure prevention and loss mitigation that helps homeowners stay in their homes and improves financial outcomes for mortgage loan investors. This long-standing core competency will continue to be a guiding principle as we seek to grow our business and improve our financial performance. We are a leader in the reverse mortgage business with a strong brand and have expanded our reverse mortgage servicing competitive advantage with our acquisition of the Reverse Mortgage Servicing platform in the fourth quarter of 2021.

We are headquartered in West Palm Beach, Florida with offices and operations in the U.S., in the United States Virgin Islands (USVI), in India and the Philippines. At December 31, 2021, approximately 64% of our workforce is located outside the U.S. Ocwen Financial Corporation is a Florida corporation organized in February 1988. With our predecessors, we have been servicing residential mortgage loans since 1988. We have been originating forward mortgage loans since 2012 and reverse mortgage loans since 2013. We currently provide solutions through our primary operating, wholly-owned subsidiary, PHH Mortgage Corporation (PMC).

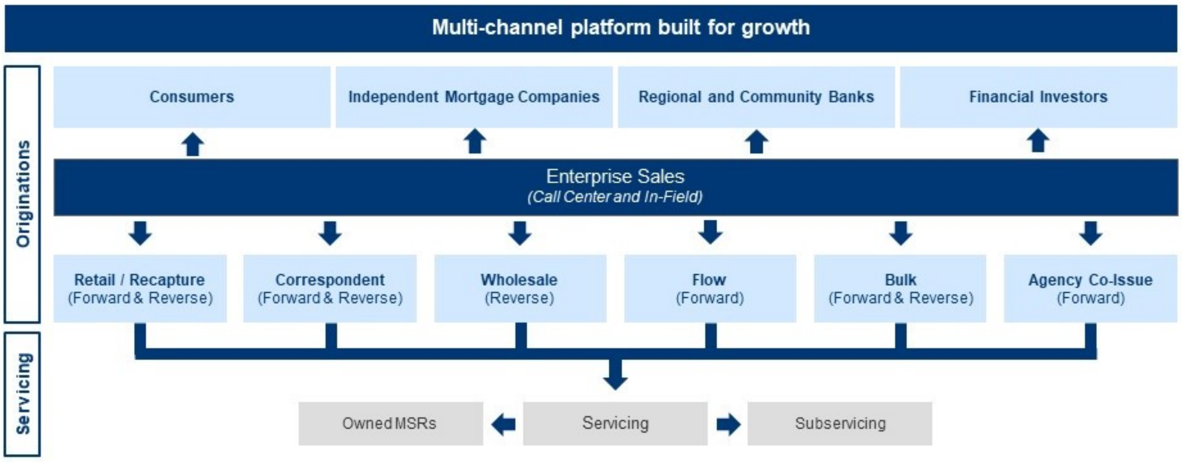
BUSINESS MODEL AND SEGMENTS

Ocwen’s business model is designed to create value and maximize returns for our shareholders, and effectively allocate our resources. Following the acquisition and integration of PHH Corporation (PHH) in late 2018 and 2019, we have transformed into a balanced and diversified business. We seek to create value for shareholders through profitable growth, service excellence and high quality operational execution. Our core competencies revolve around our Servicing business and we have developed a profitable Originations platform to replenish and pursue growth of our servicing portfolio.

Our Servicing business is comprised of two components, our owned MSRs and our subservicing portfolio that complement each other’s when managing scale. We invest our capital to fund purchases and originations of our owned MSRs and servicing advances, for which we establish a targeted return on investment. Our net return includes servicing revenue net of servicing costs, less MSR portfolio runoff, and less our MSR and advance funding cost. Our net return also includes fair value changes of our owned MSR that vary based on market conditions. Our subservicing portfolio generates a relatively stable source of revenue. While subservicing fees are relatively lower, we do not incur any significant capital utilization or funding of advances and are not exposed to fair value volatility. In 2021, we expanded our servicing portfolio with the launch of our MSR joint venture with Oaktree, MAV. At December 31, 2021, PMC serviced residential mortgage loans on behalf of MAV with an unpaid principal balance (UPB) of $33.0 billion or 12% of our total servicing portfolio - see the “Oaktree Relationship” section below for further details. Our MAV and NRZ servicing portfolios are effectively subservicing relationships. We target a balanced mix of our portfolio between servicing and subservicing based on capital allocation and returns. Our servicing operations and customer interactions do not differentiate whether loans are serviced or subserviced. Our leadership and experience in dealing with distressed economic conditions and non-performing loans allowed us to quickly adapt to the COVID-19 pandemic and provide payment relief and assistance to borrowers enduring financial hardship, and loan modification or other solutions to exit forbearance in a relatively seamless manner. In 2021, we expanded our capability in reverse servicing by acquiring the Mortgage Assets Management, LLC (formerly known as Reverse Mortgage Solutions, Inc.) (MAM (RMS)) servicing platform - see Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Overview for further details.

Our Originations business’ strategy is to provide self-sustained replenishment opportunities to our servicing portfolio and profitable growth. Our Originations success is built on our relationships with borrowers, lenders and other market participants. We purchase MSRs through bulk portfolio purchases, through flow purchase agreements with our network of mortgage companies and financial institutions, and through participation in the Agency Cash Window (or Co-Issue) programs. In order to diversify our sources of servicing and reduce our reliance on others, we have been developing our origination of MSRs through different channels, including our portfolio recapture channel, retail, wholesale and correspondent lending. In 2021, we expanded our correspondent lending channel by acquiring TCB’s network of approximately 220 correspondent lenders.

The chart below summarizes our current business model:



We report our activities in three segments, Servicing, Originations and Corporate Items and Other, which reflect other business activities that are currently individually insignificant. Our business segments reflect the internal reporting that we use to evaluate operating performance of services and to assess the allocation of our resources. The financial information of our segments is presented in our financial statements in Note 23 — Business Segment Reporting and discussed in the individual business operations sections of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Servicing

Our Servicing business is primarily comprised of our residential forward mortgage servicing business that currently accounts for the majority of our total revenues, our reverse mortgage servicing business, and our small commercial mortgage servicing business. Our servicing clients include some of the largest financial institutions in the U.S., including the GSEs, Ginnie Mae, NRZ and non-Agency residential mortgage-backed securities (RMBS) trusts, MAV and MAM (RMS).

As of December 31, 2021, our servicing portfolio consisted of approximately 1.4 million loans with a UPB of $268.0 billion.

Servicing involves the collection of principal and interest payments from borrowers, the administration of tax and insurance escrow accounts, the collection of insurance claims, the management of loans that are delinquent or in foreclosure or bankruptcy, including making servicing advances, evaluating loans for modification and other loss mitigation activities and, if necessary, foreclosure referrals and the sale of the underlying mortgaged property following foreclosure (REO) on behalf of mortgage loan investors or other servicers. Master servicing involves the collection of payments from servicers and the distribution of funds to investors in mortgage and asset-backed securities and whole loan packages. We earn contractual monthly servicing fees (which are typically payable as a percentage of UPB) pursuant to servicing agreements as well as other ancillary fees relating to our servicing activities such as late fees and, in certain circumstances, REO referral commissions.

We own MSRs outright, where we typically receive all the servicing economics, and we subservice on behalf of other institutions that own the MSRs, in which case we typically earn a smaller fee for performing the subservicing activities. Special servicing is a form of subservicing where we generally manage only delinquent loans on behalf of a loan owner. We typically earn subservicing and special servicing fees either as a percentage of UPB or on a per loan basis based on delinquency status.

Servicing advances are an important component of our business and are amounts that we, as MSR owner, are required to advance to, or on behalf of, investors if we do not receive such amounts from borrowers. These amounts include principal and interest payments, property taxes and insurance premiums and amounts to maintain, repair and market real estate properties on behalf of our servicing clients. Most of our advances have the highest reimbursement priority such that we are entitled to repayment of the advances from the loan or property liquidation proceeds before most other claims on these proceeds. Advances are contractually non-interest bearing. The costs incurred by servicers in meeting advancing obligations consist principally of the interest expense incurred in financing the advance receivables and the costs of arranging such financing. Under subservicing agreements, Ocwen is promptly reimbursed by the owners of the MSRs who generally finance the advances and incur the associated financing cost.

Reducing delinquencies is important to our business because it enables us to recover advances and recognize additional ancillary income, such as late fees, which we do not recognize on delinquent loans until they are brought current. Performing loans also require less work and thus are generally less costly to service. While increasing borrower participation in loan modification programs is a critical component of our ability to reduce delinquencies, borrower compliance with those modifications is also an important factor.

Our servicing portfolio naturally decreases over time as homeowners make regularly scheduled mortgage payments, prepay loans prior to maturity, refinance with a mortgage loan not serviced by us or involuntarily liquidate through foreclosure or other liquidation process. In addition, existing clients may determine to terminate their servicing and subservicing arrangements with us and transfer the servicing to others. Therefore, our ability to maintain or grow our servicing revenue or the size of our servicing portfolio depends on our ability to acquire the right to service or subservice additional mortgage loans at a rate that exceeds portfolio runoff and any client terminations. Our Originations segment is focused on profitably replenishing and growing our servicing and subservicing portfolios.

Originations

The primary source of revenue of our Originations segment is our gain on sale of loans. We originate and purchase residential mortgage loans that we sell to Agencies or securitize on a servicing retained basis, thereby generating mortgage servicing rights. Our mortgage loans are conventional (conforming to the underwriting standards of the GSEs, collectively Agency loans) and government-insured loans (insured by the FHA or VA). We generally package and sell the loans in the secondary mortgage market, through GSE and Ginnie Mae guaranteed securitizations and whole loan transactions. We originate forward mortgage loans directly with customers (consumer direct channel, previously recapture) as well as through correspondent lending arrangements since the second quarter of 2019. We originate reverse mortgage loans in all three channels, through our correspondent lending arrangements, broker relationships (wholesale) and retail channels. Per-loan margins vary by channel, with correspondent typically being the lowest margin and retail the highest, commensurate with fulfillment costs.

In addition to our originated MSRs, we acquire MSRs through multiple channels, including flow purchase agreements, the Agency Cash Window programs and bulk MSR purchases. Our Originations business also includes the sourcing and acquisition of new subservicing clients.

In 2021, our Originations business generated a total volume of $152.0 billion in UPB (refer to Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview for further details).

Retail Lending. We originate forward and reverse mortgage loans directly with borrowers through our retail lending business. Our forward lending business benefits from our servicing portfolio by offering refinance options to qualified borrowers seeking to lower their mortgage payments. Depending on borrower eligibility, we refinance eligible customers into conforming or government-insured products. We are focused on increasing recapture rates on our existing servicing portfolio to grow this business. We also are increasing our ability to originate retail loans to non-Ocwen servicing customers through various marketing channels. Through lead campaigns and direct marketing, the retail channel seeks to convert leads into loans in a cost-efficient manner.

Correspondent Lending. Our correspondent lending operation purchases forward and reverse mortgage loans that have been originated by a network of approved third-party lenders. All the lenders participating in our correspondent lending program are approved by senior management members of our lending and risk management teams. We also employ an ongoing monitoring and renewal process for participating lenders that includes an evaluation of the performance of the loans they have sold to us. We perform a variety of pre- and post-funding review procedures to ensure that the loans we purchase conform to our requirements and to the requirements of the investors to whom we sell loans.

Wholesale Lending. We originate reverse mortgage loans through a network of approved brokers. Brokers are subject to a formal approval and monitoring process. We underwrite all loans originated through this channel consistent with the underwriting standards required by the ultimate investor prior to funding.

We provide customary origination representations and warranties to investors in connection with our loan sales and securitization activities. We receive customary origination representations and warranties from our network of approved originators relating to loans we purchase through our correspondent lending channel. In the event we cannot remedy a breach of a representation or warranty, we may be required to repurchase the loan or provide an indemnification payment to the investor. To the extent that we have recourse against a third-party originator, we may recover part or all of any loss we incur.

MSR Purchases. We purchase MSRs through flow purchase agreements, the Agency Cash Window programs and bulk MSR purchases. The Agency Cash Window programs we participate in, and purchase MSRs from, allow mortgage companies and financial institutions to sell whole loans to the respective Agency and sell the MSR to the winning bidder servicing released. In addition, we partner with other originators to replenish our MSR through flow purchase agreements. We do not provide any origination representations and warranties in connection with our MSR purchases through MSR flow purchase agreements or Agency Cash Window programs.

New Servicing and Subservicing Acquisitions. Our enterprise sales department strives to expand our network of servicing and subservicing clients and source new flow and co-issue or subservicing agreements. We compete as a low cost provider with our demonstrated expertise to service mortgage assets across borrowers of every credit level and with our recapture ability.

REGULATION

Our business is subject to extensive regulation and supervision by federal, state, local and foreign governmental authorities, including the CFPB, HUD, the SEC and various state agencies that license and conduct examinations of our loan servicing, origination and collection activities. From time to time, we also receive information requests and other inquiries, both formal and informal in nature, (including requests in the form of subpoenas and civil investigative demands) from federal, state and local agencies for records, documents and information relating to the policies, procedures and practices of our loan servicing, origination and collection activities. 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, the Federal Housing Finance Authority (FHFA), HUD, FHA, VA, 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 regulatory environment in which we operate and to meet the requirements of this constantly changing environment. In the normal course of business, we incur significant costs to address regulatory requirements in each of our three lines of defense. 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. See Item 1A. Risk Factors – Legal and Regulatory Risks for further information.

We must comply with a large number of federal, state and local consumer protection and other laws and regulations, including, among others, the CARES Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the Telephone Consumer Protection Act (TCPA), the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act (FDCPA), the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA), the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, as well as individual state laws pertaining to licensing, general mortgage origination and servicing practices and foreclosure, and federal and local bankruptcy rules. These laws and regulations apply to all facets of our business, including, but not limited to, licensing, loan originations, consumer disclosures, default servicing and collections, foreclosure, filing of claims, registration of vacant or foreclosed properties, handling of escrow accounts, payment application, interest rate adjustments, assessment of fees, loss mitigation, use of credit reports, handling of unclaimed property, safeguarding of non-public personally identifiable information about our customers, and the ability of our employees to work remotely. These complex requirements can and do change as laws and regulations are enacted, promulgated, amended, interpreted and enforced, and the requirements applicable to our business have been changing especially rapidly in response to the COVID-19 pandemic, as discussed below.

In recent years, 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 mortgage lenders and servicers. The CFPB continues to take a very active role in the mortgage industry, and its rule-making and regulatory agenda relating to loan servicing and origination continues to evolve. Individual states have also been active, as have other regulatory organizations such as the Multistate Mortgage Committee (MMC), a multistate coalition of various mortgage banking regulators. In addition to their traditional focus on licensing and examination matters, certain regulators make observations, recommendations or demands with respect to areas such as corporate governance, safety and soundness and risk and compliance management.

The CFPB and state regulators have also focused on the use and adequacy of technology in the mortgage servicing industry, privacy concerns and other topical issues, such as likely discontinuation of the London Interbank Offered Rate (LIBOR), communications from debt collectors, and the ability of borrowers to repay mortgage loans. Further, in 2020 we became subject to additional regulations and requirements as the GSEs, Ginnie Mae, the United States Treasury Department and state regulators responded to the COVID-19 pandemic. In March 2020, the CARES Act was signed into law, allowing borrowers affected by COVID-19 to request temporary loan forbearance for federally backed mortgage loans. In addition, multiple forbearance programs, moratoria of foreclosure and eviction and other requirements to assist borrowers enduring financial hardship due to COVID-19 were implemented by states, agencies and regulators. Further, the CFPB promulgated certain amendments to RESPA (Regulation X) that became effective on August 31, 2021 and that impose certain additional COVID-19-related requirements with respect to loss mitigation, early intervention call requirements, and initiating new foreclosures. The CFPB moratorium on new foreclosures sunset on January 1, 2022, although some states continue to impose certain foreclosure moratoria, including in connection with their respective Homeowner Assistance Fund programs.

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. The minimum net worth requirements to which our licensed entities are subject are unique to each state and type of license. See Item 1A. Risk Factors – Legal and Regulatory Risks for further information.

In recent years, we have been subject to significant state and federal regulatory actions against us, including the following:

- We are currently in litigation with the CFPB after the CFPB filed a lawsuit in the federal district court for the Southern District of Florida against Ocwen, Ocwen Mortgage Servicing, Inc. (OMS) and Ocwen Loan Servicing, LLC (OLS) alleging violations of federal consumer financial laws relating to our servicing business. In April 2021, following the filing of motions by the parties and a number of procedural developments, the court entered final judgment in our favor and closed the case. The CFPB thereafter filed a notice of appeal. Appellate briefing concluded August 26, 2021, and oral argument before the Eleventh Circuit occurred on February 10, 2022. We expect the CFPB to resume its supervision activities of Ocwen upon conclusion of this matter.
- In recent years we have settled state regulatory actions against us by 29 states and the District of Columbia and a lawsuit brought by the Florida Attorney General and the State of Florida Office of Financial Regulation after these states and the District of Columbia alleged deficiencies in our compliance with laws and regulations relating to our servicing and lending activities. We have also entered into regulatory settlements with the NY DFS and the California Department of Financial Protection and Innovation (CA DFPI) relating to our servicing practices and other aspects of our business, and we have entered into a settlement agreement with the MMC and consent orders with certain state attorneys general to resolve and close out findings of an MMC examination of PMC's legacy mortgage servicing practices.

We have incurred significant costs to comply with the terms of the settlements into which we have entered. In addition, the restrictions imposed under these settlements have impacted how we run our business.

We continue to be subject to a number of ongoing federal and state regulatory examinations, consent orders, inquiries, subpoenas, civil investigative demands, requests for information and other actions, which could result in adverse regulatory action against us. See Item 1A. Risk Factors – Legal and Regulatory Risks for further information.

Finally, there are a number of foreign laws and regulations that are applicable to our operations outside of the U.S., including laws and regulations that govern licensing, privacy, employment, safety, payroll and other taxes and insurance and laws and regulations that govern the creation, continuation and the winding up of companies as well as the relationships between shareholders, our corporate entities, the public and the government in these countries.

COMPETITION

The financial services markets in which we operate are highly competitive and fragmented, and we expect them to remain so. We compete with large and small financial services companies, including bank and non-bank entities, in the servicing, lending and MSR transaction markets. Our competitors include large and regional banks, large non-bank servicers and mortgage originators, and real estate investment trusts. In both our servicing and originations business, new competitors continue to emerge, including companies that developed new technology around customer interactions and process automation.

In our Servicing business, we compete based on price, operating performance, service quality and customer and client satisfaction. Potential counterparties also (1) assess our regulatory compliance track record and examine our systems and processes for maintaining and demonstrating regulatory compliance, (2) consider our customer satisfaction rankings, and (3) consider our third-party servicer ratings. Certain of our competitors, especially large banks, may have substantially lower costs of capital and greater financial resources, which makes it challenging to compete. We believe that our competitive strengths flow from our ability to control and drive down delinquencies using proprietary processes, our superior operating performance, our lower cost to service non-performing loans and our deep know-how as a long-time operator of servicing loans. During 2021, PMC was recognized by the GSEs for the quality of its servicing performance. Freddie Mac awarded PMC the Gold Sharp Award for Top Tier Servicing Group. PMC was one of only two mortgage servicers to be recognized by Fannie Mae in 2021 in all three categories of the Servicer Total Achievement Rewards (STAR) Program. Notwithstanding these strengths, we have suffered reputational damage as a result of previous regulatory settlements and the associated scrutiny of our business. We believe this has weakened our competitive position against both our bank and non-bank servicing competitors.

In our Originations business, we face intense competition in most areas, including rates, margin, fees, customer service and name recognition. Some of our competitors, including the larger banks, have substantially lower costs of capital and strong retail presence, which makes it challenging to compete. We believe that we will continue to face increased competitive pressures in the future as the refinance opportunities contract with rising interest rates. We also believe our competitive strengths flow from our existing customer relationships and from our focus on providing strong customer service.

The forward and reverse lending markets face many of the same competitive pressures. However, the reverse market is significantly smaller than the forward market with a higher market share concentration among the top five Ginnie Mae HMBS issuers. These higher concentration levels can, at times, lead to significant price competition. We believe the competitive advantage of our Liberty Reverse Mortgage business flows from our focus on customer experience and service levels, our significant experience and name recognition, our strategic partnerships and our use of technology to produce higher levels of productivity to drive down per-loan costs.

THIRD-PARTY SERVICER RATINGS

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

The following table summarizes our key servicer ratings:

	PHH Mortgage Corporation (PMC)		
	Moody’s	**S&P**	**Fitch**
Residential Prime Servicer	SQ3	Average	RPS3
Residential Subprime Servicer	SQ3	Average	RPS3
Residential Special Servicer	SQ3	Average	RSS3
Residential Second/Subordinate Lien Servicer	SQ3	Average	RPS3
Residential Home Equity Servicer	—	—	RPS3
Residential Alt-A Servicer	—	—	RPS3
Master Servicer	SQ3+	Above Average	RMS3
Ratings Outlook	N/A	Stable	Stable
Date of last action	September 28, 2021	June 29, 2021	April 28, 2021

In addition to servicer ratings, each of the agencies will from time to time assign an outlook (or a ratings watch such as Moody’s review status) to the rating status of a mortgage servicer. A negative outlook is generally used to indicate that a rating “may be lowered,” while a positive outlook is generally used to indicate a rating “may be raised.” On September 28, 2021, Moody’s upgraded the servicer quality (SQ) assessment for PMC as a master servicer of residential mortgage loans from SQ3 to SQ3+, reflecting solid reporting and remitting processes and proactive servicer oversight. On June 29, 2021, S&P affirmed PMC’s servicer rating as Average, raising management and organization ranking to Above Average. In addition, S&P raised PMC’s master servicer rating from Average to Above Average reflecting the industry experience of PMC’s management, multiple levels of internal controls to monitor operations, and resolution of regulatory actions, among other factors mentioned by S&P. On March 24, 2020, Fitch placed all U.S RMBS servicer ratings on Negative outlook resulting from a rapidly evolving economic and operating environment due to the sudden impact of the COVID-19 virus.

On April 28, 2021, Fitch affirmed PMC’s servicer ratings and revised its outlook from Negative to Stable as PMC’s performance in this evolving environment has not raised any elevated concerns. According to Fitch, the affirmation and stable outlook reflected PMC’s diligent response to the coronavirus pandemic and its impact on servicing operations, effective enterprise-wide risk environment and compliance management framework, satisfactory loan servicing performance metrics, special servicing expertise, and efficient servicing technology. The ratings also consider the financial condition of PMC’s parent, Ocwen Financial Corporation.

See Item 1A. Risk Factors - Risks Relating to Our Business for further discussion of the adverse effects that a failure to maintain minimum servicer ratings could have on our business, financing activities, financial condition or results of operations.

In addition to the above servicer ratings, PMC was recognized by the GSEs for the quality of its servicing performance in 2021. Freddie Mac awarded PMC the Gold Sharp Award for Top Tier Servicing Group. PMC was one of only two mortgage servicers to be recognized by Fannie Mae in 2021 in all three categories of the STAR Program.

NEW RESIDENTIAL INVESTMENT CORP. RELATIONSHIP

Ocwen has a legacy relationship with NRZ and we acquired PMC's legacy relationship with NRZ when we acquired PHH in October 2018. As a result, we service loans on behalf of NRZ under various agreements, including traditional subservicing agreements, where NRZ is the legal owner of the MSRs, and in connection with Rights to MSRs, where Ocwen retains legal title to the underlying MSRs but NRZ has generally assumed risks and rewards consistent with an MSR owner. See Note 8 — MSR Transfers Not Qualifying for Sale Accounting.

NRZ is our largest servicing client, accounting for $55.8 billion of UPB or 21% of the UPB of our total servicing portfolio as of December 31, 2021, approximately 66% of all delinquent loans that Ocwen serviced, and approximately 19% of our total servicing and subservicing fees in 2021, net of servicing fees remitted to NRZ (excluding ancillary income). On February 20, 2020, we received a notice of termination from NRZ with respect to the legacy PMC subservicing agreement. We continued to service these loans until deboarding on October 1, 2020. A total of 270,218 loans were deboarded representing $34.2 billion of UPB.

In addition to a base servicing fee, we receive ancillary income, which primarily includes 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 receives all float earnings and deferred servicing fees related to delinquent borrower payments, as well as certain REO-related income, including REO referral commissions. As legal MSR owner, or in compliance with the Rights to MSRs agreements, NRZ is responsible for financing all servicing advance obligations in connection with the loans underlying the MSRs.

The legacy Ocwen agreements with NRZ have an initial term ending in July 2022. The underlying loans are almost exclusively non-Agency loans, involving a higher level of operational and regulatory risk, and requiring substantial direct and oversight staffing relative to Agency loans. NRZ may terminate the agreements for convenience, subject to Ocwen's right to receive a termination fee and 180 days' notice at any time during the initial term. As of the date this Annual Report on Form 10-K is filed with the SEC, we have not received any such notice of termination. After the initial term, these agreements can be renewed for three-month terms at NRZ's option by providing proper notice.

In the ordinary course and as we approach the end of the initial term in July 2022, we share information with NRZ and discuss various aspects of our relationship. With respect to the Rights to MSRs, our existing agreements provide that the Rights to MSRs could (i) remain in the existing Rights to MSR structure, (ii) be acquired by Ocwen or (iii) be sold or transferred to a third party together with Ocwen's title to the related MSRs. In addition, the Rights to MSRs could be transferred to NRZ under the Transfer Agreement and become subserviced by PMC. The agreements may not be renewed by NRZ in July 2022 or at the end of any three-month renewal term after July 2022. In our business planning efforts, we have assessed the potential impact of such actions by NRZ in light of the current and predicted future economics of the NRZ relationship generally. Because of the large percentage of our servicing business that is represented by agreements with NRZ, if NRZ exercised all or a significant portion of these termination rights, we would need to rapidly scale our servicing business.

ALTISOURCE VENDOR RELATIONSHIP

Ocwen is a party to a number of long-term agreements with Altisource S.à r.l., and certain of other subsidiaries of Altisource Portfolio Solutions, S.A. (Altisource), including a Services Agreement, under which Altisource provides various services, such as property valuation services, property preservation and inspection services, title services and real estate sales related services, among other things. Certain services provided by Altisource under the Services 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.

In May 2021, Ocwen and Altisource signed a Binding Term Sheet under which the parties agreed to extend the term of the Services Agreement through August 2030. In addition, the parties agreed to fully release each other from liability with respect to any and all claims related to Ocwen's transfer of service referrals and services to providers other than Altisource.

Based on public filings, we believe one of our shareholders holding more than 5% of our common stock has a direct or indirect material interest in Altisource.

OAKTREE RELATIONSHIP

We established a strategic alliance with Oaktree in 2020 to support refinancing our corporate debt and help advance our growth initiatives. The Oaktree relationship includes the launch of an MSR investment vehicle to scale up our servicing business in a capital efficient manner and investments in our debt and equity.

On December 21, 2020, we entered into the Transaction Agreement with Oaktree to form a joint venture for the purpose of investing in GSE MSRs subserviced by PMC. Effective with the closing of the transaction on May 3, 2021, Oaktree and Ocwen hold 85% and 15% interests in MAV Canopy, and agreed to invest equity up to $250.0 million over three years. As of December 31, 2021, the total members' capital contributions to MAV Canopy amounted to $131.2 million, net of distributions, or approximately 52% of capacity. We are currently discussing with Oaktree a potential upsize of the capital commitment to MAV.

Pursuant to an agreement with Oaktree executed on February 2021, we issued to Oaktree in a private placement $285.0 million of Ocwen senior secured notes in two separate tranches. The initial tranche of $199.5 million senior secured notes was completed on March 4, 2021 and the additional $85.5 million tranche was completed following the launch of the MSR joint venture on May 3, 2021. In addition:

- On March 4, 2021, we issued 1,184,768 warrants to Oaktree to purchase shares of our common stock equal to 12% of our then outstanding common stock at an exercise price of $26.82 per share, subject to anti-dilution adjustments.
- On May 3, 2021, we issued 261,248 warrants to Oaktree to purchase additional common stock equal to 3% of our then outstanding common stock at an exercise price of $24.31 per share, subject to anti-dilution adjustments.
- On May 3, 2021, we issued to Oaktree 426,705 shares, or 4.9% of our fully diluted outstanding common stock, or at a purchase price of $23.15 per share.

The net proceeds before expenses from the issuance to Oaktree of the initial tranche of senior secured notes and the warrants was $175.0 million (after $24.5 million of original issue discount) and was used, together with the proceeds from the additional debt financing, to repay in full an aggregate of $498 million of existing indebtedness, including Ocwen's $185.0 million Senior Secured Term Loan, $21.5 million 6.375% senior unsecured notes due 2021 and $291.5 million 8.375% senior secured second lien notes due 2022. The net proceeds before expenses from the issuance to Oaktree of the additional tranche of senior secured notes and the warrants was approximately $75.0 million (after $10.5 million of original issue discount) and was used to fund our investment in the MSR joint venture and for general corporate purposes, including to accelerate the growth of our Originations and Servicing businesses.

In 2021 as part of the launch of the MSR joint venture, PMC entered into a number of definitive agreements with MAV, the licensed mortgage subsidiary of MAV Canopy which govern the terms of their business relationship, including a Subservicing Agreement, Joint Marketing Agreement and Recapture Agreement, and Administrative Services Agreement.

PMC has exclusive rights to subservice the MSR owned by MAV and is compensated with subservicing fees in accordance with the Subservicing Agreement. The Subservicing Agreement will continue until terminated by mutual agreement of the parties or for cause, as defined. We are currently discussing with MAV certain amendments to the terms and conditions of the Subservicing Agreement and related agreements.

PMC entered into the following MSR sale transactions with MAV pursuant to certain MSR purchase and sale agreements in 2021:

- Sales of MSR portfolios to MAV in bulk transactions;
- Flow sales to MAV of certain MSRs PMC purchased from a GSE Cash Window program; and
- Flow sales to MAV of MSRs PMC recaptured from borrowers that were previously serviced on behalf of MAV. Under the Recapture Agreement, PMC sells the originated MSR for nil proceeds but retains the realized gain on loan sales.

These transactions accelerated the launch of MAV. At December 31, 2021, MAV's servicing portfolio comprised $8.9 billion of MSRs acquired from unrelated third parties and $24.0 billion MSRs acquired from PMC.

These MSR sale transactions between PMC and MAV did not achieve sale accounting criteria due to the Subservicing Agreement termination restrictions. Although the servicer compensation is the same under the Subservicing Agreement, our financial statements reflect two distinct portfolios, depending on whether the MSRs were previously sold by PMC to MAV. PMC recognizes subservicing revenue from those MSRs MAV acquired from third parties. PMC recognizes servicing revenue together with MSR pledged liability expense for servicing fees PMC collects and remits to MAV as it relates to those MSRs sold by PMC to MAV.

See Note 11 — Investment in Equity Method Investee, Note 14 — Borrowings, and Note 16 — Stockholders' Equity to the Consolidated Financial Statements for additional information.

USVI OPERATIONS

The majority of our USVI operations and assets were transferred to the U.S. during 2019 as a result of our legal entity simplification. Our current USVI operations mostly supports our Servicing segment, including a servicing call center for customer service and home retention.

In 2012, Ocwen formed OMS under the laws of the USVI in a federally recognized economic development zone where qualified entities are eligible for certain tax benefits granted by the USVI Economic Development Commission ("EDC Benefits"). We were approved as a Category IIA service business, and are therefore entitled to receive significant benefits that may have a favorable impact on our effective tax rate. We conducted a substantial portion of our servicing business through

OLS, a wholly-owned subsidiary of OMS. Although we are eligible for a reduced tax rate in the USVI, the reduced tax rate has not provided Ocwen with a foreign tax benefit in recent tax years as we have been incurring taxable losses in the USVI.

During 2019, OLS merged into PMC. As a result of this reorganization, the majority of our USVI operations and assets were transferred to the U.S. We continue to maintain some operations in the USVI. However, it is possible that we may not be able to retain our qualifications for the EDC Benefits, or that our past and future EDC Benefits could be adversely impacted by our reorganization, or that changes in U.S. federal, state, local, territorial or USVI taxation statutes or applicable regulations may cause a reduction in or an elimination of the value of the EDC Benefits, all of which could result in an increase to our tax expense, including a loss of anticipated income tax refunds, and, therefore, adversely affect our financial condition and results of operations.

HUMAN CAPITAL RESOURCES

We believe the success of our organization is highly dependent on the quality and engagement of our human capital resources. Our workforce is dedicated to creating positive outcomes for homeowners, communities and investors through caring service and innovative solutions. We strive to develop a working environment and culture that fosters our company values:

- *Integrity*: Do What's Right – Always
- *Service Excellence*: Consistently Delivering on Our Commitments
- *People*: Develop, Grow and Value All Employees
- *Teamwork*: Succeed Together as a Global Team
- *Embracing Change*: Value Innovation and New Thinking

We had a total of approximately 5,700 employees at December 31, 2021. Approximately 2,000 of our employees were employed in the U.S. and USVI, and approximately 3,700 of our employees were employed in our operations in India and the Philippines. Of our foreign-based employees, approximately 66% were engaged in our Servicing operations. Ocwen currently operates through a secure remote workforce model for approximately 95% of its global workforce due to the COVID-19 pandemic.

Our Board of Directors and executive leadership team places significant focus on our human capital resources through fostering and measuring employee engagement, committing to comprehensive Diversity, Equity, and Inclusion initiatives, and engaging with both internal and external groups and organizations to ensure that our culture enables employees to consistently demonstrate our company values. Important attributes of our human capital strategy include:

Diversity, Equity and Inclusion (DE&I). We are committed to be a globally diverse and inclusive workplace where every voice is heard. Diversity, inclusiveness and respect are integral parts of our culture and work environment. DE&I training for all employees and unconscious bias training for leaders are mandatory parts of our learning programs to increase awareness, and employees at all levels are annually evaluated on sustaining an inclusive work environment. The pillars of our diversity program are:

- *Leadership*: Embrace and foster a culture of inclusion throughout Ocwen and be held accountable for achieving diversity and inclusion goals and objectives.
- *Workforce*: Attract, develop, retain and advance the best and brightest from all walks of life and backgrounds at all levels of the organization.
- *Vendor Diversity*: Achieve a range of suppliers, vendors and service providers who align with our diversity and inclusion strategies.
- *Community Engagement:* Ensure that Ocwen has a significant presence in and supports a core group of diverse, community-based organizations and philanthropies.

As of December 31, 2021, 48% of our employees globally are women, and 33% of our U.S. leadership roles (Director and above) are filled by women. 62% of our U.S. employees are women and 45% are people of color. Our affinity groups like the Ocwen Global Women's Network (OGWN), LEAP Black professionals network, FREE affinity group for LGBTQ+ employees and mentoring programs, when coupled with a culture of appreciation, help provide a comprehensive ecosystem for diversity to flourish.

Ocwen sponsors several organizations focused on under-represented groups, including the American Mortgage Diversity Council and the National Association of Minority Mortgage Bankers of America. We are also committed to hiring graduates from historically Black colleges and universities through the HomeFree-USA Center for Financial Advancement program.

Talent Development. We continue to foster an environment in which every team member has the opportunity to grow and achieve his or her professional goals, with support and encouragement. We regularly measure employee engagement – our employees' pride, energy and optimism that fuels their effort – and implement action plans that respond to employee feedback. Our most recent employee survey indicated 84% favorable engagement levels. Our training platform focuses not only on the technical domain skills essential to role success, but includes competency-based programs to develop leadership capabilities and skills needed for the future. In 2021, our voluntary turnover was 16.8%. Succession planning occurs annually and is reviewed by the CEO and the Compensation and Human Capital Committee. Strategic talent reviews to identify, develop and promote top talent are part of our performance management processes. The Aspire mentoring program provides aspiring women leaders at mid-level with a platform to build skill, knowledge and expertise while achieving professional development goals through focused guidance and insight from a network of mentors.

Rewards. Our total rewards (compensation and benefits) programs are developed to attract, motivate and retain employees. They demonstrate the value the employee provides to the organization, are designed to be competitive to the marketplace, and connect directly to key business strategies. Our compensation programs, including salaries and short- and long-term incentives, are centered on our pay-for-performance philosophy, aligning the interests of employees and stakeholders by rewarding both individual and overall company performance. Ocwen's health and welfare benefit programs strive to keep employees productive and engaged at work by serving the total well-being of employees and their families. We are committed to and regularly evaluate our practices to ensure pay is fair and equitable, and competitive to the marketplace.

Environmental, Social and Corporate Governance (ESG) Practices and Corporate Sustainability

Our Board of Directors and our management are committed to ensuring Ocwen has responsible practices to address the needs of its customers, employees and the communities it serves. Our comprehensive approach to ESG and corporate sustainability is detailed in our report "Environmental, Social and Corporate Governance (ESG) and Corporate Sustainability" on our website at www.ocwen.com in the "Shareholders" section under "Corporate Governance." Our approach is represented by the following policies and programs:

Policy on non-discrimination. Ocwen's non-discrimination policy provides equal employment opportunities for all qualified individuals without discrimination based upon the following legally protected characteristics: race, religious creed, color, national origin, ancestry, physical or mental disability, medical condition, genetic information, marital status (including registered domestic partnership status), sex (including pregnancy, childbirth, lactation and related medical conditions), gender (including gender identity and expression), age (40 and over), sexual orientation, Civil Air Patrol status, military and veteran status and any other consideration protected by federal, state or local law (collectively referred to as "protected characteristics"). Underlying this policy is Ocwen's culture and values, including employees' rights to be free from unlawful discrimination, and its commitment to providing a safe, secure and productive work environment.

Ocwen's hiring, salary administration, promotion and transfer policies are based solely on job requirements, job performance and job-related criteria. In addition, every effort is made to ensure that Ocwen's personnel policies and practices (including those relating to compensation, benefits, transfer, retention, termination, training and self-development opportunities, as well as social and recreational programs) are administered without discrimination on the basis of any legally protected characteristic.

Promoting equal opportunity and diversity. Ocwen is committed to providing equal opportunity in all areas of employment, compensation, training and promotion. Company policies prohibit discrimination of any form in all of the locations in which Ocwen operates. Ocwen strives to foster an environment in which all stakeholders can participate and contribute to the success of the organization's enterprise, taking full advantage of the collective sum of individual differences, life experiences, inventiveness, self-expression and unique capabilities, knowledge and talent. Our Diversity, Equity and Inclusion Council meets quarterly to review progress related to the Ocwen's Diversity, Equity and Inclusion Roadmap. Diversity, Equity and Inclusion updates are provided to the Executive Leadership Team on a monthly basis and to the Board of Directors as necessary. Ocwen's Global Diversity, Equity and Inclusion Policy is reviewed on an annual basis and diversity training is mandatory for all employees globally. Additionally, all leaders are required to complete a training course on Unconscious Bias, and Diversity and Inclusion goals are incorporated into annual performance evaluations for all managers.

In 2017, Ocwen formed the Ocwen Global Women's Network (OGWN), an affinity group whose mission is to support recruitment, development and retention initiatives for women across the organization. This affinity group serves as a sounding board for business insights, and supports the attainment of company goals in diversity, inclusion and talent development. Integrating Diversity, Equity and Inclusion into Ocwen's culture is critical for our success and allows us to make the most of the full range of our talent. More than 2,300 employees are OGWN members. In 2021, Ocwen launched two new affinity groups, LEAP and FREE, that respectively foster a safe place, promote belonging and drive inclusion for Black and LGBTQ+ employees. **LEAP** stands for **L**eading with **E**ducation **A**ction and **P**urpose and its mission is to educate Ocwen employees globally about Black culture and the Black experience to increase inclusion across the organization. LEAP also enhances the professional development of Black employees through formal and informal mentoring, networking, learning opportunities and leadership development. The mission of **FREE**, which stands for **F**reedom, **R**espect, **E**xpression and **E**quality, is to create a safe, inclusive and affirming office climate that fosters professional and personal growth for employees of all genders and sexualities through education, advocacy, outreach and support. FREE promotes a fully equitable environment that is free of judgment and strives for knowledge, challenges barriers, and seeks to help and empower LGBTQ+ employees.

Ocwen tracks and monitors representation of women and people of color across the organization. As of December 31, 2021, 48% of our global workforce is made up of women. In the U.S., women make up 62% of our workforce and 33% of our leadership team at the Director level and above. Additionally, in the U.S., people of color make up 45% of our workforce and 18% of our leadership team at the Director level and above. We also take action to support the recruitment, development and retention of our diverse talent. These programs include requiring diverse candidates as part of our hiring process, tracking minority hiring, promotion, retention and representation at all levels, and assessing diverse talent as part of our succession planning.

Ocwen sponsors several organizations focused on under-represented groups, including the American Mortgage Diversity Council, Florida Association of Women Lawyers and the National Association of Minority Mortgage Bankers of America. We are also committed to hiring graduates from historically black colleges and universities through the HomeFree-USA Center for Financial Advancement program.

Pay equity is an important component of Ocwen's employment value proposition, commitment to DE&I and legal and regulatory compliance. We regularly evaluate our performance management, merit increase incentive award and promotion processes for race and gender equality, and remediate any identified compensation gaps.

Commitment to Ethics. We have adopted a robust Code of Business Conduct and Ethics that applies to all employees and our Board of Directors, as well as an additional Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer. We provide multiple anonymous methods for any employee or other person to report a suspected ethical violation, including whistleblower complaints relating to accounting, internal controls, audit matters or securities law, and our policies prohibit retaliation against any person for making a good faith complaint. We also provide methods for interested individuals to contact the members of our Board of Directors and communicate directly with the Chair of our Audit Committee. Our General Counsel serves as our Chief Ethics Officer and works with members of our Internal Audit function to ensure every ethics complaint and communication to our Board is addressed in accordance with our company policies.

Dependent care and special leave. Ocwen's benefits programs strive to keep employees productive and engaged at work by serving the total well-being of employees' and their families' physical, mental and financial health. Our comprehensive benefits plan includes company-sponsored medical, dental and vision; company-paid basic life, accident and disability coverage; 401(k) with company match; and supplemental group coverage for critical illness, accident, auto, home, pet, legal, identity protection, childcare/eldercare and tutoring. The medical plans include 100% coverage for all preventive care services and all generic preventive medications.

Our wellness programs offer incentives for completing preventive health screenings, participating in online and telephonic health coaching, improving or reaching targeted health scores, and increasing physical activity. Additionally, we provide employees with a comprehensive employee assistance program that includes virtual counseling, personalized health coaching for chronic conditions, diabetes and ergonomics, stress management and financial planning workshops, online guided meditation and yoga, and more. Ocwen also provides a generous paid time off (PTO) program to support employees' need to rest and recharge. Our medical and family leave programs offer paid disability absences and paid parental/adoption leave, in addition to FMLA-required schedule flexibility and job security.

Training and development. Ocwen is committed to providing our employees with high quality training and learning experiences targeted to increase industry knowledge levels, improve process efficiency and promote personal growth, which in turn helps improve customer experience, reduce foreclosures and contribute to our success as an organization. Ocwen facilitates professional development through the lifecycle of employees through functional business training, regulatory and compliance training, and skill and competency development programs. We also provide individualized one-on-one coaching to help customer-facing staff guide customers to positive experiences. In addition to learning programs designed to build functional and leadership competency for all levels of leadership throughout the organization, Ocwen offers a Leadership Development Training curriculum specifically designed to prepare employees at the Supervisor level and above with the competencies to make them successful in their roles as leaders. Training courses are housed in our continuously reviewed and updated learning management system.

Community development. At Ocwen, we believe homeownership is an important part of achieving financial independence, and our philosophy in this regard is "helping homeowners is what we do." This philosophy is what guides us in our commitment to the communities we serve. We organize a variety of community outreach programs and events with local and national organizations around the country to assist homeowners, particularly in communities of color. Our outreach events began during the 2008 mortgage crisis and have continued since then. At the onset of the pandemic in 2020, Ocwen shifted to a virtual borrower outreach model to assist struggling homeowners. We continued this model throughout 2021 and, in partnership with the NAACP, we hosted 52 virtual borrower outreach events across the country. In recognition of our efforts, Ocwen was named the 2021 External Partner of the Year by Neighborhood Housing Services of New York City for our focus on helping New York homeowners stay in their homes.

To better serve our communities, Ocwen created a Community Advisory Council in 2014, consisting of 15 leaders from a diverse group of national non-profit organizations, consumer advocacy groups and civil rights organizations, as a platform to collaborate and share ideas on how to help homeowners. Ocwen provides grants and sponsorship funding to a number of local and national nonprofit organizations each year, in support of the work they do to help distressed communities and homeowners. Since 2012, Ocwen has contributed over $25 million to these organizations.

Charitable activity. Ocwen continues to find meaningful ways to give back to the communities where we live and work. The charitable events at our office locations around the globe included distributing meals and supporting local food banks, helping economically disadvantaged children and at-risk youth, helping schools for hearing-impaired children, holding toy drives and back-to-school supply drives, helping the homeless, supporting victims of crimes, providing financial assistance to families impacted by cancer, making donations to first responders, helping communities impacted by the pandemic with donations and medical equipment, hosting blood drives through the American Red Cross and making donations to the Mortgage Bankers Association's (MBA) Opens Doors Foundation to help families with a critically ill or injured child.

Responsible information security management. We believe Ocwen has a robust information security program in place to ensure the confidentiality, integrity and availability of data and information systems. Ocwen's Board of Directors is briefed regularly on information security risks, which are managed by a combination of strong policies, appropriate tools and technologies and continuous people awareness. Ocwen's cyber security controls utilize a layered defense-in-depth approach to thwart any attempts to compromise the integrity of the network. Our employees are provided regular training to identify, prevent and report cyber security risks and incidents. Our third-party risk management program evaluates and monitors our vendors' information security practices, and all third-party vendors that process data on our behalf are required to maintain a documented information security program that meets our stringent security requirements. Ocwen's cyber security preparedness is tested on a regular basis through a variety of assessments, including internal and external vulnerability assessments, penetration tests, incident response table top tests, breach readiness and response tests, among others.

Environmental Impact. Ocwen is committed to operating through a primarily remote working model for a significant majority of our workforce that requires only a small percentage of employees to commute to work on a daily basis. We expect this remote model will allow Ocwen to use significantly fewer natural resources in our facilities and generate fewer employee commute-related carbon emissions than a comparatively-sized business that does not operate remotely. We recycle office supplies at all U.S. facilities, and are in the process of converting our facilities to LED lighting. We have also implemented a digital mailroom process reducing the need for envelopes and shipping of documents between locations. In 2021, working with customers, we replaced over 3 million paper mailings through electronic notice delivery and process automations, reducing our carbon footprint by an average of 20-29 g of CO_2 per mailing.

AVAILABLE INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are made available free of charge through our website (www.ocwen.com) as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers, including Ocwen, that file electronically with the SEC. The address of that site is www.sec.gov. We have also posted on our website, and have available in print upon request (1) the charters for our Audit Committee, Compensation and Human Capital Committee, Nomination/Governance Committee and Risk and Compliance Committee, (2) our Corporate Governance Guidelines, (3) our Code of Business Conduct and Ethics and (4) our Code of Ethics for Senior Financial Officers.

ITEM 1A. RISK FACTORS

An investment in our common stock involves significant risk. We describe below material risks that management believes affect or could affect us. Understanding these risks is important to understanding any statement in this Annual Report and to evaluating an investment in our common stock. You should carefully read and consider the risks and uncertainties described below together with all the other information included or incorporated by reference in this Annual Report before you make any decision regarding an investment in our common stock. If any of the following 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. While the following discussion provides a description of material risks that could cause our results to vary materially from those expressed in public statements or documents, other factors besides those discussed within this Annual Report or elsewhere in other of our reports filed with or furnished to the SEC could also affect our business, financial condition, liquidity and results of operations.

Summary of Risk Factors

As a non-bank mortgage company, we are exposed in the normal course of business to multiple risks shared by other participants in our industry. In addition, some of the risks we face are unique to Ocwen or such risks could have a different or greater impact on Ocwen than on other companies. These risks could adversely impact our business, regulatory or agency approval, financial condition, liquidity, results of operations, ability to grow and reputation, and are summarized below. This summary is intended to supplement, and should not be considered a substitute for, the complete Risk Factors that follow.

Legal and Regulatory Risks

- Failure to operate our business in compliance with complex legal or regulatory requirements or contractual obligations, including those in response to the COVID-19 pandemic
- Adverse litigation outcomes with the CFPB or other legal matters
- Adverse changes to GSE and Ginnie Mae business models, initiatives and other actions

Risks Related to Our Financial Performance, Financing Our Business, Liquidity and Net Worth, and the Economy

- Inability to execute our strategic plan to return to sustainable profitability or pursue business or asset acquisitions
- Inability to access capital to meet the financing requirements of our business, or noncompliance with our debt agreements or covenants
- Inability to obtain sufficient servicer advance financing necessary to meet the financing requirements due to increased delinquencies or forbearance plans
- Failure to satisfy current or future minimum net worth and liquidity requirements established by regulators, GSEs, Ginnie Mae, lenders, or other counterparties
- Policies or regulations adopted by the GSEs or Ginnie Mae that may be more advantageous to our competitors' business models than our own
- Inability to appropriately manage liquidity, interest rate and foreign currency exchange risks, including ineffective hedging strategies
- Inability to control decisions made by the management of MSR Asset Vehicle LLC which potentially impact the growth of our subservicing portfolio, funding for growth in our originations business and the profitability of our investment
- Economic slowdown or downturn, a capital market disruption, or a deterioration of the housing market, including but not limited to, in the states where we have some concentration of our business
- Inability to acquire additional profitable client relationships
- Inability to meet future advance financing obligations if NRZ were to fail to comply with its servicing advance obligations under the subservicing agreement

Operational Risks and Other Risks Related to Our Business

- Disruption in our operations or technology systems due to the failure or disagreements of our service providers to fulfill their obligations under their agreements with us, including but not limited to Black Knight Financial Services, Inc. (Black Knight)
- Failure by us or our vendors to adequately update technology systems and processes, interruption or delay in our or our vendors' operations due to cybersecurity breaches or system failures, and resulting economic loss or regulatory penalties
- Adverse changes in political or economic stability or government policies in the U.S., India, the Philippines or the USVI
- Disruption in our operations and reduced profitability in our servicing operations as a result of severe weather or natural disaster events
- Material increase in loan put-backs and related liabilities for breaches of representations and warranties regarding sold loans or MSRs
- Heightened reputational risk due to media and regulatory scrutiny of companies that originate and securitize reverse mortgages
- Incurrence of losses by our captive reinsurance entity from catastrophic events, particularly in areas where a significant portion of the insured properties are located
- Incurrence of litigation costs and related losses if the validity of a foreclosure action is challenged by a borrower or if a court overturns a foreclosure
- Failure to maintain minimum servicer ratings and impairment of our ability to sell or fund servicing advances, access financing, consummate future servicing transactions, and maintain our status as an approved servicer by the GSEs
- Volatility of our earnings due to MSR valuation changes, financial instrument valuation changes and other factors

- Loss of the confidence of investors and counterparties if we fail to reasonably estimate the fair value of our assets and liabilities or our internal controls over financial reporting are found to be inadequate
- Uncertainty or adverse impacts resulting from the replacement of LIBOR with an alternative reference rate

Tax Risks

- Changes in tax law and interpretations and tax challenges
- Failure to retain or collect the tax benefits provided by the USVI, or certain past income becoming subject to increased United States federal income taxation
- Inability to utilize our net operating losses carryforwards and other deferred tax assets due to “ownership change” as defined in Section 382 of the Internal Revenue Code or other factors

Risks Relating to Ownership of Our Common Stock

- Substantial volatility in our common stock price
- The vote by large shareholders of their shares to influence matters requiring shareholder approval in a way that management does not believe represents the best interests of all shareholders
- The issuance of additional securities authorized by the board of directors that causes dilution and depresses the price of our securities
- Future offerings of debt securities that are senior to our common stock in liquidation, or equity securities that are senior to our common stock in respect of liquidation and distributions
- Certain provisions in our organizational documents and regulatory restrictions may make takeovers more difficult, and significant investments in our common stock may be restricted

Legal and Regulatory Risks

The business in which we engage is complex and heavily regulated. If we fail to operate our business in compliance with both existing and future regulations, our business, reputation, financial condition or results of operations could be materially and adversely affected.

Our business is subject to extensive regulation by federal, state, local and foreign governmental authorities, including the 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. See the next risk factor below for additional detail concerning these regulatory settlements. 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 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 must devote substantial resources to regulatory compliance, and we incurred, and expect to continue to incur, significant ongoing costs to comply with new and existing laws and governmental regulation of our business. If we fail to effectively manage our regulatory and contractual compliance, the resources we are required to devote and our compliance expenses would likely increase. Any significant delay or complication in fulfilling our regulatory commitments and resolving remaining legacy matters may jeopardize our ability to return to sustainable profitability.

We must comply with a large number of federal, state and local consumer protection and other laws and regulations including, among others, the CARES Act, the Dodd-Frank Act, the TCPA, the Gramm-Leach-Bliley Act, the FDCPA, RESPA, TILA, the Fair Credit Reporting Act, 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 laws pertaining to licensing, general mortgage origination and servicing practices and foreclosure and federal and local bankruptcy rules. These laws and regulations apply to all facets of our business, including, but not limited to, licensing, loan originations, consumer disclosures, default servicing and collections, foreclosure, filing of claims, registration of vacant or foreclosed properties, handling of escrow accounts, payment application, interest rate adjustments, assessment of fees, loss mitigation, use of credit reports, handling of unclaimed property, safeguarding of non-public personally identifiable information about our customers, and the ability of our employees to work remotely. These complex requirements can and do change as laws and regulations are enacted, promulgated, amended, interpreted and enforced. In addition, we must maintain an effective corporate governance and compliance management system. See “Business - Regulation” for additional information regarding our regulators and the laws that apply to us.

We must structure and operate our business to comply with applicable laws and regulations and the terms of our regulatory settlements. This can require judgment with respect to the requirements of such laws and regulations and such settlements. While we endeavor to engage proactively with our regulators in an effort to ensure we do so correctly, if we fail to interpret correctly the requirements of such laws and regulations or the terms of our regulatory settlements, we could be found to be in breach of such laws, regulations or settlements.

Failure or alleged failure to comply with the terms of our regulatory settlements or applicable federal, state and local consumer protection laws, regulations and licensing requirements could lead to any of the following:

- administrative fines and penalties and litigation;
- loss of our licenses and approvals to engage in our servicing and lending businesses;
- governmental investigations and enforcement actions;
- civil and criminal liability, including class action lawsuits and actions to recover incentive and other payments made by governmental entities;
- breaches of covenants and representations under our servicing, debt or other agreements;
- damage to our reputation;
- inability to raise capital or otherwise secure the necessary financing to operate the business and refinance maturing liabilities;
- changes to our operations that may otherwise not occur in the normal course, and that could cause us to incur significant costs; or
- inability to execute on our business strategy.

Any of these outcomes could materially and adversely affect our business, reputation, financial condition, liquidity and results of operations.

In recent years, 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 mortgage lenders and servicers. The CFPB continues to take a very active role in the mortgage industry, and its rule-making and regulatory agenda relating to loan servicing and origination continues to evolve. Individual states have also been active, as have other regulatory organizations such as the MMC, a multistate coalition of various mortgage banking regulators. In addition to their traditional focus on licensing and examination matters, certain regulators make observations, recommendations or demands with respect to areas such as corporate governance, safety and soundness, and risk and compliance management. We must endeavor to work cooperatively with our regulators to understand all their concerns if we are to be successful in our business.

The CFPB and state regulators have also increasingly focused on the use, and adequacy, of technology in the mortgage servicing industry, privacy concerns and other topical issues, such as the discontinuation of LIBOR, communications from debt collectors and the ability of borrowers to repay mortgage loans, including in relation to COVID-19. See below as well as Business - Regulation for additional information regarding the rules, regulations and legislative developments most pertinent to our operations.

Presently, a level of heightened uncertainty exists with respect to the future of regulation of mortgage lending and servicing. We cannot predict the specific legislative or executive actions that may result or what actions federal or state regulators might take in response to potential changes to the federal regulatory environment generally. Such actions could impact the industry generally or us specifically, could impact our relationships with other regulators, and could adversely impact our business and limit our ability to reach an appropriate resolution with the CFPB, as described in the next risk factor.

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.

Finally, the regulations and requirements to which we are subject have been changing rapidly as the GSEs, Ginnie Mae, the United States Treasury Department and state regulators have responded to the COVID-19 pandemic. In March 2020, the CARES Act was signed into law, allowing borrowers affected by COVID-19 to request temporary loan forbearance for federally backed mortgage loans. Multiple forbearance programs, moratoria of foreclosure and eviction and other requirements to assist borrowers enduring financial hardship due to COVID-19 have been issued by states, agencies and regulators. In addition, the CFPB promulgated certain amendments to RESPA (Regulation X) that became effective on August 31, 2021 and that impose additional COVID-19-related requirements with respect to loss mitigation, early intervention call requirements, and initiating new foreclosures before January 1, 2022. The requirements described above vary across jurisdiction, may conflict in some circumstances, can be complex to interpret and implement, and could cause us to incur additional expense. If we are unable to comply with, or face allegations that we are in breach of, applicable laws, regulations or other requirements, we may face regulatory action, including fines, penalties, and restrictions on our business. In addition, we could face litigation and reputational damage. Any of these risks could have a material adverse impact on our business, financial condition, liquidity and results of operations. As the COVID-19 pandemic continues and new variants of the virus emerge, there may be a further increase in regulations, which could exacerbate these risks and their adverse impacts.

Governmental bodies have taken regulatory and legal actions against us in the past and may in the future impose regulatory fines or penalties or impose additional requirements or restrictions on our activities that could increase our operating expenses, reduce our revenues or otherwise adversely affect our business, financial condition, liquidity, results of operations, ability to grow and reputation.

We are subject to a number of ongoing federal and state regulatory examinations, consent orders, inquiries, subpoenas, civil investigative demands, requests for information and other actions that could result in further adverse regulatory action against us, including certain matters summarized below. See Note 24 — Regulatory Requirements and Note 26 — Contingencies to the Consolidated Financial Statements.

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, and handling of customer complaints. 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. In April 2021, following the filing of motions by the parties and a number of procedural developments, the court entered final judgment in our favor and closed the case. The CFPB thereafter filed a notice of appeal. Oral argument before the Eleventh Circuit occurred on February 10, 2022. Appellate briefing concluded August 26, 2021, and oral argument before the Eleventh Circuit occurred on February 10, 2022. While we believe we have factual and legal defenses to the CFPB's allegations and are vigorously defending ourselves, the outcome of the matters raised by the CFPB, whether through negotiated settlements, court rulings or otherwise, could potentially involve monetary fines or penalties or additional restrictions on our business and could have a material adverse impact on our business, reputation, financial condition, liquidity and results of operations. We expect the CFPB to resume its supervision activities of Ocwen upon conclusion of this matter.

State Licensing and State Attorneys General

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. 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 December 31, 2021. However, it is possible that regulators could disagree with our calculations, and one state regulator has disagreed with our calculation for a prior year period; we have discussed the matter with the regulator, including why we believe we were in compliance with the applicable net worth requirements. 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, 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 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. These regulatory actions generally took the form of orders styled as "cease and desist orders" and prohibited a range of actions relating to our lending and servicing activities. In addition, the Florida Attorney General and the Florida Office of Financial Regulation brought a lawsuit on similar grounds, as did the Massachusetts Attorney General. In resolving these matters, we entered into agreements containing restrictions and commitments with respect to the operation of our business and our regulatory compliance activities, including restrictions and conditions relating to acquisitions of MSRs, a transition to an alternate loan servicing system from the REALServicing system, engagement of third-party auditors, escrow and data testing, loss mitigation solicitations, error remediation, and financial condition reporting. We also provided certain borrower financial remediation and made payments to state regulators and attorneys general.

We have incurred significant costs complying with the terms of these settlements. To the extent that legal or other actions are taken against us by regulators or others with respect to matters, they could result in additional costs or other adverse impacts and could have a materially adverse impact on our business, reputation, financial condition, liquidity and results of operations.

In January 2018, prior to our acquisition of PHH, PMC entered into a settlement agreement with the MMC and consent orders with certain state attorneys general to resolve and close out findings of an MMC examination of PMC's legacy mortgage servicing practices. Under the terms of these settlements, PMC agreed to comply with certain servicing standards, to conduct testing of compliance with such servicing standards for a period of three years, and to report to the MMC regarding the same. We believe we complied with these obligations, and the three-year period has ended.

We continue to work with the NY DFS to address matters they 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.

Other Matters

On occasion, we engage with agencies of the federal government on various matters, including the Department of Justice, the Office of Inspector General of HUD, Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and the VA Office of the Inspector General. In addition to the expense of responding to subpoenas and other requests for information from such agencies, in the event that any of these engagements result in allegations of wrongdoing by us, we may incur fines or penalties or significant legal expenses defending ourselves against such allegations.

In the past, we have entered into significant settlements with the NY DFS, the CA DFPI, and the 2013 Ocwen National Mortgage Settlement which involved payments of significant monetary amounts, monitoring by third-party firms for which we were financially responsible and other restrictions on our business. While we are not currently subject to active monitorships under these settlements, we remain obligated to comply with the commitments made to our regulators and if we violate those commitments one or more of these entities could take regulatory action against us. Any future settlements or other regulatory actions against us could have a material adverse impact on our business, reputation, operating results, liquidity and financial condition will be adversely affected.

To the extent that an examination 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, 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 secure the necessary funding to operate the business, (viii) changes to our operations that may otherwise not occur in the normal course, and that could cause us to incur significant costs, and (ix) inability to execute on our business strategy. Any of these outcomes 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.

Our regulatory settlements and public allegations regarding our business practices by regulators and other third parties may affect other regulators', rating agencies', and creditors' perceptions, which could adversely impact our financial results and ongoing operations.

Our regulatory settlements and public allegations regarding our business practices by regulators and other third parties may affect other regulators', rating agencies' and creditors' perceptions of us. As a result, our ordinary course interactions with regulators may be adversely affected. We may incur additional compliance costs and management time may be diverted from other aspects of our business to address regulatory issues. It is possible that we may incur additional fines or penalties or even that we could lose the licenses and approvals necessary to engage in our servicing and lending businesses. In addition, certain regulators make observations, recommendations or demands with respect to areas such as corporate governance, safety and soundness and risk and compliance management, which could require us to incur additional expense or which could result in the imposition of additional requirements such as liquidity and capital requirements or restrictions on business conduct such as engaging in stock repurchases. To the extent that rating agencies or creditors perceive us negatively, our servicer or credit ratings could be adversely impacted and our access to funding could be limited.

If regulators allege that we do not comply with the terms of our regulatory settlements, or if we enter into future regulatory settlements, it could significantly impact our ability to maintain and grow our servicing portfolio.

Our servicing portfolio naturally decreases over time as homeowners make regularly scheduled mortgage payments, prepay loans prior to maturity, refinance with a mortgage loan not serviced by us or involuntarily liquidate through foreclosure or other liquidation process. Our ability to maintain or grow the size of our servicing portfolio depends on our ability to acquire the right to service or subservice additional pools of mortgage loans or to originate additional loans for which we retain the MSRs.

Historically, our regulatory settlements significantly impacted our ability to maintain or grow our servicing portfolio because we agreed to certain restrictions that effectively prohibited future bulk acquisitions of residential servicing. While certain of these restrictions have been eased in connection with our resolution of state regulatory matters and acquisition of PHH, we are still restricted in our ability to grow our portfolio under the terms of our agreements with the NY DFS. If we are unable to satisfy the conditions of the regulatory commitments we made to these and other regulators, or if a future regulatory settlement restricts our ability to acquire MSRs, we will be unable to grow or even maintain the size of our servicing portfolio through acquisitions and our business could be materially and adversely affected. Moreover, even when regulatory restrictions are lifted, the reputational damage done by these actions may inhibit our ability to acquire new business.

If we are unable to respond timely and effectively to routine or other regulatory examinations and borrower complaints, our business and financial conditions may be adversely affected.

Regulatory examinations by state and federal regulators are part of our ordinary course business activities. If we are unable to respond effectively to regulatory examinations, our business and financial conditions may be adversely affected. In addition, we receive various escalated borrower complaints and inquiries from our state and federal regulators and state Attorneys General and are required to respond within the time periods prescribed by such entities. If we fail to respond effectively and timely to regulatory examinations and escalations, legal action could be taken against us by such regulators and, as a result, we may incur fines or penalties or we could lose the licenses and approvals necessary to engage in our servicing and lending businesses. We could also suffer from reputational harm and become subject to private litigation.

Private legal proceedings and related costs alleging failures to comply with applicable laws or regulatory requirements could adversely affect our financial condition and results of operations.

We are subject to various pending private legal proceedings, including purported class actions, challenging whether certain of our loan servicing practices and other aspects of our business comply with applicable laws and regulatory requirements. 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 state laws similar to the Fair Debt Collection Practices Act, (2) certain fees we assess on borrowers are marked up improperly in violation of applicable state and federal law, (3) we breached fiduciary duties we purportedly owe to benefit plans due to the discretion we exercise in servicing certain securitized mortgage loans and (4) 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. While we do not currently believe that the resolution of the vast majority of the legal proceedings we face will have a material adverse effect on our financial condition or results of operations, we cannot express a view with respect to all of these proceedings. The outcome of any pending legal matter is never certain, and it is possible that adverse results in private legal proceedings could materially and adversely affect our financial results and operations. We have paid significant amounts to settle private legal proceedings in recent periods and paid significant amounts in legal and other costs in connection with defending ourselves in such proceedings. To the extent we are unable to avoid such costs in future periods, our business, financial position, results of operations and cash flows could be materially and adversely affected.

Non-compliance with laws and regulations could lead to termination of servicing agreements or defaults under our debt agreements.

Most of our servicing agreements and debt agreements contain provisions requiring compliance with applicable laws and regulations. While the specific language in these agreements takes many forms and materiality qualifiers are often present, if we fail to comply with applicable laws and regulations, we could be terminated as a servicer and defaults could be triggered under our debt agreements, which could materially and adversely affect our revenues, cash flows, liquidity, business and financial condition. We could also suffer reputational damage and trustees, lenders and other counterparties could cease wanting to do business with us.

If new laws and regulations lengthen foreclosure times or introduce new regulatory requirements regarding foreclosure procedures, our operating costs and liquidity requirements could increase and we could be subject to regulatory action.

When a mortgage loan that we service is in foreclosure, we are generally required to continue to advance delinquent principal and interest to the securitization trust and to make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent that we determine that such amounts are recoverable. These servicing advances are generally recovered when the delinquency is resolved or upon liquidation. Regulatory actions that lengthen the foreclosure process will increase the amount of servicing advances that we are required to make, lengthen the time it takes for us to be reimbursed for such advances and increase the costs incurred during the foreclosure process.

Increased regulatory scrutiny and new laws and procedures could cause us to adopt additional compliance measures and incur additional compliance costs in connection with our foreclosure processes. We may incur legal and other costs responding to regulatory inquiries or any allegation that we improperly foreclosed on a borrower. We could also suffer reputational damage and could be fined or otherwise penalized if we are found to have breached regulatory requirements.

If we fail to comply with the TILA-RESPA Integrated Disclosure (TRID) rules, our business and operations could be materially and adversely affected and our plans to expand our lending business could be adversely impacted.

The TRID rules include requirements relating to consumer facing disclosure and waiting periods to allow consumers to reconsider committing to loans after receiving required disclosures. If we fail to comply with the TRID rules, we may be unable to sell loans that we originate or purchase, or we may be required to sell such loans at a discount compared to other loans. We also could be subject to repurchase or indemnification claims from purchasers of such loans, including the GSEs. Additionally, loans might stay on our warehouse lines for longer periods before sale, which would increase our liquidity needs, holding costs and interest expense. We could also be subject to regulatory actions or private lawsuits.

In response to the TRID rules, we have implemented significant modifications and enhancements to our loan production processes and systems, and we continue to devote significant resources to TRID compliance. As regulatory guidance and enforcement and the views of the GSEs and other market participants such as warehouse loan lenders evolve, we may need to modify further our loan production processes and systems in order to adjust to evolution in the regulatory landscape and successfully operate our lending business. In such circumstances, if we are unable to make the necessary adjustments, our business and operations could be adversely affected and we may not be able to execute on our plans to grow our lending business.

Failure to comply with the Home Mortgage Disclosure Act (HMDA) and related CFPB regulations could adversely impact our business.

HMDA requires financial institutions to report certain mortgage data in an effort to provide the regulators and the public with information that will help show whether financial institutions are serving the housing credit needs of the neighborhoods and communities in which they are located. The data points include information related to the loan applicant/borrower (e.g., age, ethnicity, race and credit score), the underwriting process, loan terms and fees, lender credits and interest rate, among others. The scope of the information available to the public could increase fair lending regulatory scrutiny and third-party plaintiff litigation, as the changes will expand the ability of regulators and third parties to compare a particular lender to its peers in an effort to determine differences among lenders in certain demographic borrower populations. We have devoted, and continue to devote, significant resources to establishing and maintaining systems and processes for complying with HMDA on an ongoing basis. If we are not successful in capturing and reporting the new HMDA data, and analyzing and correcting any adverse patterns, we could be exposed to regulatory actions and private litigation against us, we could suffer reputational damage and we could incur losses, any of which could materially and adversely impact our business, financial condition and results of operations.

There may be material changes to the laws, regulations, rules or practices applicable to reverse mortgage programs sponsored by HUD and FHA, and securitized by Ginnie Mae, which could materially and adversely affect us and the reverse mortgage industry as a whole.

The reverse mortgage industry is largely dependent upon rules and regulations implemented by HUD, FHA and Ginnie Mae. There can be no guarantee that HUD/FHA will retain Congressional authorization to continue the HECM program, which provides FHA government insurance for qualifying HECM loans, or that they will not make material changes to the laws, regulations, rules or practices applicable to reverse mortgage programs. For example, HUD previously implemented certain lending limits for the HECM program, and added credit-based underwriting criteria designed to assess a borrower’s ability and willingness to satisfy future tax and insurance obligations. In addition, Ginnie Mae’s participation in the reverse mortgage industry may be subject to economic and political changes that cannot be predicted. Any of the aforementioned circumstances could materially and adversely affect the performance of our reverse mortgage business and the value of our common stock.

Regulators continue to be active in the reverse mortgage space, including due to the perceived susceptibility of older borrowers to be influenced by deceptive or misleading marketing activities. Regulators have also focused on appraisal practices because reverse mortgages are largely dependent on collateral valuation. If we fail to comply with applicable laws and regulations relating to the origination of reverse mortgages, we could be subject to adverse regulatory actions, including potential fines, penalties or sanctions, and our business, reputation, financial condition and results of operations could be materially and adversely affected.

Violations of fair lending and/or servicing laws could negatively affect our business.

Various federal, state and local laws have been enacted that are designed to discourage predatory lending and servicing practices. The federal Home Ownership and Equity Protection Act of 1994 (HOEPA) prohibits inclusion of certain provisions in residential loans that have mortgage rates or origination costs in excess of prescribed levels and requires that borrowers be given certain additional disclosures prior to origination. Some states have enacted, or may enact, similar laws or regulations, which in some cases impose restrictions and requirements greater than are those in HOEPA. In addition, under the anti-predatory lending laws of some states, the origination of certain residential loans, including loans that are not classified as “high cost” loans under HOEPA or other applicable law, must satisfy a net tangible benefits test with respect to the related borrower. A failure by us to comply with these laws, to the extent we originate, service or acquire residential loans that are non-compliant with HOEPA or other predatory lending or servicing laws, could subject us, as an originator or a servicer, or as an assignee, in the case of acquired loans, to monetary penalties and could result in the borrowers rescinding the affected loans. Lawsuits have been brought in various states making claims against originators, servicers and assignees of high cost loans for violations of state law. Named defendants in these cases have included numerous participants within the secondary mortgage market. If we are found to have violated predatory or abusive lending laws, defaults could be declared under our debt or servicing agreements, we could suffer reputational damage, and we could incur losses, any of which could materially and adversely impact our business, financial condition and results of operations.

Failure to comply with FHA underwriting guidelines could adversely impact our business.

We must comply with FHA underwriting guidelines in order to successfully originate FHA loans. If we fail to do so, we may not be able collect on FHA insurance. In addition, we could be subject to allegations of violations of the False Claims Act asserting that we submitted claims for FHA insurance on loans that had not been underwritten in accordance with FHA underwriting guidelines. If we are found to have violated FHA underwriting guidelines, we could face regulatory penalties and damages in litigation, suffer reputational damage, and we could incur losses due to an inability to collect on such insurance, any of which could materially and adversely impact our business, financial condition and results of operations.

Failure to comply with United States and foreign laws and regulations applicable to our global operations could have an adverse effect on our business, financial position, results of operations or cash flows.

As a business with a global workforce, we need to ensure that our activities, including those of our foreign operations, comply with applicable United States and foreign laws and regulations. Various states have implemented regulations which specifically restrict the ability to perform certain servicing and originations functions offshore and, from time to time, various state regulators have scrutinized the operations of our foreign subsidiaries. Our failure to comply with applicable laws and regulations could, among other things, result in restrictions on our operations, loss of licenses, fines, penalties or reputational damage and have an adverse effect on our business.

Failure to comply with the S.A.F.E. Act could adversely impact our business.

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (the S.A.F.E. Act) requires the individual licensing and registration of those engaged in the business of loan origination. The S.A.F.E. Act is designed to improve accountability on the part of loan originators, combat fraud and enhance consumer protections by encouraging states to establish a national licensing system and minimum qualification requirements for applicants. Thus, Ocwen must ensure proper licensing for all employees who participate in certain specified loan origination activities. Failure to comply with the S.A.F.E. Act licensing requirements could adversely impact Ocwen’s origination business.

Risks Related to Our Financial Performance, Financing Our Business, Liquidity and Net Worth and the Economy

Our strategic plan to return to sustainable profitability may not be successful.

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.

Historical losses significantly eroded stockholders’ equity and weakened our financial condition. We established a set of key initiatives to achieve our objective of returning to sustainable profitability in the shortest timeframe possible within an appropriate risk and compliance environment, and generated net income in 2021. See Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations-Overview-Business Initiatives.

There can be no assurance that we will continue to successfully execute on these initiatives, or that even if we do execute on these initiatives we will be able to return to sustained profitability. In addition to successful operational execution of our key initiatives, our success will also depend on market conditions and other factors outside of our control, including continued access to capital. If we continue to experience losses, our share price, business, reputation, financial condition, liquidity and results of operations could be materially and adversely affected.

If we are unable to obtain sufficient capital to meet the financing requirements of our business, or if we fail to comply with our debt agreements, our business, financing activities, financial condition and results of operations will be adversely affected.

Our business requires substantial amounts of capital and our financing strategy includes the use of leverage. Accordingly, our ability to finance our operations and repay maturing obligations rests in large part on our ability to continue to borrow money at reasonable rates. If we are unable to maintain adequate financing, or other sources of capital are not available, we could be forced to suspend, curtail or reduce our revenue generating objectives, which could harm our results of operations, liquidity, financial condition and business prospects. Our ability to borrow money is affected by a variety of factors including:

- limitations imposed on us by existing debt agreements that contain restrictive covenants that may limit our ability to raise additional debt;
- credit market conditions;
- the strength of the lenders from whom we borrow;
- lenders' perceptions of us or our sector;
- changes in interest rates or other drivers that affect the value of pledged collateral;
- corporate credit and servicer ratings from rating agencies;
- limitations on borrowing under our MSR and advance facilities and mortgage loan warehouse facilities due to structural features in these facilities and the amount of eligible collateral that is pledged; and
- revenue opportunities including products not currently supported in the financing market.

In addition, our advance facilities are revolving facilities, and in a typical monthly cycle, we repay a portion of the borrowings under these facilities from collections. During the remittance cycle, which starts in the middle of each month, we depend on our lenders to provide the cash necessary to make the advances that we are required to make as servicer. If one or more of these lenders were to restrict our ability to access these revolving facilities or were to fail, we may not have sufficient funds to meet our obligations. We typically require significantly more liquidity to meet our advance funding obligations than our available cash on hand.

Our advance financing facilities are comprised of (i) revolving notes issued to large financial institutions that generally have a revolving period of 12 months, and (ii) term notes issued to institutional investors with two-year revolving periods. At December 31, 2021, we had $512.3 million outstanding under these facilities. The revolving periods for our advance financing facilities end in June and August 2022.

In the event we are unable to renew, replace or extend the revolving period of one or more of these advance financing facilities, we would no longer have access to available borrowing capacity and repayment of the outstanding balances on the revolving and term notes must begin at the end of the applicable revolving period and end of the term, respectively. In addition, we use mortgage loan warehouse facilities to fund newly originated loans, HECM tails, buyouts and a number of other assets on a short-term basis until they are sold to secondary market investors, including GSEs or other third-party investors. Currently, our master repurchase and participation agreements for financing new loan originations generally have maximum terms of 364 days, and similar to the revolving notes in the advance financing facilities, they are typically renewed, replaced or extended annually. At December 31, 2021, we had $1.09 billion outstanding under these warehouse financing arrangements, all under agreements maturing in 2022.

In 2019, we entered into three separate MSR financing arrangements related to loans we service for (i) Fannie Mae and Freddie Mac, (ii) Ginnie Mae, and (iii) private investors (PLS MSRs). The Fannie Mae/Freddie Mac and Ginnie Mae facilities were provided through bank financing and had total capacity of $350.0 million and $150.0 million and borrowed amounts of $317.5 million and $131.7 million, respectively at December 31, 2021. The PLS MSR financing was issued to capital markets investors as an amortizing note structure with an initial principal amount of $100.0 million. The Fannie Mae/Freddie Mac and Ginnie Mae facilities terminate in June 2022 and February, 2022, respectively, and the PLS MSR facility matures in November 2024. In 2021, we entered into a facility which includes a $135.0 million term loan and a $285.0 million revolving loan secured by a lien on our Agency MSRs. The term loan and revolving loan terminate in June 2023 and June 2026, respectively. MSR financing is dependent on investor appetite and conditions in the capital markets, among other factors. As a result, MSR financing may not be readily available to finance the growth of our portfolio, or at rates and terms that may not be favorable to our business.

Our MSR financing facilities provide funding based on an advance rate of MSR value that is subject to periodic mark-to-market valuation adjustments. In the normal course, MSR value is expected to decline over time due to run off of the loan balances in our servicing portfolio. As a result, we anticipate having to repay a portion of our MSR debt over a given time period. The requirements to repay MSR debt including those due to unfavorable fair value adjustment attributable to interest rates or other factors may require us to allocate a substantial amount of our available liquidity or future cash flows to meet these requirements. To the extent we are unable to generate sufficient cash flows from operations to meet these requirements, we may be more constrained to invest in our business and fund other obligations, and our business, financing activities, liquidity, financial condition and results of operations will be adversely affected.

We currently plan to renew, replace or extend all of the above debt agreements consistent with our historical experience. There can be no assurance that we will be able to renew, replace or extend all our debt agreements on appropriate terms or at all and, if we fail to do so, we may not have adequate sources of funding for our business.

Our debt agreements contain various qualitative and quantitative covenants, including financial covenants, covenants to operate in material compliance with applicable laws and regulations, monitoring and reporting obligations and restrictions on our ability to engage in various activities, including but not limited to incurring or guarantying additional debt, paying dividends or making distributions on or purchasing equity interests of Ocwen and its subsidiaries, repurchasing or redeeming capital stock or junior capital, repurchasing or redeeming subordinated debt prior to maturity, issuing preferred stock, selling or transferring assets or making loans or investments or other restricted payments, entering into mergers or consolidations or sales of all or substantially all of the assets of Ocwen and its subsidiaries, creating liens on assets to secure debt, and entering into transactions with affiliates. 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 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, noncompliance with our covenants, nonpayment of principal or interest, material misrepresentations, the occurrence of a material adverse effect or material adverse change, insolvency, bankruptcy, certain material judgments and changes of control. Covenants and defaults of this type are commonly found in debt agreements such as ours. Certain of these covenants and defaults 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.

An actual or alleged default under any of our debt agreements, negative ratings action by a rating agency (including as a result of our increased leverage or erosion of net worth), the perception of financial weakness, an adverse action by a regulatory authority or GSE, a lengthening of foreclosure timelines or a general deterioration in the economy that constricts the availability of credit may increase our cost of funds and make it difficult for us to renew existing credit facilities or obtain new lines of credit. Any or all the above could have an adverse effect on our business, financing activities, financial condition and results of operations.

We may be unable to obtain sufficient servicer advance financing necessary to meet the financing requirements of our business, which could adversely affect our liquidity position and result in a loss of servicing rights.

We currently fund a substantial portion of our servicing advance obligations through our servicing advance facilities. Under normal market conditions, mortgage servicers typically have been able to renew or refinance these facilities. However, market conditions or lenders' perceptions of us at the time of any renewal or refinancing may mean that we are unable to renew or refinance our advance financing facilities or obtain additional facilities on favorable terms or at all.

If we fail to satisfy minimum net worth and liquidity requirements established by regulators, GSEs, Ginnie Mae, lenders, or other counterparties, our business, financing activities, financial condition or results of operations could be materially and adversely affected.

As a result of our servicing and loan origination activities, we are subject to minimum net worth and liquidity requirements established by state regulators, GSEs, Ginnie Mae, lenders, and other counterparties. Losses incurred in prior years have eroded our net worth. In addition, we must structure our business so each licensed entity satisfies the net worth and liquidity requirements applicable to it, which can be challenging.

The minimum net worth and liquidity requirements to which our licensed entities are subject vary by state and type of license. We must also satisfy the minimum net worth and liquidity requirements of the GSEs and Ginnie Mae in order to maintain our approved status with such agencies and the minimum net worth and liquidity requirements set forth in our agreements with our lenders.

Minimum net worth requirements and liquidity are generally calculated using specific adjustments that may require interpretation or judgment. Changes to these adjustments have the potential to significantly affect net worth and liquidity calculations and imperil our ability to satisfy future minimum net worth and liquidity requirements. We believe our licensed entities were in compliance with all of their minimum net worth requirements at December 31, 2021. However, it is possible that regulators could disagree with our calculations, and one state regulator has disagreed with our calculation for a prior year period; we have discussed the matter with the regulator, including why we believe we are in compliance with the applicable net worth requirements. If we fail to satisfy minimum net worth requirements, absent a waiver or other accommodation, we could lose our licenses or have other regulatory action taken against us, we could lose our ability to sell and service loans to or on behalf of the GSEs or Ginnie Mae, or it could trigger a default under our debt agreements. Any of these occurrences could have a material adverse effect on our business, financing activities, financial condition or results of operations.

In recent years, certain regulators and other entities have proposed increasing the financial requirements for non-bank mortgage servicers. For instance, in 2021, Ginnie Mae proposed an update to its eligibility requirements, and the Conference of State Bank Supervisors has released proposed state regulatory standards for non-bank mortgage servicers, both of which contained increased capital requirements. If Ginnie Mae increases its capital requirements, or if the proposed standards are adopted by state regulators, we may not be able to meet the minimum capital and liquidity or other requirements in these standards and could be forced to sell mortgage assets, alter our operations, or have regulatory action taken against us, any of which could have a material adverse effect on our business, financing activities, financial condition or results of operations.

We use estimates in measuring or determining the fair value of the majority of our assets and liabilities. If our estimates prove to be incorrect, we may be required to write down the value of these assets or write up the value of these liabilities, which could adversely affect our earnings.

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 time 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.

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.

At December 31, 2021, 86% and 66% of our consolidated total assets and liabilities are measured at fair value, respectively, on a recurring and nonrecurring basis, 93% and 100% of which are considered Level 3 valuations, including our MSR portfolio. Our largest Level 3 asset and liability carried at fair value on a recurring basis is Loans held for investment - reverse mortgages and the related secured financing. We pool home equity conversion mortgages (reverse mortgages) into Ginnie Mae Home Equity Conversion Mortgage-Backed Securities (HMBS). Because the securitization of reverse mortgage loans do not qualify for sale accounting, we account for these transfers as secured financings and classify the transferred reverse mortgages as Loans held for investment - reverse mortgages and recognize the related Financing liabilities. Holders of HMBS have no recourse against our assets, except for standard representations and warranties and our contractual obligations to service the reverse mortgages and HMBS.

We estimate the fair value of our assets and liabilities utilizing assumptions that we believe are appropriate and are used by market participants. We generally engage third party valuation experts to support our fair value determination for Level 3 assets and liabilities. The methodology used to estimate these values is complex and uses asset- and liability-specific data and market inputs for assumptions including interest and discount rates, collateral status and expected future performance. If these assumptions prove to be inaccurate, if market conditions change or if errors are found in our models, the value of certain of our assets may decrease, which could adversely affect our business, financial condition and results of operations, including through negative impacts on our ability to satisfy minimum net worth and liquidity covenants.

Valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. If changes to interest rates or other factors cause prepayment speeds to increase more than estimated, delinquency and default levels are higher than anticipated or financial market illiquidity is greater than anticipated, we may be required to adjust the value of certain assets or liabilities, which could adversely affect our business, financial condition and results of operations.

We are exposed to liquidity, interest rate and foreign currency exchange risks.

We are exposed to liquidity risk primarily because of the highly variable daily cash requirements to support our servicing business, including the requirement to make advances pursuant to our servicing agreements and the process of collecting and applying recoveries of advances. We are also exposed to liquidity risk due to potential accelerated repayment of our debt depending on the performance of the underlying collateral, including the fair value of MSRs, and certain covenants, among other factors. We are also exposed to liquidity and interest rate risk by our decision to originate and finance mortgage loans and the timing of their subsequent sales into the secondary market. Further, as discussed below, the derivative instruments that we have entered into in order to limit MSR fair value change exposure may require margin calls should the hedge instrument lose value. In general, we finance our operations through operating cash flows and various other sources of funding, including match funded borrowing agreements, secured lines of credit and repurchase agreements.

We are exposed to interest rate risk to the degree that our interest-bearing liabilities mature or reprice at different speeds, or on different bases, than our interest earning assets or when financed assets are not interest-bearing. Our servicing business is characterized by non-interest earning assets financed by interest-bearing liabilities. Servicing advances are among our more significant non-interest earning assets. At December 31, 2021, we had total advances of $772.4 million. We are also exposed to interest rate risk because a portion of our advance financing and other outstanding debt at December 31, 2021 is at variable rates. Rising interest rates may increase our interest expense. Earnings on float balances partially offset these higher funding costs.

Our MSRs, which we carry at fair value, are subject to substantial interest rate risk, primarily because the mortgage loans underlying the servicing rights permit the borrowers to prepay the loans. A decrease in interest rates generally increases prepayment speeds and vice versa. An interest rate decrease could result in an array of fair value changes, the severity of which would depend on several factors, including the magnitude of the change, whether the decrease is across specific rate tenors or a parallel change across the entire yield curve, and impact from market-side adjustments, among others. Effective May 2021, management adopted a strategy of separately hedging our MSR portfolio and pipeline. The objective of our MSR policy is to provide partial hedge coverage of interest-rate sensitive MSR portfolio exposure, considering market and liquidity conditions. However, as discussed below, there can be no assurance that our hedging strategy will be effective in partially mitigating our exposure to changes in fair value of our MSRs due to interest rate changes.

In our Originations business, we are exposed to interest rate risk and related price risk on our pipeline (i.e., interest rate loan commitments (IRLCs) and mortgage loans held for sale) from the commitment date up until the date the commitment is cancelled or expires, or the loan is sold into the secondary market. Generally, the fair value of the pipeline will decline in value when interest rates increase and will rise in value when interest rates decrease. Effective May 2021, we separately hedge our pipeline interest rate risk with traditional freestanding derivatives such as TBAs and forward sale contracts.

We are exposed to foreign currency exchange rate risk in connection with our investment in non-U.S. dollar currency operations to the extent that our foreign exchange positions remain unhedged. Our operations in the Philippines and India expose us to foreign currency exchange rate risk.

While we have established policies and procedures intended to identify, monitor and manage the risks described above, our risk management policies and procedures may not be effective. Further, such policies and procedures are not designed to mitigate or eliminate all of the risks we face. As a result, these risks could materially and adversely affect our business, financial condition and results of operations.

Our hedging strategy may not be successful in partially mitigating our exposure to interest rate risk.

Our hedging strategy may not be as effective as desired due to the actual performance of an MSR differing from the expected performance. While we actively track the actual performance of our MSRs across rate change environments, there is potential for our economic hedges to underperform. The underperformance may be a result of various factors, including the following: available hedge instruments have a different profile than the underlying asset, the duration of the hedge is different from the MSR, the convexity of the hedge is not proportional to the valuation change of the MSR asset, the counterparty with which we have traded has failed to deliver under the terms of the contract, or we fail to renew or adjust the hedge position in a timely or efficient manner.

Unexpected changes in market rates or secondary liquidity may have a materially adverse impact on the cash flow or operating performance of Ocwen. The expected hedge coverage profiled may not correlate to the asset as desired, resulting in poorer performance than had we not hedged at all. In addition, hedging strategies involve transaction and other costs. We cannot be assured that our hedging strategy and the derivatives that we use will adequately offset the risks of interest rate volatility or that our hedging transactions will not result in or magnify losses.

Rising inflation may result in increased compensation and benefit expense and exacerbate pressures created by current labor market trends, increase the rates charged by vendors, and generally increase our operating costs, which could negatively impact our operations and financial results.

If recent trends in rising U.S. inflation rates continue, it may increase Ocwen's costs of providing health insurance and other employee benefits, and increases in the cost of living may create upward pressure on wages. This pressure, combined with tightening labor markets resulting from elevated resignation rates among U.S. workers could increase the cost and difficulty of recruiting and retaining employees. In addition, inflation may increase the rates charged by our vendors and our operating expenses generally. Any of these risks could negatively impact our operations and financial results.

Growth of our subservicing portfolio and originations business, and the profitability of our investment in MAV, are partially dependent on decisions made by a third party which we do not control.

MAV is owned and managed by an intermediate holding company, MAV Canopy, which is controlled by a board of directors on which Ocwen has minority representation. As part of our agreements with MAV, Ocwen has agreed not to compete with MAV with respect to the purchase of certain GSE MSRs through specific channels. As a result of these arrangements, the growth of Ocwen's GSE subservicing portfolio and originations business depends in part on MAV's ability to successfully bid on MSRs and in turn on the pricing and valuation considerations underlying MAV's bidding strategy. If, and to the extent, MAV were to have limited success acquiring MSRs, the growth of Ocwen's subservicing portfolio and originations business could be negatively impacted. More broadly, MAV's profitability depends on business, operating and financial strategies determined by the management of MAV Canopy, which Ocwen does not control. If MAV Canopy's business, operating or financial strategies are not successful, Ocwen's 15% investment or returns on its investment, which as of December 31, 2021 amounted to $23.3 million, could be reduced or we may be required to contribute additional capital.

GSE and Ginnie Mae initiatives and other actions may affect our financial condition and results of operations.

Due to the significant role that the GSEs play in the secondary mortgage market, new initiatives and other actions that they may implement could become prevalent in the mortgage servicing industry generally. To the extent that FHFA and/or the GSEs implement reforms that materially affect the market not only for conventional and/or government-insured loans but also the non-qualifying loan markets, such reforms could have a material adverse effect on the creation of new MSRs, the economics or performance of any MSRs that we acquire, servicing fees that we can charge and costs that we incur to comply with new servicing requirements. Further, to the extent a GSE or Ginnie Mae proposal or requirement impacts our business model differently than our competitors', we may face a competitive disadvantage.

In addition, our ability to generate revenues through mortgage loan sales to institutional investors depends to a significant degree on programs administered by the GSEs, Ginnie Mae, and others that facilitate the issuance of MBS in the secondary market. These entities play a critical role in the residential mortgage industry and we have significant business relationships with many of them. If it is not possible for us to complete the sale or securitization of certain of our mortgage loans due to changes in GSE and Ginnie Mae programs, we may lack liquidity to continue to fund mortgage loans and our revenues and margins on new loan originations would be materially and negatively impacted.

Our plans to acquire MSRs will require approvals and cooperation by the GSEs and Ginnie Mae. Should approval or cooperation be withheld, we would have difficulty meeting our MSR acquisition objectives.

There are various proposals that deal with the future of the GSEs, including with respect to their ownership and role in the mortgage market, as well as proposals to implement GSE reforms relating to borrowers, lenders and investors in the mortgage market. Thus, the long-term future of the GSEs remains uncertain. Any change in the ownership of the GSEs, or in their programs or role within the mortgage market, could materially and adversely affect our business, liquidity, financial position and results of operations.

An economic slowdown or a deterioration of the housing market could increase both interest expense on servicing advances and operating expenses and could cause a reduction in income from, and the value of, our servicing portfolio.

During any period in which a borrower is not making payments, we are required under most of our servicing agreements to advance our own funds to meet contractual principal and interest remittance requirements for investors, pay property taxes and insurance premiums and process foreclosures. We also advance funds to maintain, repair and market real estate properties on behalf of investors. Most of our advances have the highest standing and are "top of the waterfall" so that we are entitled to repayment from respective loan or REO liquidations proceeds before most other claims on these proceeds, and in the majority of cases, advances in excess of respective loan or REO liquidation proceeds may be recovered from pool level proceeds. Consequently, the primary impacts of an increase in advances are generally increased interest expense as we finance a large portion of servicing advance obligations and a decline in the fair value of MSRs as the projected funding cost of existing and future expected servicing advances is a component of the fair value of MSRs. Our liquidity is also negatively impacted because we must fund the portion of our advance obligations that is not financed. Our liquidity would be more severely impacted if we were unable to continue to finance a large portion of servicing advance obligations.

Higher delinquencies also decrease the fair value of MSRs and increase our cost to service loans, as loans in default require more intensive effort to bring them current or manage the foreclosure process. An increase in delinquencies may delay the timing of revenue recognition because we recognize servicing fees as earned, which is generally upon collection of payments from borrowers or proceeds from REO liquidations. An increase in delinquencies also generally leads to lower balances in custodial and escrow accounts (float balances) and lower net earnings on custodial and escrow accounts (float earnings). Additionally, an increase in delinquencies in our GSE servicing portfolio will result in lower revenue because we collect servicing fees from GSEs only on performing loans.

Foreclosures are involuntary prepayments resulting in a reduction in UPB. This may also result in declines in the value of our MSRs.

Adverse economic conditions could also negatively impact our lending businesses. For example, declining home prices and increasing loan-to-value ratios may preclude many borrowers from refinancing their existing loans or obtaining new loans.

Any of the foregoing could adversely affect our business, liquidity, financial condition and results of operations.

A significant increase in prepayment speeds could adversely affect our financial results.

Prepayment speed is a significant driver of our business. Prepayment speed is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. Prepayment speeds have a significant impact on our servicing fee revenues, our expenses and on the valuation of our MSRs as follows:

- ***Revenue.*** If prepayment speeds increase, our servicing fees will decline more rapidly than anticipated because of the greater decrease in the UPB on which those fees are based. The reduction in servicing fees would be somewhat offset by increased float earnings because the faster repayment of loans will result in higher float balances that generate the float earnings. Conversely, decreases in prepayment speeds result in increased servicing fees but lead to lower float balances and float earnings.
- ***Expenses.*** Faster prepayment speeds result in higher compensating interest expense, which represents the difference between the full month of interest we are required to remit in the month a loan pays off and the amount of interest we collect from the borrower for that month. Slower prepayment speeds also lead to lower compensating interest expense.
- ***Valuation of MSRs.*** The fair value of MSRs is based on, among other things, projection of the cash flows from the related pool of mortgage loans. The expectation of prepayment speeds is a significant assumption underlying those cash flow projections from the perspective of market participants. Increases or decreases in interest rates have an impact on prepayment rates. If prepayment speeds were significantly greater than expected, the fair value of our MSRs, which we carry at fair value, could decrease. When the fair value of these MSRs decreases, we record a loss on fair value, which also has a negative impact on our financial results.

Operational Risks and Other Risks Related to Our Business

If we do not comply with our obligations under our servicing agreements or if others allege non-compliance, our business and results of operations may be harmed.

We have contractual obligations under the servicing agreements pursuant to which we service mortgage loans. Our non-Agency servicing agreements generally contain detailed provisions regarding servicing practices, reporting and other matters. In addition, PMC is party to seller/servicer agreements and/or subject to guidelines and regulations (collectively, seller/servicer obligations) with one or more of the GSEs, HUD, FHA, VA and Ginnie Mae. These seller/servicer obligations include financial covenants that include 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.

Many of our servicing agreements require adherence to general servicing standards, and certain contractual provisions delegate judgment over various servicing matters to us. Our servicing practices, and the judgments that we make in our servicing of loans, could be questioned by parties to these agreements, such as GSEs, Ginnie Mae, trustees or master servicers, or by investors in the trusts which own the mortgage loans or other third parties. As a result, we could be required to repurchase mortgage loans, make whole or otherwise indemnify such mortgage loan investors or other parties. Advances that we have made could be unrecoverable. We could also be terminated as servicer or become subject to litigation or other claims seeking damages or other remedies arising from alleged breaches of our servicing agreements. For example, we are currently involved in a dispute with a former subservicing client relating to alleged violations of our contractual agreements, including that we did not properly submit mortgage insurance and other claims for reimbursement. We are presently engaged in a dispute resolution process relating to these claims. We are unable to predict the outcome of this dispute or the size of any loss we might incur. In addition, several trustees are currently defending themselves against claims by RMBS investors that the trustees failed to properly oversee mortgage servicers - including Ocwen - in the servicing of hundreds of trusts. Trustees subject to those suits have informed Ocwen that they may seek indemnification for losses they suffer as a result of the filings.

Any of the foregoing could have a significant negative impact on our business, financial condition and results of operations. Even if allegations against us lack merit, we may have to spend additional resources and devote additional management time to contesting such allegations, which would reduce the resources available to address, and the time management is able to devote to, other matters.

GSEs or Ginnie Mae may curtail or terminate our ability to sell, service or securitize newly originated loans to them.

As noted in the prior risk factor, if we do not comply with our seller/servicer obligations, the GSEs or Ginnie Mae may utilize a variety of remedies against us. Such remedies include curtailment of our ability to sell newly originated loans or even termination of our ability to sell, service or securitize such loans altogether. Any such curtailment or termination would likely have a material adverse impact on our business, liquidity, financial condition and results of operations.

A significant reduction in, or the total loss of, our remaining NRZ-related servicing would significantly impact our business, liquidity, financial condition and results of operations.

NRZ is our largest servicing client, accounting for 21% of the UPB and 31% of the loan count in our servicing portfolio as of December 31, 2021. On February 20, 2020, we received a notice of termination from NRZ with respect to the legacy PMC subservicing agreement and completed the deboarding of those loans on October 1, 2020. It is possible that NRZ could exercise its rights to terminate for convenience or opt not to renew some or all of the legacy Ocwen servicing agreements.

In addition, under the legacy Ocwen agreements, any failure under a financial covenant could result in NRZ terminating Ocwen as subservicer under the subservicing agreements or in directing the transfer of servicing away from Ocwen under the Rights to MSRs agreements. Similarly, failure by Ocwen to meet operational requirements, including service levels, critical reporting and other obligations, could also result in termination or transfer for cause. In addition, if there is a change of control to which NRZ did not consent, NRZ could terminate for cause and direct the transfer of servicing away from Ocwen. A termination for cause and transfer of servicing could materially and adversely affect Ocwen’s business, liquidity, financial condition and results of operations.

Further, under our Rights to MSRs agreements, in certain circumstances, NRZ has the right to sell its Rights to MSRs to a third-party and require us to transfer title to the related MSRs, subject to an Ocwen option to acquire at a price based on the winning third-party bid rather than selling to the third party. If NRZ sells its Rights to MSRs to a third party, the transaction can only be completed if the third-party buyer can obtain the necessary third-party consents to transfer the MSRs. NRZ also has the obligation to use reasonable efforts to encourage such third-party buyer to enter into a subservicing agreement with Ocwen. Ocwen may lose future compensation for subservicing, however, if no subservicing agreement is ultimately entered into with the third-party buyer.

Because of the large percentage of our servicing business that is represented by the legacy Ocwen agreements with NRZ, if NRZ exercised all or a significant portion of its rights to decline to continue doing business with us we anticipate that we would need to substantially restructure many aspects of our servicing business as well as the related corporate support functions to address our smaller servicing portfolio, assuming we were unable to replenish the portfolio at a pace commensurate to the schedule of the transfer of the servicing.

If NRZ were to fail to comply with its servicing advance obligations under its agreements with us, it could materially and adversely affect us.

Under the Rights to MSRs agreements, NRZ is responsible for financing all servicing advance obligations in connection with the loans underlying the MSRs. At December 31, 2021, such servicing advances made by NRZ were approximately $484.2 million. However, under the Rights to MSRs structure, we are contractually required under our servicing agreements with the RMBS trusts to make the relevant servicing advances even if NRZ does not perform its contractual obligations to fund those advances. Therefore, if NRZ were unable to meet its advance financing obligations, we would remain obligated to meet any future advance financing obligations with respect to the loans underlying these Rights to MSRs, which could materially and adversely affect our liquidity, financial condition, results of operations and servicing operations.

NRZ currently uses advance financing facilities to fund a substantial portion of the servicing advances that NRZ is contractually obligated to make pursuant to the Rights to MSRs agreements. 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 entity performing the work of servicing the underlying loans on which advances are being financed. As such, we make certain representations, warranties and covenants, including representations and warranties in connection with our sale of advances to NRZ. If we were to make representations or warranties that were untrue or if we were otherwise to fail to comply with our contractual obligations, we could become subject to claims for damages or events of default under such facilities could be asserted.

Technology or process failures or employee misconduct could damage our business operations or reputation, harm our relationships with key stakeholders and lead to regulatory sanctions or penalties.

We are responsible for developing and maintaining sophisticated operational systems and infrastructure, which is challenging. As a result, operational risk is inherent in virtually all of our activities. In addition, the CFPB and other regulators have emphasized their focus on the importance of servicers’ and lenders’ systems and infrastructure operating effectively. If our systems and infrastructure fail to operate effectively, such failures could damage our business and reputation, harm our relationships with key stakeholders and lead to regulatory sanctions or penalties.

Our business is substantially dependent on our ability to process and monitor a large number of transactions, many of which are complex, across various parts of our business. These transactions often must adhere to the terms of a complex set of legal and regulatory standards, as well as the terms of our servicing and other agreements. In addition, given the volume of transactions that we process and monitor, certain errors may be repeated or compounded before they are discovered and rectified. For example, in the area of borrower correspondence, in 2014, problems were identified with our letter dating processes such that erroneously dated letters were sent to borrowers, which damaged our reputation and relationships with borrowers, regulators, important counterparties and other stakeholders. Because in an average month we send over 2 million communications, a process problem such as erroneous letter dating has the potential to negatively affect many parts of our business and have widespread negative implications.

We are similarly dependent on our employees. We could be materially adversely affected if an employee or employees, acting alone or in concert with non-affiliated third parties, causes a significant operational break-down or failure, either because of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems, including by means of cyberattack or denial-of-service attack. In addition to direct losses from such actions, we could be subject to regulatory sanctions or suffer harm to our reputation, financial condition, customer relationships, and ability to attract future customers or employees. Employee misconduct could prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent misconduct may not be effective in all cases. Misconduct by our employees, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our reputation and our business.

Third parties with which we do business could also be sources of operational risk to us, including risks relating to break-downs or failures of such parties' own systems or employees. Any of these occurrences could diminish our ability to operate one or more of our businesses or lead to potential liability to clients, reputational damage or regulatory intervention. We could also be required to take legal action against or replace third-party vendors, which could be costly, involve a diversion of management time and energy and lead to operational disruptions. Any of these occurrences could materially adversely affect us.

We are dependent on Black Knight and other vendors, service provider and other contractual counterparties for much of our technology, business process outsourcing and other services.

Our vendor relationships subject us to a variety of risks. We have significant exposure to third-party risks, as we are dependent on vendors, including Black Knight, Altisource and other vendors for a number of key services to operate our business effectively and in compliance with applicable regulatory and contractual obligations, and on banks, NRZ and other financing sources to finance our business.

We use the Black Knight MSP servicing system pursuant to a seven-year agreement with Black Knight expiring in 2026, and we are highly dependent on the successful functioning of it to operate our loan servicing business effectively and in compliance with our regulatory and contractual obligations. It would be difficult, costly and complex to transfer all of our loans to another servicing system in the event Black Knight failed to perform under its agreements with us and any such transfer would take considerable time. Any such transfer would also likely be subject us to considerable scrutiny from regulators, GSEs, Ginnie Mae and other counterparties.

If Black Knight were to fail to properly fulfill its contractual obligations to us, including through a failure to provide services at the required level to maintain and support our systems, our business and operations would suffer. In addition, if Black Knight fails to develop and maintain its technology so as to provide us with an effective and competitive servicing system, our business could suffer. Similarly, we are reliant on other vendors for the proper maintenance and support of our technological systems and our business and operations would suffer if these vendors do not perform as required. If our vendors do not adequately maintain and support our systems, including our servicing systems, loan originations and financial reporting systems, our business and operations could be materially and adversely affected.

Altisource and other vendors supply us with other services in connection with our business activities such as property preservation and inspection services and valuation services. In the event that a vendor'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. In addition, if our current vendors were to stop providing services to us on acceptable terms, we may be unable to procure alternatives from other vendors in a timely and efficient manner and on acceptable terms, or at all. Further, we may incur significant costs to resolve any such disruptions in service and this could adversely affect our business, financial condition and results of operations.

In addition to our reliance on the vendors discussed above, our business is reliant on a number of technological vendors that provide services such as integrated cloud applications and financial institutions that provide essential banking services on a daily basis. Even short-terms interruptions in the services provided by these vendors and financial institutions could be disruptive to our business and cause us financial loss. Significant or prolonged disruptions in the ability of these companies to provide services to us could have a material adverse impact on our operations.

Certain provisions of the agreements underlying our relationships with our vendors, service providers, financing sources and other contractual counterparties could be open to subjective interpretation. Disagreements with these counterparties, including disagreements over contract interpretation, could lead to business disruptions or could result in litigation or arbitration or mediation proceedings, any of which could be expensive and divert senior management's attention from other matters. While we have been able to resolve disagreements with these counterparties in the past, if we were unable to resolve a disagreement, a court, arbitrator or mediator might be required to resolve the matter and there can be no assurance that the outcome of a material disagreement with a contractual counterparty would not materially and adversely affect our business, financing activities, financial condition or results of operations.

We have undergone and continue to undergo significant change to our technology infrastructure and business processes. Failure to adequately update our systems and processes could harm our ability to run our business and adversely affect our results of operations.

We are currently making, and will continue to make, technology investments and process improvements to improve or replace the information processes and systems that are key to managing our business, to improve our compliance management system, and to reduce costs. Additionally, as part of the transition to Black Knight MSP and the integration of our information processes and systems with PHH, we have undergone and continue to undergo significant changes to our technology infrastructure and business processes. Failure to select the appropriate technology investments, or to implement them correctly and efficiently, could have a significant negative impact on our operations.

Cybersecurity breaches or system failures may interrupt or delay our ability to provide services to our customers, expose our business and our customers to harm and otherwise adversely affect our operations.

Disruptions and failures of our systems or those of our vendors may interrupt or delay our ability to provide services to our customers, expose us to remedial costs and reputational damage, and otherwise adversely affect our operations. The secure transmission of confidential information over the Internet and other electronic distribution and communication systems is essential to our maintaining consumer confidence in certain of our services. We have programs in place to detect and respond to security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. While none of the cybersecurity incidents that we have experienced to date have had a material adverse impact on our business, financial condition or operations, a recent cybersecurity incident involving one of our vendors briefly impacted our operations, and we cannot assure that future incidents will not materially and adversely impact us.

Security breaches, computer viruses, phishing attacks, worms, cyberattacks, ransomware, hacking and other acts of vandalism are increasing in frequency and sophistication, and could result in a compromise or breach of the technology that we or our vendors use to protect our borrowers' personal information and transaction data and other information that we must keep secure. Our financial, accounting, data processing or other operating systems and facilities (or those of our vendors) may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, such as a cyberattack, a spike in transaction volume or unforeseen catastrophic events, potentially resulting in data loss and adversely affecting our ability to process transactions or otherwise operate our business. If one or more of these events occurs, this could potentially jeopardize data integrity or confidentiality of information processed and stored in, or transmitted through, our computer systems and networks. Any failure, interruption or breach in our cyber security could result in reputational harm, disruption of our customer relationships, or an inability to originate and service loans and otherwise operate our business. Further, any of these cyber security and operational risks could expose us to lawsuits by customers for identity theft or other damages resulting from the misuse of their personal information and possible financial liability, any of which could have a material adverse effect on our results of operations, financial condition and liquidity.

Regulators may impose penalties or require remedial action if they identify weaknesses in our systems, and we may be required to incur significant costs to address any identified deficiencies or to remediate any harm caused. A number of states have specific reporting and other requirements with respect to cybersecurity in addition to applicable federal laws. For instance, the NY DFS Cybersecurity Regulation requires New York insurance companies, banks, and other regulated financial services institutions - including certain Ocwen entities licensed in the state of New York - to assess their cybersecurity risk profile. Regulated entities are required, among other things, to adopt the core requirements of a cybersecurity program, including a cybersecurity policy, effective access privileges, cybersecurity risk assessments, training and monitoring for all authorized users, and appropriate governance processes. This regulation also requires regulated entities to submit notices to the NY DFS of any security breaches or other cybersecurity events, and to certify their compliance with the regulation on an annual basis. In addition, consumers generally are concerned with security breaches and privacy on the Internet, and Congress or individual states could enact new laws regulating the use of technology in our business that could adversely affect us or result in significant compliance costs.

As part of our business, we may share confidential customer information and proprietary information with customers, vendors, service providers, and business partners. The information systems of these third parties may be vulnerable to security breaches as these third parties may not have appropriate security controls in place to protect the information we share with them. If our confidential information is intercepted, stolen, misused, or mishandled while in possession of a third party, it could result in reputational harm to us, loss of customer business, and additional regulatory scrutiny, and it could expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our results of operations, financial condition and liquidity.

Damage to our reputation could adversely impact our financial results and ongoing operations.

Our ability to serve and retain customers and conduct business transactions with our counterparties could be adversely affected to the extent our reputation is damaged. Our failure to address, or to appear to fail to address, the various regulatory, operational and other challenges facing Ocwen could give rise to reputational risk that could cause harm to us and our business prospects. Reputational issues may arise from the following, among other factors:

- negative news about Ocwen or the mortgage industry generally;
- allegations of non-compliance with legal and regulatory requirements;
- ethical issues, including alleged deceptive or unfair servicing or lending practices;
- our practices relating to collections, foreclosures, property preservation, modifications, interest rate adjustments, loans impacted by natural disasters, escrow and insurance;
- consumer privacy concerns;
- consumer financial fraud;
- data security issues related to our customers or employees;
- cybersecurity issues and cyber incidents, whether actual, threatened, or perceived;
- customer service or consumer complaints;
- legal, reputational, credit, liquidity and market risks inherent in our businesses;
- a downgrade of or negative watch warning on any of our servicer or credit ratings; and
- alleged or perceived conflicts of interest.

The proliferation of social media websites as well as the personal use of social media by our employees and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our employees interacting with our customers in an unauthorized manner in various social media outlets. The failure to address, or the perception that we have failed to address, any of these issues appropriately could give rise to increased regulatory action, which could adversely affect our results of operations.

The industry in which we operate is highly competitive, and, to the extent we fail to meet these competitive challenges, it would have a material adverse effect on our business, financial position, results of operations or cash flows.

We operate in a highly competitive industry that could become even more competitive as a result of economic, legislative, regulatory or technological changes. Competition to service mortgage loans and for mortgage loan originations comes primarily from commercial banks and savings institutions and non-bank lenders and mortgage servicers. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources, and lower funding costs. Further, our competitors that are national banks may also benefit from a federal exemption from certain state regulatory requirements that is applicable to depository institutions. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of revenue generating options (e.g., originating types of loans that we choose not to originate) and establish more favorable relationships than we can. With the proliferation of smartphones and technological changes enabling improved payment systems and cheaper data storage, newer market participants, often called “disruptors,” are reinventing aspects of the financial industry and capturing profit pools previously enjoyed by existing market participants. As a result, the lending industry could become even more competitive if new market participants are successful in capturing market share from existing market participants such as ourselves. Competition to service mortgage loans may result in lower margins. Because of the relatively limited number of servicing clients, our failure to meet the expectations of any significant client could materially impact our business. Ocwen has suffered reputational damage as a result of our regulatory settlements and the associated scrutiny of our business. We believe this may have weakened our competitive position against both our bank and non-bank mortgage servicing competitors. These competitive pressures could have a material adverse effect on our business, financial condition or results of operations.

An inability to attract and retain qualified personnel could harm our business, financial condition and results of operations.

Our future success depends, in part, on our ability to identify, attract and retain highly skilled servicing, lending, finance, risk, compliance and technical personnel. We face intense competition for qualified individuals from numerous financial services and other companies, some of which have greater resources, better recent financial performance, fewer regulatory challenges and better reputations than we do.

In addition, the current low interest rate environment has created an increase in refinancing and home purchase activities, creating high demand for originations underwriters and processing staff that has resulted in increased competition for qualified personnel and upward pressure on compensation levels.

If we are unable to attract and retain the personnel necessary to conduct our originations business, or other operations, or if the costs of doing so rise significantly, it could negatively impact our financial condition and results of operations.

We have operations in India and the Philippines that could be adversely affected by changes in the political or economic stability of these countries or by government policies in India, the Philippines or the U.S.

Approximately 3,200, or 56%, of our employees as of December 31, 2021 are located in India. A significant change in India’s economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular. The political or regulatory climate in the U.S. or elsewhere also could change so that it would not be lawful or practical for us to use international operations in the manner in which we currently use them. For example, changes in regulatory requirements could require us to curtail our use of lower-cost operations in India to service our businesses. If we had to curtail or cease our operations in India and transfer some or all of these operations to another geographic area, we could incur significant transition costs as well as higher future overhead costs that could materially and adversely affect our results of operations.

We may need to increase the levels of our employee compensation more rapidly than in the past to retain talent in India. Unless we can continue to enhance the efficiency and productivity of our employees, wage increases in the long-term may negatively impact our financial performance.

Political activity or other changes in political or economic stability in India could affect our ability to operate our business effectively. For example, political protests disrupted our Indian operations in multiple cities for a number of days during 2018. While we have implemented and maintain business continuity plans to reduce the disruption such events cause to our critical operations, we cannot guarantee that such plans will eliminate any negative impact on our business. Depending on the frequency and intensity of future occurrences of instability, our Indian operations could be significantly adversely affected.

Our operations in the Philippines are less substantial than our operations in India. However, they are still at risk of being affected by the same types of risks that affect our Indian operations. If they were to be so affected, our business could be materially and adversely affected.

There are a number of foreign laws and regulations that are applicable to our operations in India and the Philippines, including laws and regulations that govern licensing, employment, safety, taxes and insurance and laws and regulations that govern the creation, continuation and 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 the laws and regulations of India or the Philippines could result in (i) restrictions on our operations in these countries, (ii) fines, penalties or sanctions or (iii) reputational damage.

Our operations are vulnerable to disruptions resulting from severe weather events.

Our operations are vulnerable to disruptions resulting from severe weather events, including our operations in India, the Philippines, the USVI and Florida. Approximately 3,200, or 56%, of our employees as of December 31, 2021 are located in India. In recent years, severe weather events caused disruptions to our operations in India, the Philippines, and the USVI and we incurred expense resulting from the evacuation of personnel and from property damage. In addition, employees located in Pennsylvania, New Jersey and Texas have been impacted by severe weather events in recent years, including as a result of power failures due to such events which temporarily prevented some remote employees from working. While we have implemented and maintain business continuity plans to reduce the disruption such events cause to our critical operations, we cannot guarantee that such plans will eliminate any negative impact on our business, including the cost of evacuation and repairs. As the frequency of severe weather events continues to increase in connection with rising global temperatures and other climatic changes, interruptions to our business operations may become more frequent and costly, and future weather events could have a significant adverse effect on our business and results of operations.

If a rise in severe weather events increases the proportion of borrowers facing financial hardship, our servicing operations and financial condition could be negatively impacted.

Certain regions of the United States have experienced an increase in the frequency and severity of significant weather events during the last decade, resulting in costly property repairs and rising homeowner's insurance costs. To the extent borrowers living in impacted areas experience a financial hardship and become unable to meet their mortgage obligations or choose to abandon severely damaged property, our servicing operations will become more costly due to the increased expense of servicing delinquent mortgages and managing REO property. While we have programs in place to assist homeowners negatively impacted by weather events and other emergencies, we cannot guarantee that these programs would mitigate impacts to all borrowers. Consequently, if the frequency and severity of weather events continues to increase and the regions subject to extreme weather continue to expand, the results of our servicing operations and financial condition could be significantly impacted.

A significant portion of our business is in the states of California, Texas, Florida, New York and New Jersey, and our business may be significantly harmed by a slowdown in the economy or the occurrence of a natural disaster in those states.

A significant portion of the mortgage loans that we service and originate are secured by properties in California, Texas, Florida, New York and New Jersey. Any adverse economic conditions in these markets, including a downturn in real estate values, could increase loan delinquencies. Delinquent loans are more costly to service and require us to advance delinquent principal and interest and to make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent that we determine that such amounts are recoverable. We could also be adversely affected by business disruptions triggered by natural disasters or acts or war or terrorism in these geographic areas.

Reinsuring risk through our captive reinsurance entity could adversely impact our results of operation and financial condition.

If our captive reinsurance entity incurs losses from a severe catastrophe or series of catastrophes, particularly in areas where a significant portion of the insured properties are located, claims that result could substantially exceed our expectations, which could adversely impact our results of operation and financial condition. An increase in the frequency with which severe weather events occur in the United States would increase the risk of adverse impacts on our captive reinsurance business.

Pursuit of business or asset acquisitions exposes us to financial, execution and operational risks that could adversely affect us.

We are actively looking for opportunities to grow our business through acquisitions of businesses and assets. The performance of the businesses and assets we acquire through acquisitions may not match the historical performance of our other assets. Nor can we assure you that the businesses and assets we may acquire will perform at levels meeting our expectations. We may find that we overpaid for the acquired businesses or assets or that the economic conditions underlying our acquisition decision have changed. It may also take several quarters or longer for us to fully integrate newly acquired business and assets into our business, during which period our results of operations and financial condition may be negatively affected. Further, certain one-time expenses associated with such acquisitions may have a negative impact on our results of operations and financial condition. We cannot assure you that acquisitions will not adversely affect our liquidity, results of operations and financial condition.

The risks associated with acquisitions include, among others:

- unanticipated issues in integrating servicing, information, communications and other systems;
- unanticipated incompatibility in servicing, lending, purchasing, logistics, marketing and administration methods;
- unanticipated liabilities assumed from the acquired business;
- not retaining key employees; and
- the diversion of management's attention from ongoing business concerns.

The acquisition integration process can be complicated and time consuming and could potentially be disruptive to borrowers of loans serviced by the acquired business. If the integration process is not conducted successfully and with minimal effect on the acquired business and its borrowers, we may not realize the anticipated economic benefits of particular acquisitions within our expected timeframe, or we could lose subservicing business or employees of the acquired business. In addition, integrating operations may involve significant reductions in headcount or the closure of facilities, which may be disruptive to operations and impair employee morale. Through acquisitions, we may enter into business lines in which we have not previously operated. Such acquisitions could require additional integration costs and efforts, including significant time from senior management. We may not be able to achieve the synergies we anticipate from acquired businesses, and we may not be able to grow acquired businesses in the manner we anticipate. In fact, the businesses we acquire could decrease in size, even if the integration process is successful.

Further, prices at which acquisitions can be made fluctuate with market conditions. We have experienced times during which acquisitions could not be made in specific markets at prices that we considered to be acceptable, and we expect that we will experience this condition in the future. In addition, to finance an acquisition, we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or we could raise additional equity capital, which could dilute the interests of our existing shareholders.

The timing of closing of our acquisitions is often uncertain. We have in the past and may in the future experience delays in closing our acquisitions, or certain aspects of them. For example, we and the applicable seller are often required to obtain certain regulatory and contractual consents as a prerequisite to closing, such as the consents of GSEs, the FHFA, RMBS trustees or regulators. Accordingly, even if we and the applicable seller are efficient and proactive, the actions of third parties can impact the timing under which such consents are obtained. We and the applicable seller may not be able to obtain all the required consents, which may mean that we are unable to acquire all the assets that we wish to acquire. Regulators may have questions relating to aspects of our acquisitions and we may be required to devote time and resources responding to those questions. It is also possible that we will expend considerable resources in the pursuit of an acquisition that, ultimately, either does not close or is terminated.

Loan put-backs and related liabilities for breaches of representations and warranties regarding sold loans could adversely affect our business.

We have exposure to representation, warranty and indemnification obligations relating to our Originations business, including lending, sales and securitization activities, and in certain instances, we have assumed these obligations on loans we service. Our contracts with purchasers of originated loans generally contain provisions that require indemnification or repurchase of the related loans under certain circumstances. While the language in the purchase contracts varies, such contracts generally contain provisions that require us to indemnify purchasers of 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 believe that 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.

At December 31, 2021, we had outstanding representation and warranty repurchase demands related to 288 loans of $52.5 million total UPB.

If home values 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. Depending on the magnitude of any such increase, our business, financial condition and results of operations could be adversely affected.

We originate and securitize reverse mortgages, which subjects us to risks that could have a material adverse effect on our business, reputation, liquidity, financial condition and results of operations.

We originate, securitize and service reverse mortgages and we have retained third parties to subservice the reverse mortgages. The reverse mortgage business is subject to substantial risks, including market, credit, interest rate, liquidity, operational, reputational and legal risks. Generally, a reverse mortgage is a loan available to seniors aged 62 or older that allows homeowners to borrow money against the value of their home. No repayment of the mortgage is required until a default event under the terms of the mortgage occurs, the borrower dies, the borrower moves out of the home or the home is sold. A decline in the demand for reverse mortgages may reduce the number of reverse mortgages we originate and adversely affect our ability to sell reverse mortgages in the secondary market. Although foreclosures involving reverse mortgages generally occur less frequently than forward mortgages, loan defaults on reverse mortgages leading to foreclosures may occur if borrowers fail to occupy the home as their primary residence, maintain their property or fail to pay taxes or home insurance premiums. A general increase in foreclosure rates may adversely impact how reverse mortgages are perceived by potential customers and thus reduce demand for reverse mortgages. Additionally, we could become subject to negative headline risk in the event that loan defaults on reverse mortgages lead to foreclosures or evictions of the elderly. The HUD HECM reverse mortgage program has in the past responded to scrutiny around similar issues by implementing rule changes, and may do so in the future. It is not possible to predict whether any such rule changes would negatively impact us. All of the above factors could have a material adverse effect on our business, reputation, liquidity, financial condition and results of operations.

Our HMBS repurchase obligations may reduce our liquidity, and if we are unable to comply with such obligations, it could materially adversely affect our business, financial condition, and results of operations.

As an HMBS issuer, we assume the obligation 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 typically received 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 obligations with respect to MCA repurchases are uncertain as repurchase is dependent largely on circumstances outside of our control. MCA repurchases are expected to continue to increase due to the seasoning of our portfolio, and the increased flow of HECMs and REO that are reaching 98% of their maximum claim amount.

If we do not have sufficient liquidity to comply with our Ginnie Mae repurchase obligations, Ginnie Mae could take adverse action against us, including terminating us as an approved HMBS issuer. In addition, if we are required to purchase a significant number of loans with respect to which the outstanding principal balances exceed HUD's maximum claim amount, we could be required to absorb significant losses on such loans following assignment to HUD or, in the case of inactive loans, liquidation and subsequent claim for HUD reimbursement. Further, during the periods in which HUD reimbursement is pending, our liquidity will be reduced by the repurchase amounts and we will have reduced resources with which to further other business objectives. For all of the foregoing reasons, our liquidity, business, financial condition, and results of operations could be materially and adversely impacted by our HMBS repurchase obligations.

Liabilities relating to our past sales of Agency MSRs could adversely affect our business.

We have made representations, warranties and covenants relating to our past sales of Agency MSRs, including sales made by PHH before we acquired it. To the extent that we (including PHH prior to its acquisition by us) made inaccurate representations or warranties or if we fail otherwise to comply with our sale agreements, we could incur liability to the purchasers of these MSRs pursuant to the contractual provisions of these agreements.

We may incur litigation costs and related losses if the validity of a foreclosure action is challenged by a borrower or if a court overturns a foreclosure.

We may incur costs if we are required to, or if we elect to, execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to a title insurer of the property sold in foreclosure. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. In addition, if certain documents required for a foreclosure action are missing or defective, we could be obligated to cure the defect or repurchase the loan. A significant increase in litigation costs could adversely affect our liquidity, and our inability to be reimbursed for servicing advances could adversely affect our business, financial condition or results of operations.

A failure to maintain minimum servicer ratings could have an adverse effect on our business, financing activities, financial condition or results of operations.

S&P, Moody's, Fitch and others rate us as a mortgage servicer. Failure to maintain minimum servicer ratings could adversely affect our ability to sell or fund servicing advances going forward, could affect the terms and availability of debt financing facilities that we may seek in the future, 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. As a result of our current servicer ratings, termination rights have been triggered in some non-Agency servicing agreements. While the holders of these termination rights have not exercised them to date, they have not waived the right to do so, and we could, in the future, be subject to terminations either as a result of servicer ratings downgrades or future adverse actions by ratings agencies, which could have an adverse effect on our business, financing activities, financial condition and results of operations. Downgrades in our servicer ratings could also affect the terms and availability of advance financing or other debt facilities that we may seek in the future. Our failure to maintain minimum or specified ratings could adversely affect our dealings with contractual counterparties, including GSEs, Ginnie Mae and regulators, any of which could have a material adverse effect on our business, financing activities, financial condition and results of operations. To date, terminations as servicer as a result of a breach of any of these provisions have been minimal.

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect interest rates, our business, and financial markets as a whole.

On July 27, 2017, the Financial Conduct Authority in the U.K. announced that it would phase out LIBOR as a benchmark by the end of 2021. However, for U.S. dollar LIBOR, the date has been deferred to June 30, 2023 for certain tenors (including overnight and one, three, six and 12 months), at which time the LIBOR administrator has indicated that it intends to cease publication of U.S. dollar LIBOR. Despite this deferral, the LIBOR administrator has advised that no new contracts using U.S. dollar LIBOR should be entered into after December 31, 2021 and that beginning January 1, 2022, renewals of existing contracts should provide for the replacement of U.S. dollar LIBOR with an alternative reference rate. Our debt agreements that presently reference LIBOR provide that upon LIBOR's phase out, the applicable lender may select the replacement rate at its sole discretion. While under some agreements, the lender's choice of replacement rate must be reasonable and/or market-based, under other agreements, our only option if we disagree with the lender's benchmark rate will be to terminate the agreement, which could be difficult due to our reliance on the source of funding or for other reasons.

There are indications that some market participants may adopt the Secured Overnight Financing Rate (SOFR) as a replacement for LIBOR. However, it is uncertain at this time the extent to which SOFR may be widely accepted. In general, there remains substantial uncertainty relating to the process and timeline for developing LIBOR alternatives, how widely any given alternative will be adopted by parties in the financial markets, and the extent to which alternative benchmarks may be subject to volatility or present risks and challenges that LIBOR does not. It is possible that we will disagree with our contractual counterparties over which alternative benchmark to adopt, which could make renewing or replacing our debt facilities and other agreements more complex. In addition, to the extent the adoption of a benchmark alternative impacts the interest rates payable by borrowers, it could lead to borrower complaints and litigation. Consequently, it remains difficult to predict the effects of the phase-out of LIBOR and the use of alternative benchmarks may have on our business or on the overall financial markets. If LIBOR alternatives re-allocate risk among parties in a way that is disadvantageous to market participants such as Ocwen, if there is disagreement among market participants, including borrowers, over which alternative benchmark to adopt, or if uncertainty relating to the LIBOR phase-out disrupts financial markets, it could have a material adverse effect on our financial position, results of operations, and liquidity.

Tax Risks

Changes in tax laws and interpretation and tax challenges may adversely affect our financial condition and results of operations.

The enactment of Federal Tax Reform has had, and is expected to continue to have, far reaching and significant effects. Further, U.S. tax authorities may at any time clarify and/or modify by legislation, administration or judicial changes or interpretation the income tax treatment of corporations. Such changes could adversely affect us.

In the course of our business, we are sometimes subject to challenges from taxing authorities, including the IRS, individual states, municipalities, and foreign jurisdictions, regarding amounts due. These challenges may result in adjustments to the timing or amount of taxable income or deductions, the allocation of income among tax jurisdictions, or the rate of tax imposed in such jurisdiction, all of which may require a greater provision for taxes or otherwise adversely affect our financial condition and results of operations.

Failure to retain the tax benefits provided by the USVI would adversely affect our financial condition and results of operations.

During 2019, in connection with our acquisition of PHH, overall corporate simplification and cost reduction efforts, we executed a legal entity reorganization whereby OLS, through which we previously conducted a substantial portion of our servicing business, was merged into PMC. OLS was previously the wholly-owned subsidiary of OMS, which was incorporated and headquartered in the USVI prior to its merger with Ocwen USVI Services, LLC, an entity which is also organized and headquartered in the USVI. The USVI has an Economic Development Commission (EDC) that provides certain tax benefits to qualified businesses. OMS received its certificate to operate as a company qualified for EDC benefits in October 2012 and as a result received significant tax benefits. Following our legal entity reorganization, we are no longer able to avail ourselves of favorable tax treatment for our USVI operations on a going forward basis. However, if the EDC were to determine that we failed to conduct our USVI operations in compliance with EDC qualifications prior to our reorganization, the value of the EDC benefits corresponding to the period prior to the reorganization could be reduced or eliminated, resulting in an increase to our tax expense. In addition, under our agreement with the EDC, we remain obligated to continue to operate Ocwen USVI Services, LLC in compliance with EDC requirements through 2042. If we fail to maintain our EDC qualification, we could be alleged to be in violation of our EDC commitments and the EDC could take adverse action against us, which could include demands for payment and reimbursement of past tax benefits, and it could result in the loss of anticipated income tax refunds. If any of these events were to occur, it could adversely affect our financial condition and results of operations.

We may be subject to increased United States federal income taxation.

OMS was incorporated under the laws of the USVI and operated in a manner that caused a substantial amount of its net income to be treated as not related to a trade or business within the United States, which caused such income to be exempt from United States federal income taxation. However, because there are no definitive standards provided by the Internal Revenue Code (the Code), regulations or court decisions as to the specific activities that constitute being engaged in the conduct of a trade or business within the United States, and as any such determination is essentially factual in nature, we cannot assure you that the IRS will not successfully assert that OMS was engaged in a trade or business within the United States with respect to that income.

If the IRS were to successfully assert that OMS had been engaged in a trade or business within the United States with respect to that income in any taxable year, it may become subject to United States federal income taxation on such income. Our tax returns and positions are subject to review and audit by federal and state taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense.

Any "ownership change" as defined in Section 382 of the Internal Revenue Code could substantially limit our ability to utilize our net operating losses carryforwards and other deferred tax assets.

As of December 31, 2021, Ocwen had U.S. federal and USVI net operating loss (NOL) carryforwards of approximately $256.9 million, which we estimate to be worth approximately $53.9 million to Ocwen under our present assumptions related to Ocwen's various relevant jurisdictional tax rates as a result of recently passed tax legislation (which assumptions reflect a significant degree of uncertainty). As of December 31, 2021, Ocwen had state NOL and state tax credit carryforwards which we estimate to be worth approximately $70.7 million, and foreign tax credit carryforwards of $0.2 million in the U.S. jurisdiction. As of December 31, 2021, Ocwen had disallowed interest under Section 163(j) of $162.0 million in the U.S. jurisdiction. NOL carryforwards, Section 163(j) disallowed interest carryforwards and certain built-in losses or deductions 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 as measured under Section 382. In addition, tax credit carryforwards may be subject to annual limitations under Internal Revenue Code Section 383 (Section 383). We periodically evaluate whether certain changes in ownership have occurred as measured under Section 382 that would limit our ability to utilize our NOLs, tax credit carryforwards, deductions and/or certain built-in losses. If it is determined that an ownership change(s) has occurred, there may be annual limitations under Sections 382 and 383 (or comparable provisions of foreign or state law).

Ocwen and PHH have both experienced historical ownership changes that have caused the use of certain tax attributes to be limited and have resulted in the write-off of certain of these attributes based on our inability to use them in the carryforward periods defined under tax law. Ocwen continues to monitor the ownership in its stock to evaluate whether any additional ownership changes have occurred that would further limit our ability to utilize certain tax attributes. 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. Our inability to utilize our pre-ownership change NOL carryforwards, Section 163(j) disallowed interest 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. Finally, any future changes in our ownership or sale of our stock could further limit the use of our NOLs and tax credits in the future.

Risks Relating to Ownership of Our Common Stock

Our common stock price experiences substantial volatility and has dropped significantly on a number of occasions in recent periods, which may affect your ability to sell our common stock at an advantageous price.

The market price of our shares of common stock has been, and may continue to be, volatile. For example, the closing market price of our common stock on the New York Stock Exchange fluctuated during 2021 between $22.70 per share and $40.59 per share, and the closing stock price on February 22, 2022 was $34.27 per share. Therefore, the volatility in our stock price may affect your ability to sell our common stock at an advantageous price. Market price fluctuations in our common stock may be due to factors both within and outside our control, including regulatory or legal actions, acquisitions, dispositions or other material public announcements or speculative trading in our stock (e.g., traders "shorting" our common stock), as well as a variety of other factors including, but not limited to those set forth under this Item 1.A. Risk Factors .

In addition, the stock markets in general, including the New York Stock Exchange, have, at times, experienced extreme price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of our common stock.

When the market price of a company's shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against us, even if unsuccessful, could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

We have several large shareholders, and such shareholders may vote their shares to influence matters requiring shareholder approval.

In connection with the issuance of our senior secured notes in March 2021 and the creation of MAV in May 2021, we issued Oaktree 4.9% of our then outstanding common shares, as well as warrants to purchase an additional 15% of our then outstanding shares. Based on SEC filings, we believe Oaktree has purchased additional shares on the open market and now holds approximately 8% of our outstanding shares. In addition, based on SEC filings, Deer Park Road Management Company, LP and certain other shareholders also own or control significant amounts of our common stock. These large shareholders each have the ability to vote a meaningful percentage of our outstanding common stock on all matters put to a vote of our shareholders. As a result, these shareholders could influence matters requiring shareholder approval, including the amendment of our articles of incorporation, the approval of mergers or similar transactions and the election of directors. For instance, we held a special meeting of shareholders in November 2018 in order to implement an amendment to our articles of incorporation that management believed was necessary to help us preserve certain tax assets, but in part due to the fact that we did not receive the vote of several large shareholders, the proposal was not adopted by our shareholders. If, in the future, situations arise in which management and certain large shareholders have divergent views, we may be unable to take actions management believes to be in the best interests of Ocwen.

Further, certain of our large shareholders also hold significant percentages of stock in companies with which we do business. It is possible these interlocking ownership positions could cause these shareholders to take actions based on factors other than solely what is in the best interests of Ocwen.

Our board of directors may authorize the issuance of additional securities that may cause dilution and may depress the price of our securities.

Our charter permits our board of directors, without our stockholders’ approval, to:

- authorize the issuance of additional common stock or preferred stock in connection with future equity offerings or acquisitions of securities or other assets of companies; and
- classify or reclassify any unissued common stock or preferred stock and to set the preferences, rights and other terms of the classified or reclassified shares, including the issuance of shares of preferred stock that have preference rights over the common stock and existing preferred stock with respect to dividends, liquidation, voting and other matters or shares of common stock that have preference rights over common stock with respect to voting.

While any such issuance would be subject to compliance with the terms of our debt and other agreements, our issuance of additional securities could be substantially dilutive to our existing stockholders and may depress the price of our common stock.

Future offerings of debt securities, which would be senior to our common stock in liquidation, or equity securities, which would dilute our existing stockholders’ interests and may be senior to our common stock in liquidation or for the purposes of distributions, may harm the market price of our securities.

We will continue to seek to access the capital markets from time to time and, subject to compliance with our other contractual agreements, may make additional offerings of term loans, debt or equity securities, including senior or subordinated notes, preferred stock or common stock. We are not precluded by the terms of our charter from issuing additional indebtedness. Accordingly, we could become more highly leveraged, resulting in an increase in debt service obligations and an increased risk of default on our obligations. If we were to liquidate, holders of our debt and lenders with respect to other borrowings would receive a distribution of our available assets before the holders of our common stock. Additional equity offerings by us may dilute our existing stockholders’ interest in us or reduce the market price of our existing securities. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Further, conditions could require that we accept less favorable terms for the issuance of our securities in the future. Thus, our existing stockholders will bear the risk of our future offerings reducing the market price of our securities and diluting their ownership interest in us.

Because of certain provisions in our organizational documents and regulatory restrictions, takeovers may be more difficult, possibly preventing you from obtaining an optimal share price. In addition, significant investments in our common stock may be restricted, which could impact demand for, and the trading price of, our common stock.

Our amended and restated articles of incorporation provide that the total number of shares of all classes of capital stock that we have authority to issue is 33.3 million, of which 13.3 million are common shares and 20.0 million are preferred shares. Our board of directors has the authority, without a vote of the shareholders, to establish the preferences and rights of any preferred or other class or series of shares to be issued and to issue such shares. The issuance of preferred shares could delay or prevent a change in control. Since our board of directors has the power to establish the preferences and rights of the preferred shares without a shareholder vote, our board of directors may give the holders of preferred shares preferences, powers and rights, including voting rights, senior to the rights of holders of our common shares. In addition, our bylaws include provisions that, among other things, require advance notice for raising business or making nominations at meetings, which could impact the ability of a third party to acquire control of us or the timing of acquiring such control.

Third parties seeking to acquire us or make significant investments in us must do so in compliance with state regulatory requirements applicable to licensed mortgage servicers and lenders. Many states require change of control applications for acquisitions of “control” as defined under each state’s laws and regulation, which may apply to an investment without regard to the intent of the investor. For example, New York has a control presumption triggered at 10% ownership of the voting stock of the licensee or of any person that controls the licensee. In addition, we have licensed insurance subsidiaries in New York and Vermont. Accordingly, there can be no effective change in control of Ocwen unless the person seeking to acquire control has made the relevant filings and received the requisite approvals in New York and Vermont. These regulatory requirements may discourage potential acquisition proposals or investments, may delay or prevent a change in control of us and may impact demand for, and the trading price of, our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Ocwen Financial Corporation is headquartered in West Palm Beach, Florida, at 1661 Worthington Road, Suite 100. We have offices and facilities in the United States, the USVI, India and the Philippines, all of which are leased. The following table sets forth information relating to our principal facilities at December 31, 2021:

Location	Owned/Leased	Square Footage
Principal executive offices		
West Palm Beach, Florida	Leased	51,546
Document storage and imaging facility		
West Palm Beach, Florida	Leased	51,931
Business operations and support offices		
U.S. facilities:		
Mt. Laurel, New Jersey (1)	Leased	483,896
Houston, Texas - Walters Road (2)	Leased	46,425
Rancho Cordova, California (3)	Leased	17,157
Houston, Texas - Richmond Avenue (4)	Leased	9,653
St. Croix, USVI (5)	Leased	6,096
Offshore facilities (5)		
Bangalore, India (6)	Leased	87,233
Mumbai, India (7)	Leased	25,665
Pune, India (8)	Leased	3,826
Manila, Philippines	Leased	39,329
Former operations and support offices no longer utilized		
Addison, Texas (9)	Leased	39,646

(1) The Mt. Laurel facility includes two buildings, one with 376,122 square feet of space supporting our servicing and lending operations, as well as our corporate functions. We ceased using 243,927 square feet as of the end of 2020. The second building has 107,774 square feet of space, all of which is subleased. The lease expires in December 2022.

(2) Primarily supports reverse servicing operations. This lease was assumed in connection with the MAM (RMS) transaction completed in October 2021 and expired in February 2022. On February 1, 2022, we entered into new agreements to lease 45,479 square feet for a term of five years.

(3) Primarily supports reverse lending operations. We downsized the existing facility to 17,157 square feet and extended the lease through August 2024.
(4) Primarily supports commercial and reverse servicing operations.
(5) Primarily supports servicing operations.
(6) We terminated our lease with respect to 41,373 square feet of the space in June 2021.
(7) We terminated the lease on our previous facility with 96,696 square feet and relocated to a managed service office in June 2021.
(8) We terminated our lease on the previous facility with 44,328 square feet and relocated to a managed service office in February 2021.
(9) The lease expires in 2025 and is currently being marketed for sublease.

We regularly evaluate current and projected space requirements, considering the constraints of our existing lease agreements and the expected scale of our businesses. We continue to operate through a secure remote workforce model for approximately 95% of our global workforce due to the COVID 19 pandemic. During 2021, we exited a total of 298,138 of leased square footage.

ITEM 3. LEGAL PROCEEDINGS

See Note 24 — Regulatory Requirements and Note 26 — Contingencies to the Consolidated Financial Statements for a description of our material legal proceedings. That information is incorporated into this item by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

EM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Our Common Stock

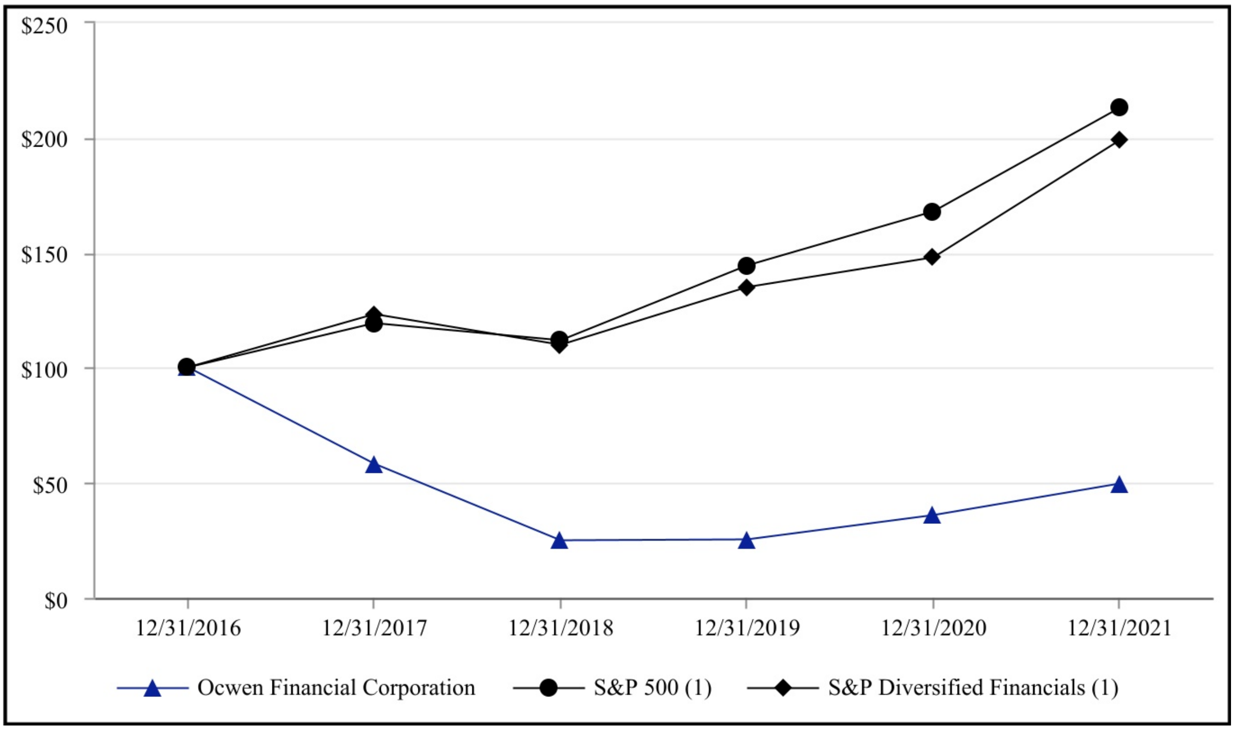
The common stock of Ocwen Financial Corporation is traded under the symbol "OCN" on the NYSE.

Dividends

We have never declared or paid cash dividends on our common stock. We currently do not intend to pay cash dividends in the foreseeable future but intend to reinvest earnings in our business. The timing and amount of any future dividends will be determined by our Board of Directors and will depend, among other factors, upon our earnings, financial condition, cash requirements, the capital requirements of subsidiaries and investment opportunities at the time any such payment is considered. Our Board of Directors has no obligation to declare dividends on our common stock under Florida law or our amended and restated articles of incorporation.

Stock Return Performance

The following graph compares the cumulative total return on the common stock of Ocwen Financial Corporation since December 31, 2016, with the cumulative total return on the stocks included in Standard & Poor's 500 Market Index and Standard & Poor's Diversified Financials Market Index. The graph assumes that $100 was invested in our common stock and in each index on December 31, 2016 and the reinvestment of all dividends.



Index	Period Ending 12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Ocwen Financial Corporation	$ 100.00	$ 58.07	$ 24.86	$ 25.42	$ 35.76	$ 49.44
S&P 500	$ 100.00	$ 119.42	$ 111.97	$ 144.31	$ 167.77	$ 212.89
S&P 500 Diversified Financials	$ 100.00	$ 123.33	$ 109.73	$ 134.80	$ 147.98	$ 198.70

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This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing by us under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Number of Holders of Common Stock

On February 22, 2022, 9,208,312 shares of our common stock were outstanding and held by approximately 62 holders of record. Such number of stockholders does not reflect the number of individuals or institutional investors holding our stock in nominee name through banks, brokerage firms and others.

Unregistered Sales of Equity Securities and Use of Proceeds

All unregistered sales of equity securities during the year ended December 31, 2021 have been previously reported.

Purchases of Equity Securities by the Issuer and Affiliates

We did not repurchase any shares of our common stock during 2021 or through February 22, 2022.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Dollars in millions, except per share amounts and unless otherwise indicated)

The Management’s Discussion and Analysis of Financial Condition and Results of Operations section of this Form 10-K generally discusses 2021 and 2020 items and provides year-to-year comparisons between 2021 and 2020. Discussions of year-to-year comparisons between 2020 and 2019 are not included in this Form 10-K and can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 19, 2021.

OVERVIEW

We are a financial services company that services and originates mortgage loans. We are a leading mortgage special servicer, servicing 1.4 million loans with a total UPB of $268.0 billion on behalf of more than 3,900 investors and 125 subservicing clients as of December 31, 2021. We service all mortgage loan classes, including conventional, government-insured and non-Agency loans. Our Originations business is part of our balanced business model to generate gains on loan sales and profitable returns, and to support the replenishment and the growth of our servicing portfolio. Through our retail, correspondent and wholesale channels, we originate and purchase conventional and government-insured forward and reverse mortgage loans that we sell or securitize on a servicing retained basis. In addition, we grow our mortgage servicing volume through MSR flow purchase agreements, Agency Cash Window programs, bulk MSR purchase transactions, and subservicing agreements.

The table below summarizes the volume of Originations by channel during 2021, compared with the volume of the prior years. The volume of Originations is a key driver of the profitability of our Originations segment, together with margins, and a key driver of the replenishment and growth of our Servicing segment. In 2021, we added $152.0 billion of new volume, with $55.1 billion MSR bulk acquisitions, $55.9 billion of new subservicing and $41.0 billion of non-bulk Originations volume, as further detailed in the below table.

$ In billions	UPB			$ Change	
	Year Ended December 31st				
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Mortgage servicing originations					
Retail - Consumer Direct MSR (1)	$ 2.4	$ 1.3	$ 0.7	$ 1.1	$ 0.7
Correspondent MSR (1)	16.6	5.7	0.5	10.9	5.2
Flow and Agency Cash Window MSR purchases (2)	20.4	15.1	0.9	5.3	14.2
Reverse mortgage servicing (3)	1.5	0.9	0.7	0.6	0.2
Total servicing	41.0	23.0	2.8	17.9	20.3
Bulk MSR purchases (2)	55.1	16.6	14.6	38.6	1.9
Total servicing additions	96.1	39.6	17.4	56.5	22.2
Subservicing additions (4)	55.9	17.8	12.7	38.2	5.1
Total servicing and subservicing UPB additions	$ 152.0	$ 57.4	$ 30.1	$ 94.7	$ 27.3

(1) Represents the UPB of loans that have been originated or purchased during the respective periods and for which we recognize a new MSR on our consolidated balance sheets upon sale or securitization.
(2) Represents the UPB of loans for which the MSR is purchased.
(3) Represents the UPB of reverse mortgage loans that have been securitized on a servicing retained basis. The loans are recognized on our consolidated balance sheets under GAAP without separate recognition of MSRs.
(4) Includes interim subservicing, including the volume of UPB associated with short-term interim subservicing for certain clients as a support to their originate-to-sell business, with $14.7 billion, $17.8 billion and $12.2 billion in the years 2021, 2020 and 2019, respectively.

In addition to interim subservicing, subservicing additions for 2021 in the table above include $14.3 billion in UPB of reverse mortgage loan subservicing and $9.4 billion of new subservicing on behalf of MAV. On October 1, 2021, in connection with the transaction with MAM (RMS) and its then parent, PMC became the subservicer for approximately 57,000 reverse mortgages, or approximately $14.3 billion in UPB pursuant to subservicing agreements with various clients, including MAM (RMS). Under the five-year subservicing agreement with MAM (RMS), we expect to add subservicing of approximately 60,000 reverse mortgage loans or approximately $13.1 billion in UPB upon boarding to our servicing platform in the first half of 2022, subject to investor approval. Furthermore, in the second quarter 2021, we launched our joint venture MSR investment with Oaktree with MAV purchasing approximately $9.4 billion GSE MSRs from unrelated third parties that PMC began subservicing in the third quarter of 2021.

The following table summarizes the average volume of our Servicing segment in 2021, compared with prior years. The average volume of Servicing is a key driver of the profitability of our Servicing segment. The relative weight of performing and delinquent loans drives the gross revenue and expenses, and their timing. In 2021, we have increased our total average servicing portfolio by $47.2 billion, net of runoff, with large GSE MSR bulk acquisitions driving the growth of our owned MSR portfolio, and the new subservicing volume generated from our MSR investment joint venture with Oaktree through MAV and our reverse subservicing acquisition from MAM (RMS). In addition to runoff, the NRZ portfolio declined as a result of the termination by NRZ of the PMC servicing agreement resulting in the deboarding of loans with $34.2 billion of UPB in September and October 2020. The year 2021 established the foundation of a transformed servicing portfolio, with the significant addition of a high credit quality GSE MSR portfolio and the continued reduction of our non-Agency servicing through runoff, also reducing our concentration with NRZ servicing agreements.

$ in billions	Average UPB			$ Change	
	Year ended December 31,				
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Owned MSR	$ 117.5	$ 71.3	$ 70.0	$ 46.3	$ 1.3
NRZ	61.4	74.8	125.1	(13.4)	(50.2)
MAV	9.1	—	—	9.1	—
Subservicing	24.7	45.5	31.2	(20.7)	14.2
Reverse mortgage loans (owned)	6.8	6.5	5.8	0.3	0.7
Commercial and other servicing	1.2	0.5	0.3	0.6	0.2
Total serviced and subserviced UPB (average)	$ 220.7	$ 198.6	$ 232.4	$ 22.1	$ (33.8)

As of December 31, 2021 and 2020, the total serviced and subserviced UPB amounted to $268.0 billion and $188.8 billion, respectively, a net increase of $79.2 billion or 42%.

Business Initiatives

We had established five key operating objectives to drive improved value for shareholders in 2021. As our near-term priority remains to return to sustainable profitability, we continue to execute our strategy around these objectives:

- Accelerating growth, by expanding our client base and our product offerings, and by leveraging our MSR asset vehicle with Oaktree;
- Strengthening recapture performance, by expanding our operating capacity;
- Improving our cost leadership position, by driving productivity and efficiencies, with our technology and continuous improvement initiatives;
- Maintaining high quality operational execution, through our technology and continuous improvement initiatives, and our commitment to employee engagement and customer satisfaction; and
- Expanding servicing and other revenue opportunities.

MAV and Oaktree Relationship

On May 3, 2021, we formally launched MAV, our MSR asset vehicle and entered into a number of definitive agreements with Oaktree. Oaktree and Ocwen committed 85% and 15%, respectively, to fund GSE MSR investments on a pro rata basis up to a total aggregate commitment of $250.0 million over a term of three years following closing (subject to extension). This joint venture is structured to provide Oaktree with MSR investment opportunities and returns, while providing PMC scale and incremental income through subservicing and recapture services. Additionally, PMC earns direct MSR investment income through its 15% ownership stake and carry interest on investment returns exceeding certain thresholds. Under the arrangement, MAV has a non-compete to purchase certain GSE MSRs through specific channels in cooperation with PMC. In addition, PMC must offer MAV the first opportunity to purchase GSE MSRs sold by PMC or its affiliates that meet certain criteria, which we refer to as the right of first offer. Both the non-compete and the right of first offer are subject to various restrictions and in effect until MAV has been fully funded, or, if earlier, in the case of the right of first offer, until May 3, 2024 (subject to extension by mutual consent). In exchange, PMC receives exclusive subservicing and recapture rights, subject generally to ongoing performance and financial standards.

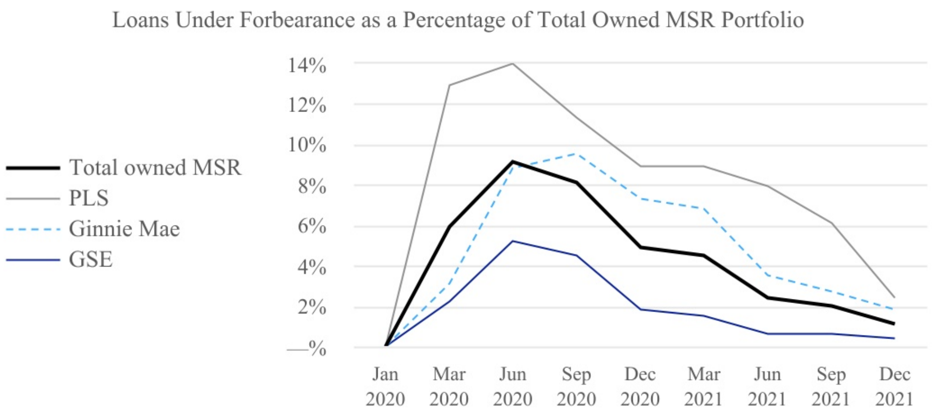
During 2021, PMC recognized $17.1 million of total servicing and subservicing fees, including ancillary income, and remitted $12.2 million servicing fees (as Pledged MSR liability expense) under its agreements with MAV (refer to Note 8 — MSR Transfers Not Qualifying for Sale Accounting to the Consolidated Financial Statements for further description of the accounting for the MAV agreements). In addition, PMC recognized $3.6 million earnings in 2021 from its equity method investment in MAV Canopy.

COVID-19 Pandemic Update

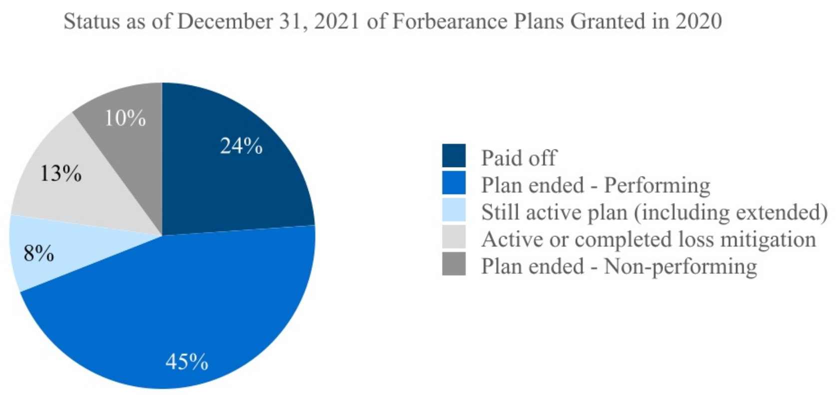
Our financial performance in 2020 was affected by the Coronavirus Disease 2019 (COVID-19) pandemic and the associated historical decline in interest rates, mostly due to large losses on MSRs and lower revenue in our Servicing business, partially offset by the growth and profitability of our Originations business. Furthermore, the CARES Act allowed us to recognize income tax benefits in 2020 mostly due to the carryback of a portion of our prior net operating losses.

In 2021, our Servicing business continued to be impacted by the COVID-19 pandemic, with a large number of loans placed under forbearance and the moratorium on foreclosures and evictions. The collection and recognition of servicing fees and ancillary income related to forbearance loans continued to be delayed or reduced. In addition, our outreach activities with impacted borrowers have intensified to address extensions and exits of plans or to offer loan modifications. The foreclosure moratorium ended on July 31, 2021, and the eviction moratorium was extended through January 1, 2022 for foreclosed borrowers.

As of December 31, 2021, we managed 28,500 loans under forbearance (or 2.1% of our total portfolio), 6,800 of which related to our owned MSRs, or 1.1% of our owned MSR servicing portfolio (excluding NRZ and MAV), a reduction of 65% and 71%, respectively, compared to the prior year end. As of December 31, 2020, we managed 81,900 loans under forbearance, 23,100 of which related to our owned MSRs (excluding NRZ). During 2021, the number of loans under forbearance continued to trend down, as illustrated by the below chart of forbearance plans by investor for our owned MSR portfolio (excluding NRZ).



The decline in open plans of our owned MSR portfolio during 2021 is mostly driven by performing loans and pay-offs (excluding servicing transfers), as further illustrated below:



We outperformed the industry average as reported by the MBA relating to the percentage of borrowers with an Agency loan who exited forbearance with a reinstatement or loss mitigation solution in place. In addition, we consistently exceeded the industry benchmark for borrowers with a GSE loan who remained current while on forbearance. We undertook significant efforts to contact and educate borrowers in understanding their forbearance plans and resolution options, and believe our high-touch communication strategy resulted in these favorable outcomes. We continue to reach out to all borrowers who have not resumed making payments after exiting their plans with the goal of coming to an appropriate resolution.

We continue to operate through a secure remote workforce model for approximately 95% of our global workforce and continue to adhere to COVID-19 health and safety-related requirements and best practices across all of our locations. We monitor the impact of the pandemic on our workforce and have established business resiliency plans for all our locations. At December 31, 2021, we had approximately 5,700 employees, of which approximately 3,200 were located in India and approximately 500 were based in the Philippines. While we have contingency and continuity plans in place, we cannot guarantee that our operations will not be negatively impacted. To date, our operations have not been significantly affected.

Uncertainties related to the duration and severity of the pandemic and related economic impact remain and make it difficult for us to determine the continued ongoing effect the pandemic may have on us and our business, financial condition, liquidity or results of operations.

Operations Summary

	Years Ended December 31,			% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Revenue					
Servicing and subservicing fees	$ 781.9	$ 737.3	$ 975.5	6 %	(24)%
Reverse mortgage revenue, net	79.7	60.7	86.3	31	(30)
Gain on loans held for sale, net	145.8	137.2	38.3	6	258
Other revenue, net	42.7	25.6	23.3	67	10
Total revenue	1,050.1	960.9	1,123.4	9	(14)
MSR valuation adjustments, net	(109.9)	(251.9)	(120.9)	(56)	108
Operating expenses					
Compensation and benefits	297.9	265.3	313.5	12	(15)
Professional services	81.9	106.9	102.6	(23)	4
Servicing and origination	113.6	77.3	109.0	47	(29)
Technology and communications	56.0	59.6	79.2	(6)	(25)
Occupancy and equipment	36.5	47.5	68.1	(23)	(30)
Other expenses	23.3	19.2	1.5	22	n/m
Total operating expenses	609.3	575.7	673.9	6	(15)
Other income (expense)					
Interest income	26.4	16.0	17.1	65	(6)
Interest expense	(144.0)	(109.4)	(114.1)	32	(4)
Pledged MSR liability expense	(209.9)	(152.3)	(372.1)	38	(59)
Gain (loss) on extinguishment of debt	(15.5)	—	5.1	n/m	(100)
Earnings of equity method investee	3.6	—	—	n/m	n/m
Other, net	4.1	6.7	9.0	(39)	(25)
Total other income (expense), net	(335.2)	(239.0)	(455.1)	40	(47)
Income (loss) before income taxes	(4.4)	(105.7)	(126.5)	(96)	(16)
Income tax expense (benefit)	(22.4)	(65.5)	15.6	(66)	(519)
Net income (loss)	18.1	(40.2)	(142.1)	(145)	(72)
Segment income (loss) before taxes:					
Servicing	$ 19.9	$ (75.8)	$ (72.7)	(126)%	4 %
Originations	93.9	104.2	(12.2)	(10)	(952)
Corporate Items and Other	(118.1)	(134.1)	(41.6)	(12)	222
	$ (4.4)	$ (105.7)	$ (126.5)	(96)%	(16)%

n/m: not meaningful

Total Revenue

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

Revenue	Years Ended December 31, 2021	2020	2019	% Change 2021 vs 2020	2020 vs 2019
Servicing	$ 819.4	$ 757.7	$ 1,048.5	8%	(28)%
Originations	249.9	179.3	61.7	39	191
Corporate	6.2	6.6	13.2	(6)	(50)
Total segment revenue	**1,075.4**	**943.5**	**1,123.4**	**14**	**(16)**
Inter-segment elimination (1)	(25.3)	17.4	—	(245)	n/m
Total revenue	$ 1,050.1	$ 960.9	$ 1,123.4	9%	(14)%

(1) The fair value change of inter-segment economic hedge derivatives reported within Total revenue (Gain on loans held for sale, net) is eliminated at the consolidated level with an offset in MSR valuation adjustments, net.

As compared to 2020, total segment revenue for 2021 was $131.9 million or 14% higher, due to a $70.6 million increase in Originations revenue and a $61.7 million increase in Servicing revenue. The 39% increase in Originations revenue is primarily due to a 159% increase in total forward and reverse production volume combined, partially offset by lower margins. The increase in Servicing revenue is primarily due to a $42.2 million increase in servicing fees and $27.1 million gain on sale of loans acquired through the exercise of call rights in 2021. The $42.2 million increase in servicing fees is mostly driven by a $123.1 million or 57% increase in servicing fee income on our owned MSRs and $15.7 million new servicing fees collected on behalf of MAV in 2021, partially offset by $79.4 million reduction in fees collected on behalf of NRZ and a $9.3 million reduction in ancillary income. The growth in our owned MSR portfolio is mostly due to bulk MSR acquisitions, MSR acquisitions through the Agency Cash Window programs and the growth in our correspondent lending volumes. The decline in the collection of NRZ servicing fees is mostly due to portfolio runoff and the termination of the PMC servicing agreement in February 2020. The decline in ancillary fees is mostly due to the COVID-19 environment and related decrease in late fees, collection and convenience fees as well as a decrease in float earnings due to lower interest rates, partially offset by the growth in our owned MSR portfolio.

Total revenue (after elimination of inter-segment derivative fair value changes) was $1.05 billion for 2021, $89.2 million or 9% higher than 2020, driven by the segment revenue factors described above and the presentation of macro-hedging derivative gains and losses reported within MSR valuation adjustments, net at the consolidated level, as disclosed in Note 4 — Loans Held for Sale, Note 17 — Derivative Financial Instruments and Hedging Activities and Note 23 — Business Segment Reporting. Effective May 2021, we replaced our macro-hedging strategies with two distinct strategies to separately hedge the pipeline and our MSR exposure with third party derivatives. However, we have and may continue to use inter-segment derivatives between the two strategies. Refer to the MSR Hedging Strategy section of Item 7A.Quantitative and Qualitative Disclosures About Market Risk for further detail.

See the respective Segment Results of Operations for additional information.

MSR Valuation Adjustments, Net

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

Segment Results	Years Ended December 31, 2021	2020	2019
MSR realization of expected cash flows (1)	$ (250.2)	$ (171.4)	$ (197.3)
MSR fair value changes due to interest rate and assumption updates	124.7	(149.8)	75.9
Derivative fair value gain (loss)	(34.9)	44.9	0.5
Total Servicing	(160.4)	(276.3)	(120.9)
Originations - MSR fair value changes	25.2	41.7	—
Inter-segment elimination - derivative fair value gain (loss) (2)	25.3	(17.4)	—
MSR valuation adjustments, net	$ (109.9)	$ (252.0)	$ (120.9)

(1) The terms “realization of expected cash flows” and “runoff” may be used interchangeably within this discussion.
(2) The fair value change of inter-segment economic hedge derivatives reported within MSR valuation adjustments, net is eliminated at the consolidated level with an offset in Gain on loans held for sale, net (Total Revenue). Also refer to the description of the inter-segment derivative elimination in Note 23 — Business Segment Reporting.

We reported a $109.9 million loss in MSR valuation adjustments, net in 2021. As detailed in the above table and further discussed below, the loss is due to $250.2 million portfolio runoff and a $124.7 million fair value gain due to interest rate and assumption updates, $34.9 million loss on MSR hedging derivative instruments, $25.2 million revaluation gain on MSR purchases reported in Originations and a $25.3 million gain on derivatives hedging the pipeline within the Originations segment.

- MSR portfolio runoff represents the realization of expected cash flows and yield based on projected borrower behavior, including scheduled and unscheduled amortization of the loan UPB. MSR portfolio runoff increased by $78.8 million mostly due to a higher MSR portfolio driven by MSR acquisitions and continued elevated levels of prepayments in a relatively low interest rate environment.
- The $124.7 million fair value gain due to interest rate and assumption updates is comprised of a $88.5 million gain on the MSRs transferred to NRZ and MAV (that did not achieve sale accounting) and a $36.2 million gain on our owned MSRs. This NRZ and MAV MSR gain is mostly driven by assumption updates implemented in the third quarter of 2021 relating to a PLS model calibration by our third-party valuation expert, and is largely offset by a corresponding loss separately reported with Pledged MSR liability expense.
- Our MSR hedging policy is designed to reduce the volatility of the MSR portfolio fair value due to market interest rates. In 2021, we reported a $36.2 million fair value gain on our owned MSR portfolio attributable to interest rate and assumption updates and a $34.9 million hedging derivative loss. The year-over-year fair value changes are mostly explained by interest rate changes, with a 66 basis point increase in the 10-year swap rate during 2021. The changes in fair value of the MSR and economically hedging derivatives were not offset to the same extent as per their expected hedging sensitivity measures, mainly due to non-parallel changes in the interest rate curve and the basis risk inherent in the MSR profile and the available hedging instruments. Refer to the MSR Hedging Strategy section of Item 7A.Quantitative and Qualitative Disclosures About Market Risk for additional information regarding our hedging programs.
- The $16.5 million decline in 2021 in MSR fair value changes reported in Originations, from $41.7 million to $25.2 million, is due to a decrease in our cash window MSR originations volume and declining margins.
- In connection with our macro-hedge strategy through the second quarter of 2021, we have used our derivative instruments to economically hedge both the fair value changes of the MSR and Originations pipeline exposures. While allocated to the pipeline for risk management purposes and segment reporting, inter-segment derivatives are eliminated in our consolidated financial statements and we reported a $25.3 million gain on inter-segment derivatives in 2021 economically hedging the Originations pipeline. The change from $17.4 million loss in 2020 to $25.3 million gain on Originations inter-segment derivatives in 2021 is mostly due to the change in interest rates and related changes in our Originations pipeline.

Compensation and Benefits

Compensation and benefits expense increased $32.7 million, or 12%, as compared to 2020. Salaries and benefits, commissions, and incentive compensation increased $13.6 million, $9.9 million, and $9.7 million, respectively. Originations segment compensation and benefits increased by $39.4 million, mostly due to additional commissions and salaries driven by additional headcount to support higher loan production levels in 2021. Servicing segment compensation and benefits expense decreased by $5.4 million, mostly driven by a decline in average headcount that was largely due to the scaling down of our platform to the number of loans serviced and the efficiencies resulting from our cost re-engineering initiatives, partially offset by the hiring of employees to support the acquisition of reverse mortgage subservicing from MAM (RMS) on October 1, 2021. Corporate segment compensation and benefits expense decreased $1.3 million primarily as a result of a decrease in average corporate headcount and a decrease in annual incentive compensation, significantly offset by a $7.9 million increase in share-based compensation. Our total average headcount declined by 2%, and overall our offshore-to-total average headcount ratio decreased from 72% to 68%.

Servicing and Origination Expense

Servicing and origination expense increased $36.4 million, or 47%, as compared to 2020, with $29.8 million from Servicing (see below) and $7.8 million from Originations, due to the increase in loan production volume. Servicing expenses increased $29.8 million, or 44%, largely driven by the following:

- $19.0 million provision release recorded in 2020, comprised of $9.9 million recoveries from a settlement in 2020 with a mortgage insurer, and $9.1 million improved advance recoveries in 2020, which decreased loss severity rates used in the computation of advance reserves;
- Additional subservicing expenses primarily due to a $4.5 million increase in interim subservicing expense on MSR bulk acquisitions and a $5.2 million increase largely attributable to the termination and deboarding fees associated with moving our owned reverse portfolio from a subservicer onto our platform;

- $8.4 million additional satisfaction and other loan expenses attributed to a larger portfolio; and
- $6.6 million reduction in government-insured claim loss provisions in 2021 on reinstated or modified loans that was primarily due to a decline in the volume of government-insured claim receivables due to the foreclosure moratorium in effect for much of 2021.

Other Operating Expenses

Professional services expense decreased $25.0 million, or 23%, as compared to 2020 primarily due to a $17.2 million decline in legal expenses and an $8.5 million decline in other professional services. The decline in legal fees is primarily due to expenses recorded in 2020 related to the CFPB and Florida matters. Cost reduction initiatives and higher utilization of professional services in 2020, including strategic vendor sourcing, cloud migration and consulting, resulted in lower other professional fees in 2021. In addition, professional services for 2021 include $3.2 million of advisory fees related to the launch of our MSR investment joint venture with Oaktree, MAV Canopy. Legal expenses and professional services for 2020 included an $8.0 million recovery of prior expenses from a mortgage insurer and $5.1 million of COVID-19 related expenses, respectively.

Technology and communication expense decreased $3.6 million, or 6%, as compared to 2020. Telephone and telecommunication expense declined $4.4 million as compared to 2020, largely driven by facility closures, our transition to a more cost-effective alternative telephone system, consolidation of telecommunication vendors and other cost savings initiatives. Depreciation expense decreased $2.6 million as compared to 2020. These decreases were partially offset by a $4.0 million increase in software usage and maintenance expenses, mostly in our Originations segment to support its growth.

Occupancy and equipment expense decreased $11.0 million, or 23%, as compared to 2020. Depreciation expense, facility maintenance and utility expenses, and interest on lease liabilities decreased $6.3 million, $2.7 million and $1.6 million, respectively, compared to 2020 largely due to our cost reduction efforts in 2020, which included closing and consolidating certain facilities.

Other expenses increased $4.1 million as compared to 2020 primarily due to a $3.8 million increase in advertising expenses, mostly in our Originations segment as part of our initiative to expand our origination platform and increase volumes.

In February 2020, we announced our intention to implement certain cost re-engineering initiatives in 2020 to generate further cost savings. Our continuous cost improvement efforts were focused on reducing operating and overhead costs through facility rationalization, strategic sourcing and actions, off-shore utilization, lean process design, simplification, automation and other technology-enabled productivity enhancement. We incurred a total of $27.6 million re-engineering costs in 2020, including $6.2 million facility-related expenses reported as Occupancy and equipment, $9.7 million Compensation and benefits costs and $6.7 million Professional services costs.

Other Income (Expense)

The $10.4 million increase in interest income during as compared to 2020 is primarily attributable to the Originations segment and as a result of the increase in loan production volumes.

Interest expense increased $34.6 million, or 32%, as compared to 2020, due to an increased average debt balance to finance our increased loan production volumes and MSR portfolio, partially offset by a lower cost of funds. The $1.2 billion or 59% higher debt balance is driven by a higher MSR portfolio - largely due to bulk acquisitions - and additional warehouse loans, partially offset by lower advance match funded liabilities. The lower cost of funds on asset backed financing facilities (102 basis point lower effective interest rate) is partially offset by the issuance of higher-rate senior secured notes as part of our corporate debt refinancing on March 4, 2021.

Pledged MSR liability expense increased $57.6 million as compared to 2020, primarily due to a $71.1 million unfavorable fair value change, mostly driven by a fair value increase in NRZ PLS MSRs due to model recalibrations performed by our third-party valuation expert to more accurately reflect the favorable delinquency and default performance of PLS collateral across its client base. Fair value adjustments to our NRZ MSR pledged liability are offset by fair value adjustments to the related MSR asset, which are recorded in MSR valuation adjustments, net. In addition, the lump-sum cash payments received from NRZ in 2017 and 2018 were fully amortized as of the end of the second quarter of 2020 ($34.2 million income in 2020). These increases in expense were partially offset by a $50.8 million decline in servicing fee remittance driven by lower volume serviced, with the runoff of the portfolio and the termination of the PMC agreement by NRZ in February 2020.

Loss on debt extinguishment of $15.5 million for 2021 was recognized in the first quarter of 2021 and resulted from our early repayment of the Senior Secured Term Loan (SSTL) due May 2022 and our early redemption of the PHH 6.375% senior unsecured notes due August 2021 and the PMC 8.375% senior secured notes due November 2022.

Earnings of equity method investee represent our 15% share of MAV Canopy from May 3, 2021. See Note 11 — Investment in Equity Method Investee for further detail.

Income Tax Benefit (Expense)

For 2021 and 2020, we recognized an income tax benefit of $22.4 million and $65.5 million on pre-tax losses of $4.4 million and $105.7 million, respectively. For 2021, the income tax benefit was driven primarily by $12.6 million of additional income tax benefit recognized under the CARES Act and $9.0 million of income tax benefit recognized related to the favorable resolution of various uncertain tax positions during the year. For 2020, the income tax benefit was driven by the $79.0 million of estimated income tax benefit recognized under the CARES Act offset by $15.0 million of income tax expense for related uncertain tax positions. Income tax benefits recognized during 2021 and 2020 related primarily to resolution of prior period uncertain tax positions and utilization of prior period losses that bear no relationship to current operating results. This in turn resulted in the high effective tax rates of 513.6% and 62.0% for 2021 and 2020, respectively.

The $43.1 million reduction in income tax benefit for 2021, compared with 2020, is primarily due to a $45.0 million reduction in estimated income tax benefit recognized under the CARES Act, net of related uncertain tax positions, during 2021 versus 2020 based on modification of the tax rules to allow the carryback of NOLs arising in 2018, 2019 and 2020 tax years to the five prior tax years, and the increase to the business interest expense limitation under IRC Section 163(j). In 2021 and 2020, we collected $24.6 million and $51.4 million, respectively, which represents the tax refund associated with the NOLs generated in 2019 and 2018, respectively, carried back to prior tax years.

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

Financial Condition Summary

	December 31,			
	2021	2020	$ Change	% Change
Cash and cash equivalents	$ 192.8	$ 284.8	$ (92.0)	(32)%
Restricted cash	70.7	72.5	(1.8)	(2)
MSRs, at fair value	2,250.1	1,294.8	955.3	74
Advances, net	772.4	828.2	(55.8)	(7)
Loans held for sale	928.5	387.8	540.7	139
Loans held for investment, at fair value	7,207.6	7,006.9	200.7	3
Receivables	180.7	187.7	(7.0)	(4)
Investment in equity method investee	23.3	—	23.3	n/m
Other assets	520.9	588.4	(67.5)	(11)
Total assets	$ 12,147.1	$ 10,651.1	$ 1,496.0	14 %
Total Assets by Segment				
Servicing	$ 10,999.2	$ 9,847.6	$ 1,151.6	12 %
Originations	823.5	379.2	444.3	117
Corporate Items and Other	324.4	424.3	(99.9)	(24)
	$ 12,147.1	$ 10,651.1	$ 1,496.0	14 %
HMBS-related borrowings, at fair value	$ 6,885.0	$ 6,772.7	$ 112.3	2
Other financing liabilities, at fair value	805.0	576.7	228.2	40
Advance match funded liabilities	512.3	581.3	(69.0)	(12)
Mortgage loan warehouse facilities	1,085.1	451.7	633.4	140
MSR financing facilities, net	900.8	437.7	463.1	106
Senior secured term loan	—	179.8	(179.8)	(100)
Senior notes, net	614.8	311.9	302.9	97
Other liabilities	867.5	924.0	(56.5)	(6)
Total liabilities	11,670.4	10,235.8	1,434.7	14
Total stockholders’ equity	476.7	415.4	61.3	15
Total liabilities and equity	$ 12,147.1	$ 10,651.1	$ 1,496.0	14 %
Total Liabilities by Segment				
Servicing	$ 10,101.5	$ 9,163.5	$ 937.9	10 %
Originations	813.3	428.5	384.8	90
Corporate Items and Other	755.7	643.7	112.0	17
	$ 11,670.4	$ 10,235.8	$ 1,434.7	14 %
Book value per share	$ 51.77	$ 47.81	$ 3.96	8 %

Total assets increased by $1.5 billion, or 14%, between December 31, 2020 and December 31, 2021 mostly due to a $955.3 million, or 74%, increase in our MSR portfolio - mostly driven by MSR bulk acquisitions and new capitalized MSRs - and a $540.7 million, or 139%, increase in our loans held for sale portfolio - driven by higher production volumes. In addition, loans held for investment increased $200.7 million mostly due to the continued growth of our reverse mortgage business. Servicing advances declined $55.8 million mostly due to heightened payoff activity and lower delinquencies, partially offset by increased escrow advances on acquired MSRs. The $67.5 million decrease in other assets is mostly attributable to the decrease in contingent repurchase rights related to loans that have been repurchased from Ginnie Mae.

Total liabilities increased $1.4 billion, or 14%, as compared to December 31, 2020 with similar effects as described above. Borrowings under our mortgage warehouse lines and MSR financing facilities increased $633.4 million and $463.1 million, respectively, due to higher loan production volumes and MSR bulk acquisitions, respectively. Our HMBS-related borrowings increased by $112.3 million due to the continued growth of our reverse mortgage business and its securitization. Our senior notes increased $302.9 million due to the refinancing transactions completed on March 4, 2021 and May 3, 2021. We issued $627.1 million of new senior notes, net of discount, redeemed in full $313.1 million of existing senior notes and repaid the $185.0 million SSTL. The $228.2 million increase in Other financing liabilities is due to the transfers of MSRs to MAV in 2021 which did not qualify for sale accounting. Advance match funded liabilities decreased $69.0 million consistent with the decline in servicing advances. Other liabilities declined $56.5 million mostly due to a decrease in the Ginnie Mae contingent repurchase rights of loans under forbearance.

Total equity increased $61.3 million during 2021 mostly due to $32.1 million issuance of common stock and warrants to Oaktree in March and May 2021, $18.1 million net income, a $6.5 million reduction in the unfunded pension plan obligation recognized in accumulated other comprehensive income and $4.4 million of equity-classified awards.

Key Trends

The following discussion provides information regarding certain key drivers of our financial performance. Also refer to the Segment results of operations section for further detail, the description of our business environment, initiatives and risks.

Servicing fee revenue - Our servicing fee revenue is a function of the volume being serviced - UPB for servicing fees and loan count for subservicing fees. We expect we will continue to replenish and grow our servicing portfolio through our multi-channel Originations platform in 2022. In addition, we continuously evaluate the relative mix between servicing and subservicing volume. The expected volume increase is also intended to exceed the portfolio serviced on behalf of NRZ that may end in July 2022. Servicing revenue and ancillary income have been adversely impacted by COVID-19, which may persist throughout 2022, until forbearance plan exits and the end of foreclosure and eviction moratoria or related restrictions.

Gain on sale of loans held for sale - Our gain on sale is driven by both volume and margin and is channel-sensitive, with consumer direct generating relatively higher margins than correspondent. The volume mix is expected to shift to purchase as the volume of refinance activity by borrowers is expected to continue to decline, consistent with expected industry trends. While we continue to increase our recapture rate by expanding our channel operating capacity, we focus on cash-out, debt consolidation and other borrower solutions, in addition to new customer acquisitions. Based on industry origination volume projections for 2022, we expect competition to intensify and origination margins will be under pressure until industry excess capacity can be eliminated. This will impose trade-offs between volumes and margins, and potential shifts among channels.

Reverse mortgage revenue, net - The reverse mortgage origination gain is driven by the same factors as gain on sale of loans held for sale, with smaller volumes in the reverse mortgage market and generally larger margins. With our experience and brand in the marketplace, we expect to continue to grow our volumes and maintain similar margins in each channel, however the channel mix may vary. With the assignment of MAM (RMS) subservicing agreements to PMC on October 1, 2021 and the expected additional loans to transfer on our subservicing platform in the first half of 2022, reverse mortgage servicing revenue is expected to grow.

MSR valuation adjustments, net - Our net MSR fair value changes include multiple components. First, amortization of our investment is function of both UPB, capitalized value of the MSR relative to the UPB, and the level of scheduled payments and prepayments. We expect the MSR realization of cash flows to increase in 2022 as we have recently grown our MSR portfolio. Second, MSR fair value changes are driven by changes in interest rates and assumptions, such as forecasted prepayments, Third, the MSR fair value changes are partially offset by derivative fair value changes that economically hedge the MSR portfolio. We are exposed to increased interest rate volatility due to our now larger MSR portfolio. Refer to the sensitivity analysis in the Market Risk sections of Item 7A.Quantitative and Qualitative Disclosures About Market Risk for further detail.

Operating expenses - Compensation and benefits is a significant component of our cost-to-service and cost-per-loan and is directly correlated to headcount levels. Headcount in Servicing is primarily driven by the number of loans or UPB being serviced and subserviced, and by the relative mix of performing, delinquent and defaulted loans. As servicing volume is expected to increase (see above), we expect an increase in our workforce with partial offset from an increased relative share of performing loans through our MSR acquisitions. We expect to swiftly scale our headcount and operating expenses to servicing volume in 2022, including due to the potential non-renewal or termination of the NRZ agreement. We expect our Originations workforce to remain largely stable or moderately increase in the near term to accompany the growth of the channels. Other operating expenses are expected to favorably correlate with volumes, as productivity and efficiencies are expected with our technology and continuous improvement initiatives.

Stockholders' equity - With the above considerations, we expect our businesses to generate net income and increase our equity in 2022, absent any significant adverse change in interest rates.

SEGMENT RESULTS OF OPERATIONS

We report our activities in three segments, Servicing, Originations (previously Lending) and Corporate Items and Other that reflect other business activities that are currently individually insignificant. Our business segments reflect the internal reporting that we use to evaluate operating performance and to assess the allocation of our resources.

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/collection fees. We also earn fees under both subservicing and special servicing arrangements with banks and other institutions that own the MSRs. 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 type of investor and on loan delinquency status.

As of December 31, 2021, we serviced 1.4 million mortgage loans with an aggregate UPB of $268.0 billion, an increase of 22% and 42%, respectively, from December 31, 2020. The average UPB of loans serviced during 2021 increased by 11% or $22.1 billion compared to 2020. The increase in our servicing volume is mostly due to MSR acquisitions, subservicing additions and increased MSR originations. We manage the size of our servicing portfolio with our Originations business and by selectively purchasing MSRs based on our capital availability and financial return targets.

In May 2021, PMC entered into a subservicing agreement with MAV for exclusive rights to service the mortgage loans underlying MSRs owned by MAV. In addition, in October 2021, PMC acquired reverse mortgage subservicing contracts from MAM (RMS) and became its exclusive subservicer under a five-year subservicing agreement.

NRZ remains our largest subservicing client, accounting for 21% and 31% of the UPB and loan count, respectively, in our servicing portfolio as of December 31, 2021. NRZ servicing fees retained by Ocwen represented approximately 19% and 30% of the total servicing and subservicing fees earned by Ocwen, net of servicing fees remitted to NRZ and excluding ancillary income, for 2021 and 2020, respectively. NRZ’s portfolio represents approximately 66% of all delinquent loans that Ocwen serviced, for which the cost to service and the associated risks are higher. Consistent with a subservicing relationship, NRZ is responsible for funding the advances we service for NRZ.

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 2018 and 2017 of $279.6 million and $54.6 million, respectively, from NRZ in connection with the resulting 2017 and New RMSR Agreements. These upfront payments generally represented 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 would receive under the renegotiated agreements. These upfront payments received from NRZ were deferred and recorded within Other income (expense) as they amortized through the remaining term of the original agreements (April 30, 2020).

The financial performance of our servicing segment is impacted by the changes in fair value of the MSR portfolio due to changes in market interest rates. Our MSR portfolio is carried at fair value, with changes in fair value recorded in earnings, within MSR valuation adjustments, net. The value of our MSRs is typically correlated to changes in market interest rates; as interest rates decrease, the value of the servicing portfolio typically decreases as a result of higher anticipated prepayment speeds, and the reverse is true. The sensitivity of MSR fair value to interest rates is typically higher for higher credit quality loans, such as our Agency loans. Our Non-Agency portfolio is significantly seasoned, with an average loan age of approximately 16 years, exhibiting little response to movements in market interest rates. Our hedging strategy is designed to reduce the volatility of the MSR portfolio.

For those MSR sale transactions with NRZ and MAV that do not achieve sale accounting treatment, we present on a gross basis the transferred MSR as an asset at fair value and the corresponding liability amount as a pledged MSR liability at fair value on our balance sheet. The changes in fair value of the MSR are reflected as MSR valuation adjustments, net and the corresponding changes in fair value of the pledged MSR liability are reported within Pledged MSR liability expense. Similarly, we present on a gross basis the total servicing fees collected on behalf of NRZ within Servicing and subservicing fees, net and the total servicing fee remittance to NRZ within Pledged MSR liability expense.

Our Servicing business continues to be adversely affected by the COVID-19 pandemic, with the loans placed under forbearance, the moratorium on foreclosures and elevated prepayments of our MSR portfolio due to interest rates. See further discussion within Overview, COVID-19 Pandemic Update.

Loan Resolutions

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

Our future financial performance will be less impacted by loan resolutions because, under our NRZ agreements, NRZ receives all deferred servicing fees. Deferred servicing fees related to delinquent borrower payments were $148.4 million at December 31, 2021, of which $117.7 million were attributable to NRZ agreements.

Advance Obligation

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

Most of our advances have the highest reimbursement priority (i.e., they are "top of the waterfall") so that we are entitled to repayment from respective loan or REO liquidation proceeds before any interest or principal is paid on the bonds that were issued by the trust. In the majority of cases, advances in excess of respective loan or REO liquidation proceeds may be recovered from pool-level proceeds. The costs incurred in meeting these obligations consist principally of the interest expense incurred in financing the servicing advances. Most subservicing agreements, including our agreements with NRZ, provide for prompt reimbursement of any advances from the owner of the servicing rights. Refer to Note 25 — Commitments to the Consolidated Financial Statements for further description of servicer advance obligations.

Significant Variables

Aggregate UPB and Loan Count. Servicing fees are generally expressed as a percentage of UPB and subservicing fees are earned on a per-loan basis or expressed as a percentage of UPB. Aggregate UPB and loan count decline as a result of portfolio run-off and increase to the extent we retain MSRs from new originations or engage in MSR acquisitions, to the extent permitted.

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

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

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

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

Reverse Mortgage Revenue

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

Under the terms of ARM-based HECM loan agreements, the borrowers have additional borrowing capacity of $1.5 billion at December 31, 2021. These draws or tails are funded by the servicer and can be subsequently securitized. We do not incur any substantive underwriting, marketing or compensation costs in connection with any future draws, although we must maintain sufficient capital resources and available borrowing capacity to ensure that we are able to fund these future draws.

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

The reverse mortgage revenue reported within the Servicing segment includes the net fair value changes of securitized reverse mortgage loans held for investment and HMBS-related borrowings. We elected the fair value accounting election for both our reverse mortgage loans held for investment and the HMBS-related borrowings. The net fair value changes of the reverse mortgage loans and related borrowings reported within the Servicing segment include the following:

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

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

The financial performance associated with the subservicing of reverse mortgage loans associated with the MAM (RMS) transaction is primarily reflected within Servicing and subservicing fees, net since Reverse mortgage revenue, net strictly reflects the financial performance of owned loans/servicing. We collect higher subservicing fees for inactive loans relative to the base subservicing fee for performing loans or active repurchased loans, commensurate with the level of servicing efforts, as described above.

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:

	Years Ended December 31,			% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Revenue					
Servicing and subservicing fees	$ 773.5	$ 731.2	$ 974.2	6 %	(25)%
Gain on loans held for sale, net	46.6	14.7	5.4	217	171
Reverse mortgage revenue, net	(2.3)	7.6	63.5	(131)	(88)
Other revenue, net	1.7	4.2	5.4	(60)	(24)
Total revenue	819.4	757.7	1,048.5	8	(28)
MSR valuation adjustments, net	(160.4)	(276.3)	(120.9)	(42)	129
Operating expenses					
Compensation and benefits	108.1	113.6	144.0	(5)	(21)
Servicing expense	98.2	68.4	101.3	44	(32)
Professional services	31.4	28.1	42.2	11	(33)
Occupancy and equipment	26.5	31.0	44.3	(14)	(30)
Technology and communications	23.8	25.2	32.6	(5)	(23)
Corporate overhead allocations	47.7	61.0	197.9	(22)	(69)
Other expenses	6.6	4.5	(14.3)	46	(132)
Total operating expenses	342.4	331.9	548.0	3	(39)
Other income (expense)					
Interest income	8.2	7.1	10.1	17	(30)
Interest expense	(104.6)	(90.7)	(102.5)	15	(12)
Pledged MSR liability expense	(209.1)	(152.5)	(372.2)	37	(59)
Earnings of equity method investee	3.6	—	—	n/m	n/m
Other, net	5.2	10.8	12.3	(52)	(13)
Total other income (expense), net	(296.6)	(225.3)	(452.3)	32	(50)
Income (loss) before income taxes	$ 19.9	$ (75.8)	$ (72.7)	(126)%	4 %

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

	2021	2020	2019	% Change 2021 vs. 2020	% Change 2020 vs. 2019
Assets Serviced at December 31					
Unpaid principal balance (UPB) in billions:					
Performing loans (1)	$ 254.2	$ 177.6	$ 198.9	43 %	(11)%
Non-performing loans	13.1	10.3	11.2	27	(8)
Non-performing real estate	0.7	0.9	2.2	(22)	(59)
Total	$ 268.0	$ 188.8	$ 212.4	42	(11)
Conventional loans (2)	$ 166.3	$ 77.0	$ 95.3	116 %	(19)%
Government-insured loans	28.8	34.8	30.1	(17)	16
Non-Agency loans	72.8	77.0	87.0	(5)	(11)
Total	$ 268.0	$ 188.8	$ 212.4	42	(11)
Servicing portfolio (3)	$ 135.9	$ 97.4	$ 76.7	40 %	27 %
Subservicing portfolio					
Subservicing - forward	29.4	24.3	17.1	21	42
Subservicing - reverse	13.9	—	—	n/m	n/m
Total subservicing	43.3	24.3	17.1	78	42
MAV (4)	33.0	—	—	n/m	n/m
NRZ (5) (6)	55.8	67.1	118.6	(17)	(43)
	$ 268.0	$ 188.8	$ 212.4	42	(11)
Number (in 000's):					
Performing loans (1)	1,287.0	1,048.7	1,344.9	23 %	(22)%
Non-performing loans					
Non-performing loans - NRZ	30.7	33.8	54.2	(9)%	(38)%
Non-performing loans - Other	30.7	18.4	6.6	67	179
	61.4	52.2	60.8	18	(14)
Non-performing real estate	4.9	6.7	14.3	(27)	(53)
Total	1,353.3	1,107.6	1,420.0	22	(22)
Conventional loans (2)	686.5	349.6	607.9	96 %	(42)%
Government-insured loans	168.1	201.9	185.1	(17)	9
Non-Agency loans	498.7	556.1	627.0	(10)	(11)
Total	1,353.3	1,107.6	1,420.0	22	(22)

	2021	2020	2019	% Change 2021 vs. 2020	% Change 2020 vs. 2019
Servicing portfolio	636.1	511.6	472.8	24 %	8 %
Subservicing portfolio					
Subservicing - forward	105.6	96.3	77.3	10	25
Subservicing - reverse	54.7	—	—	n/m	n/m
Total subservicing					
MAV	131.6	—	—	n/m	n/m
NRZ (5)	425.4	499.6	869.9	(15)	(43)
	1,353.3	1,107.6	1,420.0	22	(22)
Prepayment speed (CPR) (7)					
12-month % Voluntary CPR	18 %	15 %	11 %	20 %	36 %
12-month % Involuntary CPR	1	2	2	(50)	—
Total 12-month % CPR	21	20	16	5	25
Number of completed modifications	17,294	28,322	25,754	(39)%	10 %
Revenue recognized in connection with loan modifications	$ 27.8	$ 30.2	$ 38.5	(8)	(22)

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 at December 31, 2021 include 73,340 prime loans with a UPB of $13.7 billion which we service or subservice. This compares to 89,458 prime loans with a UPB of $16.1 billion at December 31, 2020. Prime loans are generally good credit quality loans that meet GSE underwriting standards.
(3) Includes $7.0 billion UPB of reverse mortgage loans that are recognized in our consolidated balance sheet at December 31, 2021.
(4) Includes $8.9 billion UPB subserviced and $24.0 billion UPB of MSRs sold to MAV that does not achieve sale accounting treatment.
(5) Loans serviced or subserviced pursuant to our agreements with NRZ.
(6) Includes $2.1 billion UPB of subserviced loans at December 31, 2021.
(7) Total 12-month % CPR includes voluntary and involuntary prepayments, as shown in the table, plus scheduled principal amortization.

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

	2021	2020	2019	% Change 2021 vs. 2020	% Change 2020 vs. 2019
Reverse Mortgage Loans at December 31					
Unpaid principal balance (UPB) in millions:					
Loans held for investment (1)	$ 6,546.5	$ 6,299.6	$ 5,658.3	4 %	11 %
Active Buyouts (2)	36.1	28.4	10.2	27	178
Inactive Buyouts (2)	95.3	60.9	26.4	56	131
Total	$ 6,677.9	$ 6,388.9	$ 5,694.9	5	12
Inactive buyouts % to total	1.43 %	0.95 %	0.46 %	51	107
Future draw commitments (UPB) in millions:	1,507.1	2,044.4	1,937.4	(26)	6

	2021	2020	2019	% Change 2021 vs. 2020	% Change 2020 vs. 2019
Fair value in millions:					
Loans held for investment (1)	$ 6,979.1	$ 6,872.3	$ 6,120.9	2	12
HMBS related borrowings	6,885.0	6,772.7	6,063.4	2	12
Net asset value	$ 94.1	$ 99.6	$ 57.5	(6)	73
Net asset value to UPB	1.44 %	1.58 %	1.02 %		

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

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

Advances by investor type *(Carrying value in millions)*

December 31, 2021	Principal and Interest	Taxes and Insurance	Foreclosures, bankruptcy, REO and other	Total
Conventional	$ 2	$ 66	$ 7	$ 75
Government-insured	1	55	23	79
Non-Agency	225	261	133	618
Total, net	$ 228	$ 381	$ 164	$ 772

December 31, 2020	Principal and Interest	Taxes and Insurance	Foreclosures, bankruptcy, REO and other	Total
Conventional	$ 4	$ 30	$ 5	$ 38
Government-insured	1	55	28	84
Non-Agency	272	279	155	705
Total, net	$ 277	$ 365	$ 187	$ 828

The following table provides the rollforward of activity of our portfolio of mortgage loans serviced for the years ended December 31, that includes MSR, whole loans and subserviced loans, both forward and reverse:

	Amount of UPB *(in billions)* 2021	2020	2019	Count *(in 000's)* 2021	2020	2019
Portfolio at beginning of year	$ 188.8	$ 212.4	$ 256.0	1,107.6	1,420.0	1,562.2
Additions (1) (2)	152.0	57.4	30.1	567.9	194.5	100.6
Sales	—	(0.2)	(1.2)	(0.2)	(1.6)	(8.3)
Servicing transfers (2) (3)	(23.1)	(40.5)	(34.3)	(102.0)	(303.1)	(48.5)
Runoff	(49.7)	(40.3)	(38.3)	(220.0)	(202.2)	(186.0)
Portfolio at end of year	$ 268.0	$ 188.8	$ 212.3	1,353.3	1,107.6	1,420.0

(1) 2021 additions include purchased MSRs on portfolios consisting of 287 loans with a UPB of $0.1 billion that have not yet transferred to the Black Knight MSP servicing system as of December 31, 2021. Because we have legal title to the MSRs, the UPB and count of the loans are included in our reported servicing portfolio. The seller continues to subservice the loans on an interim basis between the transaction closing date and the servicing transfer date.
(2) Includes the volume UPB associated with short-term interim subservicing for some clients as a support to their originate-to-sell business, where loans are boarded and deboarded within the same quarter.
(3) 2020 includes 270,218 deboarded loans with a UPB of $34.2 billion related to the termination of the subservicing agreement between NRZ and PMC on February 20, 2020. Refer to Note 8 — MSR Transfers Not Qualifying for Sale Accounting.

Year Ended December 31, 2021 versus 2020

Servicing and Subservicing Fees

	Years Ended December 31,			% Change	
	2021	**2020**	**2019**	**2021 vs 2020**	**2020 vs 2019**
Loan servicing and subservicing fees					
Servicing	$ 339.3	$ 216.2	$ 227.5	57 %	(5)%
Subservicing	21.1	28.9	15.4	(27)	87
MAV	15.7	—	—	n/m	n/m
NRZ	304.2	383.7	577.0	(21)	(34)
Servicing and subservicing fees	680.3	628.8	820.0	8	(23)
Ancillary income	93.2	102.5	154.2	(9)	(34)
Total	$ 773.5	$ 731.2	$ 974.2	6 %	(25)%

The $42.2 million, or 6% increase in total servicing and subservicing fees in 2021 as compared to 2020 is primarily driven by servicing volume, with a $123.1 million or 57% increase in servicing fee income on our owned MSR, partially offset by $79.4 million reduction in fees collected on behalf of NRZ. The increase in servicing fee income on our owned MSR as compared to 2020 is due to a 60% increase in our average volume serviced, primarily driven by bulk acquisitions, MSR acquisitions through the Agency Cash Window programs and the growth in our correspondent lending volumes. The decline in the collection of NRZ servicing fees is mostly due to portfolio runoff and the PMC servicing termination in February 2020.

Additional changes between 2020 and 2021 include $15.7 million of servicing fees collected on behalf of MAV, launched in 2021 and $9.2 million subservicing fees related to the MAM (RMS) reverse subservicing portfolio acquired in the fourth quarter of 2021. The average subservicing fee per loan increased, driven by the inclusion of reverse mortgage loans, with relatively higher compensation for inactive loans. These fee increases were offset by a $9.3 million decline in ancillary income and a $15.8 million decrease in NRZ subservicing fees. The $7.8 million decrease in subservicing fees is mostly due to NRZ fees being reported as subservicing fees during 2020 from PMC servicing termination through loan deboarding, partially offset by MAM (RMS) reverse subservicing fees.

The following table presents the respective drivers of loan servicing and subservicing fees.

	Years Ended December 31,			% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Servicing and subservicing fee					
Servicing fee	$ 339.3	$ 216.2	$ 227.5	57 %	(5)%
Average servicing fee (% of UPB)	0.27	0.28	0.30	(4)%	(7)%
Subservicing fee (1) (2)	$ 21.1	$ 28.9	$ 15.4	(27)	88 %
Average monthly fee per loan (in dollars) (2)	$ 18	$ 9	$ 12	100	(25)%
Assets serviced					
Average UPB ($ in billions):					
Servicing portfolio	$ 125.48	$ 78.30	$ 76.14	60 %	3 %
Subservicing portfolio					
Subservicing - forward	21.46	45.46	31.23	(53)	46 %
Subservicing - reverse	3.26	—	—	n/m	n/m
MAV	9.08	—	—	n/m	n/m
NRZ	61.43	74.84	125.07	(18)	(40)%
Total	$ 220.71	$ 198.60	$ 232.44	11 %	(15)%
Average number (in 000's):					
Servicing portfolio	609.1	466.1	471.8	31 %	(1)%
Subservicing portfolio					
Subservicing - forward	83.6	268.5	106.2	(69)	153 %
Subservicing - reverse	12.9	—	—	n/m	n/m
MAV	37.4	—	—	n/m	n/m
NRZ	463.1	561.6	913.2	(18)	(39)%
	1,206.1	1,296.2	1,491.2	(7)%	(13)%

(1) Subservicing fees for the year ended December 31, 2020 includes $15.9 million of fees earned on the NRZ PMC MSR Agreements upon receiving the notice of cancellation in February 2020.

(2) Excludes MAV portfolio and includes reverse subservicing in the fourth quarter of 2021.

The following table presents both servicing fees collected and subservicing fees retained by Ocwen under the NRZ agreements, together with the previously recognized amortization gain of the lump-sum payments received in connection with the 2017 Agreements and New RMSR Agreements (through the second quarter of 2020 only). See Note 8 — MSR Transfers Not Qualifying for Sale Accounting for further information.

NRZ Servicing and Subservicing Fees	Years Ended December 31,		
	2021	2020	2019
Servicing fees collected on behalf of NRZ	$ 304.2	$ 383.7	$ 577.0
Servicing fees remitted to NRZ (1)	(215.8)	(278.8)	(437.7)
Retained subservicing fees on NRZ agreements (2)	$ 88.4	$ 104.8	$ 139.3
Amortization gain of the lump-sum cash payments received (including fair value change) (1) (3)	—	34.2	95.1
Total retained subservicing fees and amortization gain of lump-sum payments (including fair value change)	$ 88.4	$ 139.0	$ 234.4
Average NRZ UPB (in billions) (4)	$ 61.4	$ 74.8	$ 125.1
Average retained subservicing fees as a % of NRZ UPB (excluding amortization gain of lump-sum cash payments)	0.14 %	0.14 %	0.11 %

(1) Reported within Pledged MSR liability expense. The NRZ servicing fee includes the total servicing fees collected on behalf of NRZ relating to the MSR sold but not derecognized from our balance sheet. Under GAAP, we separately present servicing fees collected and remitted on a gross basis, with the servicing fees remitted to NRZ reported as Pledged MSR liability expense.
(2) Excludes the servicing fees of loans under the PMC Servicing Agreement after February 20, 2020 due to the notice of termination by NRZ, and subservicing fees earned under subservicing agreements. Excludes ancillary income.
(3) 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 2018 and 2017 of $279.6 million and $54.6 million, respectively, from NRZ in connection with the resulting 2017 and New RMSR Agreements. These upfront payments generally represented 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 received under the renegotiated agreements. These upfront payments received from NRZ were deferred and recorded within Other income (expense), Pledged MSR liability expense, as they amortized through the term of the original agreements (April 2020). See Note 8 — MSR Transfers Not Qualifying for Sale Accounting for further information.
(4) Excludes the UPB of loans subserviced under the PMC Servicing Agreement after February 20, 2020 due to the notice of termination by NRZ, and excludes the UPB of loans under subservicing agreements.

The net retained fee on our NRZ portfolio declined by $16.4 million, or 16% as compared to 2020. The decline in the NRZ fee collection and remittance is primarily driven by the decline in the average UPB of 18%, partially offset by an increased fee margin due to the nature of remaining collateral, which was non-Agency with higher delinquencies, as compared to the performing Agency portfolio that deboarded in connection with the termination of the PMC agreement by NRZ on February 20, 2020. The decline in serviced volume is explained by the NRZ portfolio runoff and the derecognition of the MSRs in connection with the termination of the PMC agreement. As the NRZ relationship is effectively a subservicing agreement, the COVID-19 environment, loans under forbearance and the fee collection do not impact our financial results to the same extent as for serviced loans with our owned MSRs.

The following table presents the detail of our ancillary income:

	Years Ended December 31,			% Change	
Ancillary Income	**2021**	**2020**	**2019**	**2021 vs 2020**	**2020 vs 2019**
Late charges	$ 40.9	$ 47.7	$ 57.2	(14)%	(17)%
Custodial accounts (float earnings)	4.7	9.9	47.5	(52)	(79)
Loan collection fees	11.7	13.0	15.5	(10)	(16)
Recording fees	16.0	14.3	13.0	12	10
Boarding and deboarding fees	4.3	5.0	3.3	(15)	52
GSE forbearance fees	1.5	1.2	—	28	n/m
Reverse subservicing	1.4	—	—	n/m	n/m
HAMP fees	0.6	0.6	5.5	13	(89)
Other	12.0	10.8	12.2	11	(11)
Ancillary income	$ 93.2	$ 102.5	$ 154.2	(9)%	(34)%

Ancillary income declined by $9.3 million as compared to 2020 primarily due to $6.8 million lower late fees, driven by the combined effect of lower servicing volume of delinquent loans, through acquisitions of primarily performing portfolios and sales of delinquent portfolios in 2021, and the COVID-19 environment restricting late fees. Float earnings were $5.2 million lower driven by the decline in interest rates, with average one-month LIBOR declining by approximately 40 basis points in 2021 as compared to 2020, partially offset by larger account balances due to the MSR portfolio growth.

Gain on Loans Held for Sale, Net

Gain on loans held for sale, net of $46.6 million increased $31.9 million as compared to 2020 primarily due to a $27.1 million gain recognized in 2021 on the sale of loans acquired in connection with the exercise of call rights relating to certain Non-Agency trusts, and additional gains on repurchased loans in connection with Ginnie Mae loan modifications and early buyout (EBO) activities.

Reverse Mortgage Revenue, Net

Reverse mortgage revenue, net is the net change in fair value of securitized loans held for investment and HMBS-related borrowings. The following table presents the components of the net fair value change and is comprised of net interest income and other fair value gains or losses. Net interest income is primarily driven by the volume of securitized UPB as it is the interest income earned on the securitized loans offset against interest expense incurred on the HMBS-related borrowings, and represents our compensation for servicing the portfolio, that is typically a percentage of the outstanding UPB. Other fair value changes are primarily driven by changes in market-based inputs or assumptions. Lower interest rates generally result in favorable net fair value impacts on our HECM reverse mortgage loans and the related HMBS financing liability and higher interest rates generally result in unfavorable net fair value impacts.

	Years Ended December 31,			% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Net interest income (servicing fee)	$ 19.9	$ 19.2	$ 16.9	4 %	13 %
Other fair value changes (1)	(22.3)	(11.6)	46.6	91	(125)%
Reverse mortgage revenue, net (Servicing)	$ (2.3)	$ 7.6	$ 63.5	(131)%	(88)%

(1) Includes $21.6 million and $24.4 million of realized gains on tail securitization in 2021 and 2020, respectively. On January 1, 2020, we made an irrevocable election to account for tails at fair value.

The decline in Reverse mortgage revenue, net of $9.9 million, or 131%, as compared to 2020 is primarily due to unrealized losses on the HECM loan portfolio attributable to market rate conditions. Specifically, fair value losses are driven by increasing interest rates and widening yield spread directly impacting the tail value of the HECM reverse mortgage loans. Tails represent the future draws of borrowers, scheduled and unscheduled, as well as capitalized interest and are included in the fair value of the underlying loans. As our HECM loan portfolio is predominantly comprised of ARMs, higher interest rates cause the loan balance to accrue and reach the 98% maximum claim amount liquidation event more quickly. Tails are securitized on a monthly basis and a widening yield spread results in lower cash gain on securitization. Net interest income, that effectively represents our servicing fee increased in 2021 as compared with 2020 mostly due to the growth of the loan portfolio.

MSR Valuation Adjustments, Net

The following table summarizes the MSR valuation adjustments, net reported in our Servicing segment, with the breakdown of the total MSRs recorded on our balance sheet between our owned MSR and the MSRs transferred to NRZ and MAV that did not achieve sale accounting treatment:

	Years Ended December 31,								
	2021			2020			2019		
	Total (1)	Owned MSR (1)	Pledged MSR (NRZ and MAV) (2)	Total (1)	Owned MSR (1)	Pledged MSR (NRZ) (2)	Total	Owned MSR (1)	Pledged MSR (NRZ) (2)
Runoff (3) (4)	$ (250.2)	(159.9)	(90.3)	(171.4)	(93.5)	(77.9)	(197.3)	(90.4)	$ (106.9)
Rate and assumption change (1)	124.7	36.2	88.5	(149.8)	(145.1)	(4.7)	75.9	(64.7)	140.6
Hedging gain (loss)	(34.9)	(34.9)	—	44.9	44.9	—	0.5	0.5	—
Total	$ (160.4)	(158.6)	(1.8)	(276.3)	(193.7)	(82.6)	(120.9)	(154.6)	$ 33.8

(1) Excludes gains of $25.2 million and $41.7 million in 2021 and 2020, respectively (nil in 2019), on the revaluation of MSRs purchased at a discount, that is reported in the Originations segment as MSR valuation adjustments, net.
(2) MSR sale transactions with NRZ and MAV that do not achieve sale accounting treatment. See Note 8 — MSR Transfers Not Qualifying for Sale Accounting for further information.
(3) Effective January 1, 2021, changes in fair value due to actual versus model variances are presented as Changes in valuation inputs or assumptions. Activity for 2020 and 2019 in the table above has been recast to conform to current year disclosure, resulting in a $1.8 million and $18.1 million gain, respectively, reclassified from Runoff to Rate and assumption change.
(4) The terms runoff and realization of expected future cash flows may be used interchangeably within this discussion.

We reported a $160.4 million loss in MSR valuation adjustments, net in 2021, comprised of $158.6 million loss on our owned MSRs and $1.8 million loss on the MSRs transferred to NRZ and MAV. The $158.6 million loss on our owned MSRs is comprised of $159.9 million MSR portfolio runoff, $36.2 million gain on the MSR portfolio attributed to rate and assumption change and a $34.9 million hedging loss. MSR portfolio runoff represents the realization of expected cash flows and yield based on projected borrower behavior, including scheduled amortization of the loan UPB together with projected voluntary prepayments. The gain on rate and assumption change is primarily due to an increase in market interest rates (the 10 year swap rate increased by 66 basis points in 2021), partially offset by a loss on assumption updates driven by unfavorable prepayment model variance and related calibrations.

Our MSR hedging policy is designed to reduce the volatility of the MSR portfolio fair value due to market interest rates. The changes in fair value of the MSR and hedging derivatives were not offset to the same extent as per their expected hedging sensitivity measures, mainly due to non-parallel changes in the interest rate curve and the basis risk inherent in the MSR profile and the available hedging instruments. Refer to the Market Risk sections for further detail on our hedging strategy and its effectiveness.

The following table provides information regarding the changes in the fair value and the UPB of our portfolio of Owned MSRs (excluding NRZ and MAV related MSRs) during 2021, with the breakdown by investor type.

	Owned MSR Fair Value (4)				Owned MSR UPB ($ in billions) (4)			
	GSEs	Ginnie Mae	Non-Agency	Total	GSEs	Ginnie Mae	Non-Agency	Total
Beginning balance	$ 507.9	$ 75.4	$ 144.5	$ 727.8	$ 55.1	$ 13.1	$ 22.1	$ 90.3
Additions								
New cap.	199.2	23.5	1.9	224.6	16.9	1.7	—	18.6
Purchases (1)	833.2	11.3	—	844.5	74.6	0.9	—	75.6
Sales/servicing transfers	—	—	—	—	—	—	—	—
Sales/calls (3)	(271.0)	—	(4.5)	(275.5)	(25.1)	—	—	(25.1)
Change in fair value:								
Inputs and assumptions (1)	47.7	9.9	3.5	61.0	—	—	—	—
Realization of cash flows	(118.5)	(10.7)	(30.8)	(159.9)	(23.1)	(3.7)	(4.6)	(31.5)
Ending balance	$ 1,198.5	$ 109.4	$ 114.6	**$ 1,422.5**	$ 98.4	$ 12.0	$ 17.5	**$ 127.9**
Fair value (% of UPB)	1.22 %	0.91 %	0.65 %	1.11 %				
Fair value multiple (2)	4.8	2.6	2.0	4.0				

(1) Mostly changes in interest rates, except for gains of $25.2 million on the revaluation of purchased MSRs, that are reported in the Originations segment.
(2) Multiple of average servicing fee and UPB.
(3) Includes $274.8 million fair value and $24.9 billion UPB of MSR sales to MAV in 2021 that did not achieve sale accounting treatment.
(4) See Note 7 — Mortgage Servicing and Note 8 — MSR Transfers Not Qualifying for Sale Accounting for further information on the NRZ and MAV portfolios.

The $1.8 million loss on the transferred MSRs not qualifying for sale accounting (transferred to NRZ and MAV) includes $90.3 million runoff and $88.5 million fair value gain attributable to rates and assumptions. The runoff is explained by the same factors underlying our owned MSR, discussed above, and the transfers of MSRs to MAV in 2021 and the decline in the NRZ MSR portfolio, due to runoff and the termination of the PMC servicing agreement by NRZ in February 2020. The $88.5 million fair value gain attributable to rates and assumptions in 2021 is mostly driven by PLS model calibrations by our third-party valuation expert. The model calibrations more accurately reflect the favorable delinquency and default performance of the PLS collateral across the valuation expert's client base and was supported by our fair value benchmarking and back-testing analysis. This MSR fair value gain is offset by a fair value loss recorded on the associated NRZ MSR pledged liability.

Compensation and Benefits

	Years Ended December 31,			% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Compensation and benefits	$ 108.1	$ 113.6	$ 144.0	(5)%	(21)%
Average Employment - Servicing					
India and other	2,432	2,880	3,360	(16)%	(14)
U.S.	740	730	1,158	1	(37)
Total	3,172	3,610	4,518	(12)	(20)

Compensation and benefits expense declined $5.4 million, or 5%, as compared to 2020 primarily due to a $5.3 million decrease in salaries and benefit expense as a result of the 12% decline in our average servicing headcount, mostly offshore. A $0.8 million decline in commissions also contributed to the decline in Compensation and benefits expense. During 2021, we serviced 7% fewer loans, on average, as compared to 2020. The decline in servicing headcount reflects the scaling down of our platform to the number of loans being serviced and the efficiencies resulting from our cost re-engineering initiatives, partially offset by the hiring of employees to support the acquisition of reverse mortgage subservicing from MAM (RMS) on October 1, 2021.

Servicing Expense

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

Servicing expense increased $29.8 million, or 44%, as compared to 2020 largely driven by a $4.5 million increase in interim subservicing expense on MSR bulk acquisitions, a $5.2 million increase in our subservicer expenses largely attributable to the termination and deboarding fees associated with moving our owned reverse portfolio from a subservicer onto our platform, and an $8.4 million increase in satisfaction and other loan expenses attributed to a larger portfolio. In addition, Servicing expense for 2020 included a $19.0 million provision release comprised of $9.9 million recoveries from a settlement in 2020 with a mortgage insurer, and $9.1 million improved advance recoveries in 2020, which decreased loss severity rates used in the computation of advance reserves.

The effects of the above factors were partially offset by a $6.6 million reduction in government-insured claim loss provisions in 2021 on reinstated or modified loans and receivables primarily due to a decline in the volume of government-insured claim receivables and claim losses due to the foreclosure moratorium in effect for much of 2021.

Other Operating Expenses

Other operating expenses (total operating expenses less compensation and benefit expense and servicer expense) decreased by $13.8 million in 2021 as compared to 2020, in large part due to a $13.3 million decline in Corporate overhead allocations and other cost savings attributed to our re-engineering initiatives.

Professional services increased by $3.2 million primarily due to $1.6 million increase in other professional services fee expense driven by additional expense related to reverse sub-servicing business. Professional services expenses in 2020 included $1.1 million reimbursement credits for the NRM consent deal-related shared expenses.

Occupancy and equipment expense decreased $4.5 million primarily due to a $3.8 million decrease in office space occupancy allocations resulting from a reduction in Servicing headcount and the cost savings of prior year office space rationalization initiatives.

Technology and communications expense declined $1.4 million primarily due to cost savings associated with the implementation of data solutions as well as consolidation of telecommunication vendors in the second quarter of 2020.

The $13.3 million decline in Corporate overhead allocations is attributable to the decline in support group operating expenses, including technology savings, and the lower relative weight of Servicing headcount to the consolidated organization.

Other Income (Expense)

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

	Years Ended December 31,			% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Interest Expense					
Advance match funded liabilities	$ 14.2	$ 24.1	$ 26.9	(41)%	(10)%
Mortgage loan warehouse facilities	8.9	5.4	3.5	65	53
MSR financing facilities	26.0	15.9	8.1	64	96
Corporate debt interest expense allocation	48.8	38.2	54.9	28	(30)
Escrow and other	6.5	7.0	9.1	(7)	(23)
Total interest expense	$ 104.6	$ 90.7	$ 102.5	15 %	(12)%
Average balances					
Average balance of advances	$ 754.1	$ 891.3	$ 1,006.3	(15)%	(11)%
Advance match funded liabilities	505.4	603.7	671.8	(16)	(10)
Mortgage loan warehouse facilities	265.4	116.0	49.4	129	135
MSR financing facilities	701.2	308.4	148.5	127	108
Effective average interest rate					
Advance match funded liabilities	2.82 %	4.00 %	4.00 %	(29)%	— %
Mortgage loan warehouse facilities	3.36	4.66	7.14	(28)	(35)
MSR financing facilities	3.71	5.15	5.46	(28)	(6)
Facility costs included in interest expense	$ 9.8	$ 13.1	$ 6.2	(25)	112
Average one-month LIBOR	0.10 %	0.52 %	1.75 %	(81)%	(70)%

Interest expense increased by $13.9 million, or 15%, compared to 2020, due to an overall increase in the average debt balances to finance the growth of the business, partially offset by a lower funding cost. The $10.2 million increase in interest expense on MSR financing facilities, $10.6 million increase in the corporate debt interest expense allocation and $3.5 million increase in interest expense on mortgage loan warehouse facilities, are mostly the result of larger MSR and Loans held for sale portfolios, partially offset by lower funding costs. The $9.9 million decline in interest expense on advance match funded facilities is due to lower average balances of advances and borrowings and a lower cost of funds.

Pledged MSR liability expense relates to the MSR transfers that do not qualify for sale accounting and are presented on a gross basis in our financial statements. See Note 8 — MSR Transfers Not Qualifying for Sale Accounting to the Consolidated Financial Statements. Pledged MSR liability expense includes the servicing fee remittance for these transfers and the fair value changes of the pledged MSR liability.

The following table provides information regarding the Pledged MSR liability expense:

	Years Ended December 31,		
	2021	2020	2019
Net servicing fee remittance (1)	$ 228.0	$ 278.8	$ 437.7
Pledged MSR liability fair value (gain) loss (1)	(11.4)	(82.6)	33.8
NRZ 2017/18 lump sum amortization gain	—	(34.2)	(95.1)
Other	(7.6)	(9.6)	(4.2)
Pledged MSR liability expense	$ 209.1	$ 152.4	$ 372.2

(1) See Note 8 — MSR Transfers Not Qualifying for Sale Accounting

Pledged MSR liability expense increased $56.7 million as compared to 2020, primarily due to a $71.1 million unfavorable fair value change on the Pledged MSR liability, mostly driven by a fair value increase in NRZ PLS MSRs due to model recalibrations performed by our third-party valuation expert to more accurately reflect the favorable delinquency and default performance of PLS collateral across its client base. Fair value adjustments to our NRZ MSR pledged liability are offset by fair value adjustments to the related MSR asset, which are recorded in MSR valuation adjustments, net. In addition, we recognized a $34.2 million amortization gain recorded in 2020 (through the end of the second quarter of 2020, nil in 2021), related to the lump-sum cash payments received from NRZ in 2017 and 2018. These increases in the expense were partially offset by a $50.8 million decline in servicing fee remittance, driven by lower volume serviced, with the runoff of the portfolio and the termination of the PMC agreement by NRZ in February 2020. Refer to the above discussions of MSR valuation adjustments, net (Pledged MSR to NRZ and MAV) and Servicing and subservicing fees (NRZ).

Originations

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

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

Within retail, our Consumer Direct channel for forward mortgage loans (previously called Recapture) focuses on targeting existing servicing customers by offering them competitive mortgage refinance opportunities, where permitted by the governing servicing and pooling agreement. In doing so, we generate revenues for our forward lending business and protect the servicing portfolio by retaining these customers. A portion of our servicing portfolio is susceptible to refinance activity during periods of declining interest rates. Origination recapture volume and related gains are a natural economic hedge, to a certain degree, to the impact of declining MSR values as interest rates decline. To the extent we refinance a loan underlying the MSRs subject to the MAV subservicing agreement, we are obligated to transfer such recaptured MSR to MAV under the terms of the joint-marketing agreement. In addition to refinance activities, our Consumer Direct channel targets cash-out, debt consolidation, mortgage insurance premium reduction, and new customer acquisition.

Our forward lending correspondent channel drives higher servicing portfolio replenishment. We purchase closed loans that have been underwritten to investor guidelines from our network of correspondent sellers and sell and securitize them. As of December 31, 2021, we have relationships with 438 approved correspondent sellers, or 307 new sellers since December 31, 2020. On June 1, 2021, we expanded our network through the assignment by Texas Capital Bank (TCB) to us, of all its correspondent loan purchase agreements with its correspondent sellers (approximately 220 sellers).

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

After origination, we package and sell the loans in the secondary mortgage market, through GSE and Ginnie Mae securitizations on a servicing retained basis. Origination revenues mostly include interest income earned for the period the loans are held by us, gain on sale revenue, which represents the difference between the origination or purchase value and the sale value of the loan including its MSR value, and fee income earned at origination. As the securitizations of reverse mortgage loans do not achieve sale accounting treatment and the loans are classified as loans held for investment, at fair value, reverse mortgage revenues include the fair value changes of the loan from lock date to securitization date.

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

We purchase MSRs through flow purchase agreements, the Agency Cash Window programs and bulk MSR purchases. The Agency Cash Window programs we participate in, and purchase MSR from, allow mortgage companies and financial institutions to sell whole loans to the respective agency and sell the MSR to the winning bidder servicing released. In addition, we partner with other originators to replenish our MSRs through flow purchase agreements. We do not provide any origination representations and warranties in connection with our MSR purchases through MSR flow purchase agreements or Agency Cash Window programs. As of December 31, 2021, we have relationships with 154 approved sellers through the Agency Cash Window co-issue programs, or 121 new sellers since December 31, 2020.

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

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

For 2021, our Originations business originated or purchased forward and reverse mortgage loans with a UPB of $19.0 billion and $1.5 billion, respectively. In addition, we purchased $20.4 billion UPB MSR through the Agency Cash Window / Flow MSR during 2021.

Significant Variables

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

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

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

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

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

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

	Years Ended December 31,			% Change	
	2021	2020	2019	2021 vs 2020	2020 vs 2019
Revenue					
Gain on loans held for sale, net	$ 124.5	$ 105.2	$ 32.9	18 %	220 %
Reverse mortgage revenue, net	82.0	53.1	22.9	54	133
Other revenue, net (1)	43.4	21.0	6.0	107	251
Total revenue	249.9	179.3	61.7	39	191
MSR valuation adjustments, net	25.2	41.7	—	(40)	n/m
Operating expenses					
Compensation and benefits	101.6	62.2	43.8	63	42
Origination expense	15.0	7.2	7.0	109	3
Occupancy and equipment	6.9	5.4	6.4	27	(15)
Technology and communications	9.8	5.5	3.2	76	76
Professional services	10.2	9.3	1.3	10	620
Corporate overhead allocations	20.0	18.2	6.0	10	202
Other expenses	9.4	6.5	4.8	43	36
Total operating expenses	172.8	114.4	72.5	51	58
Other income (expense)					
Interest income	17.7	7.0	5.2	152	34
Interest expense	(23.0)	(9.8)	(7.6)	134	30
Other, net	(3.1)	0.4	0.9	(988)	(61)
Total other income (expense), net	(8.4)	(2.5)	(1.5)	239	70
Income (loss) before income taxes	$ 93.9	$ 104.2	$ (12.2)	(10)	(952)

(1) Includes $8.5 million, $6.0 million, and $1.3 million ancillary fee income related to MSR acquisitions reported as Servicing and subservicing fees at the consolidated level for 2021, 2020 and 2019, respectively.

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

UPB in millions	Years Ended December 31, 2021	2020	2019	% Change 2021 vs 2020	2020 vs 2019
Loan Production by Channel					
Forward loans					
Correspondent	$ 16,577.8	$ 5,685.5	$ 494.0	192 %	n/m
Consumer Direct	2,411.7	1,309.8	656.6	84	99
	$ 18,989.5	$ 6,995.3	$ 1,150.5	171	508
% Purchase production	32	20	18	63	10
% Refinance production	68	80	82	(15)	(2)
Reverse loans (1)					
Correspondent	$ 807.1	$ 470.3	$ 411.6	72 %	14 %
Wholesale	275.4	300.5	238.2	(8)	26
Retail	445.5	170.8	79.6	161	115
	$ 1,527.9	$ 941.6	$ 729.4	62	29
MSR Purchases by Channel (Forward only)					
Agency Cash Window / Flow MSR	20,443.4	15,111.6	908.3	35	n/m
Bulk MSR purchases	55,133.5	16,566.2	14,616.7	233	13
	$ 75,576.9	$ 31,677.7	$ 15,525.0	139	104
Total	$ 96,094.3	$ 39,614.7	$ 17,405.0	143	128
Short-term loan commitment (at year end)					
Forward loans	$ 1,022.0	$ 619.7	204.0	65 %	204 %
Reverse loans	63.3	11.7	28.5	442	(59)
Average Employment					
U.S.	653	461	387	42 %	19 %
India and other	400	177	97	126	82
Total	1,053	638	484	65	32

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

Gain on Loans Held for Sale

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

	Years Ended December 31,			% Change	
	2021	**2020**	**2019**	**2021 vs 2020**	**2020 vs 2019**
Gain on Loans Held for Sale (1)					
Correspondent	$ 18.5	$ 20.8	$ 0.1	(11)%	n/m
Consumer Direct	106.0	84.4	32.8	26	158
	$ 124.5	$ 105.2	$ 32.9	18 %	220 %
% Gain on Sale Margin (2)					
Correspondent	0.11 %	0.35 %	0.02 %	(69)%	n/m
Consumer Direct	4.36	5.41	5.00 %	(19)	8
	0.64 %	1.42 %	2.65 %	(55)%	(46)%
Origination UPB (3)					
Correspondent	$ 16,957.0	$ 5,851.1	$ 584.6	190 %	901 %
Consumer Direct	2,432.0	1,560.4	655.5	56	138
	$ 19,389.0	$ 7,411.5	$ 1,240.1	162 %	498 %

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

Gain on loans held for sale, net, increased $19.3 million, or 18%, as compared to 2020, all attributed to our consumer direct channel, with a 56% increase in our loan production volume, partially offset by a lower margin. The effect of nearly three times higher production volume in our correspondent channel was more than offset by lower margin and resulted in a 11% lower gain on sale as compared to 2020. The combined $12.0 billion, or 162% new production volume increase in our correspondent and consumer direct channels is due to favorable market conditions for borrower refinancing, the successful integration of the TCB correspondent lending resources and network of correspondent sellers, and the demonstrated capability of our Originations platform. We have expanded our correspondent seller network from 131 to 438, a 234% increase in twelve months. In addition, the increase in the new production volume of our consumer direct channel is the result of investments in staffing we made to develop the production capabilities of our platform. Overall, the average gain on sale margin for forward loans declined from 142 basis points in 2020 to 64 basis points in 2021, mostly due to the continued shift in the channel mix, with higher volume in correspondent, a lower-margin channel.

Reverse Mortgage Revenue, Net

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

	Years Ended December 31,			% Change	
	2021	**2020**	**2019**	**2021 vs 2020**	**2020 vs 2019**
Origination UPB (1)	$ 1,547.0	$ 915.4	$ 731.4	69 %	25 %
Origination margin (2)	5.30 %	5.81 %	3.12 %	(9)	86 %
Reverse mortgage revenue, net (Originations) (3)	$ 82.0	$ 53.1	$ 22.9	54 %	133 %

(1) Defined as the UPB of loans funded in the period plus the change in the period in the pull-through adjusted UPB of IRLCs.
(2) Ratio of origination gain and fees - see (3) below - to origination UPB - see (1) above.
(3) Includes gain on new origination, and loan fees and other. Includes $34.1 million, $26.9 million and $16.6 million non-cash gain on securitization of newly originated loans in 2021, 2020 and 2019, respectively.

We reported $82.0 million Reverse mortgage revenue, net in 2021, a $28.9 million or 54% increase as compared to 2020. The increase is primarily driven by an increase in volume of our higher-margin retail channel that generated an additional $26.8

million revenue. The historical record increase in the volume of our reverse correspondent and retail channels were partially offset by a lower average margin in those channels mostly due to unfavorable yield spread widening observed in the market.

Other revenue, net

Other revenue, net increased $22.4 million as compared to 2020 primarily due to higher fees earned on increased loan origination volume and setup fees earned for loans boarded on our servicing platform, mostly driven by our forward correspondent and consumer direct channels.

MSR Valuation Adjustments, Net

MSR valuation adjustments, net includes gains of $25.2 million and $41.7 million in 2021 and 2020, respectively, due to the revaluation gains on certain MSRs purchased through the Agency Cash Window programs, and flow purchases. As an aggregator of MSRs, we may purchase MSRs from smaller originators with a purchase price at a discount to fair value and we recognize valuation adjustments for differences in exit markets in accordance with the accounting fair value guidance. We record such valuation adjustments as MSR valuation adjustments, net, within the Originations segment because the segment's business objective is the sourcing of new MSRs at targeted returns. We transfer the MSR from the Originations segment to the Servicing segment at fair value.

MSR valuation adjustments, net decreased $16.5 million as compared to 2020. Opportunities for fair value discount or margins were larger in the early period of the pandemic and have reduced as markets normalized.

Operating Expenses

Operating expenses increased $58.4 million, or 51%, as compared to 2020, due to our increased production volumes. Compensation and benefits increased by $39.4 million, or 63%, with a $23.1 million increase in salary and benefits and $10.9 million higher commissions. Originations average headcount increased 65% as compared to 2020, reflecting an increase in loan production levels, and reflecting the integration of the TCB correspondent lending resources in the second half of 2021. The offshore-to-total average headcount ratio for Originations increased from 28% for 2020 to 38% for 2021.

Other operating expenses increased primarily due to a $7.8 million increase in Origination expense driven by increased origination volumes, a $4.2 million increase in Technology and communications mostly due to higher software usage and maintenance expenses to support the growth in originations volumes, a $3.5 million increase in advertising expense as part of Origination business expansion, and a $2.0 million increase in postage and mailing expenses in support of increased volumes. Certain other operating expenses are variable, and as a result, as origination volume increased so did the related expenses. Examples include credit reports, appraisals, settlement fees, and tax service fees recorded in origination expenses or certain outsourced services including surge resources recorded in Professional services.

Other Income (Expense)

Interest income consists primarily of interest earned on newly-originated and purchased loans prior to sale to investors. Interest expense is incurred to finance the mortgage loans. We finance originated and purchased forward and reverse mortgage loans with repurchase and participation agreements, commonly referred to as warehouse lines. The increases in interest income and interest expense as compared to 2020 is primarily the result of the increase in the average held-for-sale loan and warehouse debt balances, due to increased loan production volumes.

Corporate Items and Other

Corporate Items and Other includes revenues and expenses of corporate support services, our reinsurance business CRL, inactive entities, and our other business activities that are currently individually insignificant, revenues and expenses that are not directly related to other reportable segments, interest income on short-term investments of cash, gain or loss on repurchases of debt, interest expense on unallocated corporate debt and foreign currency exchange gains or losses. Interest expense on direct asset-backed financings are recorded in the respective Servicing and Originations segments. Interest expense on corporate debt is allocated to the Servicing segment and the Originations segment (starting in the fourth quarter of 2021) based on relative financing requirements.

Corporate support services include finance, facilities, human resources, internal audit, legal, risk and compliance and technology functions. Certain expenses incurred by corporate support services are allocated to the Servicing and Originations segments using various methodologies intended to approximate the utilization of such services. Various measurements of utilization of corporate support services are maintained, primarily time studies, personnel volumes and service consumption levels. In 2019, corporate support services costs were primarily allocated based on relative segment size. Support service costs not allocated to the Servicing and Originations segments are retained in the Corporate Items and Other segment along with certain other costs including certain litigation and settlement related expenses or recoveries, and other costs related to operating as a public company. Corporate Items and Other also includes severance, retention, facility-related and other expenses incurred in 2020 and 2019 related to our re-engineering initiatives and have not been allocated to other segments.

CRL, our wholly-owned captive reinsurance subsidiary, provides re-insurance related to coverage on REO properties owned or serviced by us. CRL assumes a quota share of REO insurance coverage written by a third-party insurer under a blanket policy issued to PMC. The underlying REO policy provides coverage for direct physical loss on commercial and residential properties, subject to certain limitations. Under the terms of the reinsurance agreement, CRL assumes a 60% quota share of premiums and all related losses incurred by the third-party insurer, effective March 2021, with a 50% and 40% quota share through February 2021 and May 2020, respectively. The reinsurance agreement expires December 31, 2023, but may be terminated by either party at any time with six months advance written notice. The agreement will automatically renew for additional one-year terms unless either party provides 60 days advance written notice prior to renewal.

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

	Years Ended December 31,			% Change	
	2021	2020	2019	2021 vs 2020	2020 vs. 2019
Revenue					
Premiums (CRL)	$ 5.9	$ 6.2	$ 12.9	(5)%	(52)%
Other revenue	0.3	0.4	0.3	(28)	55
Total revenue	6.2	6.6	13.2	(6)	(50)
Operating expenses					
Compensation and benefits	88.2	89.6	125.7	(1)	(29)
Professional services	40.3	69.4	59.2	(42)	17
Technology and communications	22.5	28.9	43.4	(22)	(34)
Occupancy and equipment	3.1	11.1	17.4	(72)	(36)
Servicing and origination	0.4	1.7	0.7	(74)	(94)
Other expenses	7.3	8.1	11.0	(10)	(26)
Total operating expenses before corporate overhead allocations	161.8	208.7	257.4	(22)	(19)
Corporate overhead allocations					
Servicing segment	(47.7)	(61.0)	(197.9)	(22)	(69)
Originations segment	(20.0)	(18.2)	(6.0)	10	202
Total operating expenses	94.1	129.5	53.5	(27)	142
Other income (expense), net					
Interest income	0.5	1.9	1.8	(77)	9
Interest expense	(16.4)	(8.9)	(4.0)	85	121
Gain (loss) on extinguishment of debt	(15.5)	—	5.1	n/m	(100)
Other, net	1.2	(4.3)	(4.1)	(129)	3
Total other (expense) income, net	(30.2)	(11.2)	(1.3)	170	775
Income (loss) before income taxes	$ (118.1)	$ (134.1)	$ (41.6)	(12)	222

n/m: not meaningful

Compensation and Benefits

Compensation and benefits expense decreased $1.3 million, or 1%, as compared to 2020 primarily as a result of a $4.2 million decline in salaries and benefit expense driven by a 7% decrease in average corporate headcount, including a 13% decrease in average onshore headcount from 308 to 267. In addition, the decline in compensation and benefits expense is driven by a $2.2 million decrease in annual incentive compensation and a $1.8 million decline in severance expense. These lower expenses were largely offset by a $7.9 million increase in share-based compensation mostly due to an increase in the fair value of cash-settled share-based awards associated with the increase in our common stock price during the year.

Professional Services

Professional services expense declined $29.1 million, or 42%, as compared to 2020, primarily due to a $16.9 million decrease in legal expenses and an $11.1 million decline in other professional services expenses. The net decline in legal expenses is largely due to expenses and provision for litigation settlement recorded in 2020 related to the CFPB and Florida matters. Legal expenses and professional services for 2020 included an $8.0 million recovery of prior expenses from a mortgage insurer and $3.5 million of COVID-19 related expenses, respectively. Cost reduction initiatives and higher utilization of professional services in 2020, including strategic vendor sourcing, cloud migration and consulting, resulted in lower other professional fees in 2021. Other professional services for 2021 includes $3.2 million of advisory fees related to the setup of our MSR investment joint venture with Oaktree, MAV Canopy.

Other Operating Expenses

Technology and communications expense decreased $6.4 million, or 22%, as compared to 2020, primarily due to a $3.5 million decline in telephone and telecommunication expense, and a $2.5 million decline in hardware and software depreciation expense. Cost re-engineering initiatives in 2020 resulted in lower expenses in 2021 through facility closure and the transition to a more cost-effective alternative telephone system. In addition, during 2020, we recognized accelerated depreciation for certain of our hardware and software assets and incurred additional expenses related to COVID-19.

Occupancy and equipment expense decreased $8.0 million or 72%, as compared to 2020, primarily due to the rationalization of our facilities. In 2020, we partially abandoned certain leased properties and recognized accelerated depreciation and exit costs. Depreciation and lease interest expense for 2021 declined $7.9 million as compared to 2020. Occupancy allocations to Servicing and Originations segments were lower by $4.3 million due to the above mentioned facility rationalization, partially offset by a $2.7 million decrease in repair, maintenance and utilities related expenses and a $1.1 million decline in postage and mailing expenses attributed to COVID-19.

Corporate overhead allocations decreased $11.5 million for 2021 as compared to 2020 largely due to the benefits of cost savings achieved at the corporate level, most significantly technology expenses, achieved through our cost re-engineering initiatives in 2020.

Other Income (Expense)

Interest expense of the Corporate segment relates to the remaining corporate debt unallocated to other segments. Interest expense increased $7.6 million, or 85%, as compared to 2020. The increase is primarily driven by a higher cost of corporate debt that is mostly due to the senior secured notes issued at a discount on March 4, 2021 and May 3, 2021.

On March 4, 2021, we recognized a loss on debt extinguishment of $15.5 million resulting from our early repayment of the SSTL due May 2022 and our early redemption of our 6.375% PHH senior unsecured notes due August 2021 and our 8.375% PMC senior secured notes due November 2022.

We reported $1.2 million Other income in 2021, as compared to $4.3 million Other expense in 2020. Loss adjustment expense, related to our CRL business decreased by $1.8 million due to a decline in the number of covered REO properties and claims filed during 2021 compared to 2020. In 2020, we recognized a $2.2 million net loss on the sale of a vacant office facility. In addition, we recorded foreign currency remeasurement gains of $0.3 million in 2021, as compared to losses of $1.0 million in 2020, related to our operations in India and the Philippines.

LIQUIDITY AND CAPITAL RESOURCES

Overview

On March 4, 2021, we successfully completed a comprehensive refinancing of our corporate debt and a capital contribution to our licensed entity PMC, through the following transactions:

- We redeemed all of PHH's outstanding 6.375% Senior Notes due August 2021 at a price of 100% of the $21.5 million principal amount, plus accrued and unpaid interest, and all of PMC's 8.375% Senior Secured Notes due November 2022 at a price of 102.094% of the $291.5 million principal amount, plus accrued and unpaid interest.
- We repaid in full the $185.0 million outstanding principal balance of the SSTL due May 2022, with a 2% prepayment premium of the outstanding principal balance, or $3.7 million.
- PMC completed the issuance and sale of $400.0 million aggregate principal amount of 7.875% senior secured notes due March 15, 2026 (the PMC Senior Secured Notes).
- Ocwen Financial Corporation, completed the private placement of $199.5 million aggregate principal amount of senior secured notes due March 4, 2027 (the OFC Senior Secured Notes) together with the issuance of warrants to certain entities owned by funds and accounts managed by Oaktree Capital Management, L.P. (the Oaktree Investors).
- Ocwen Financial Corporation contributed the $175.0 million net proceeds from the issuance of the OFC Senior Secured Notes to its wholly owned subsidiary, PHH, and PHH contributed $153.4 million to its wholly owned subsidiary PMC, as permanent equity, after redeeming PHH's 6.375% Senior Notes disclosed above.

With the completion of the corporate debt refinancing, we have reduced corporate indebtedness at the PHH and PMC level by approximately $100 million and extended overall corporate debt maturities by over three years resulting in a better alignment of the debt profile with our investments. We now have greater financial flexibility than with the prior capital structure, and we believe, an opportunity to negotiate better terms for our future financing needs.

On May 3, 2021, concurrent with the closing of the MAV transaction, we issued to Oaktree the second tranche of the OFC Senior Secured Notes due March 4, 2027 in an aggregate principal amount of $85.5 million, together with the issuance of common shares and additional warrants.

In addition, we have successfully completed at market terms the following during 2021 with respect to our current and anticipated financing needs:

- We increased the total borrowing capacity on our mortgage loan warehouse facilities by $1.1 billion to support growth in our Originations business. We reduced our weighted average interest rate on these facilities by 0.72% during the year.
- We increased the borrowing capacity of our MSR financing facilities by $410.0 million to fund our MSR bulk acquisitions and portfolio growth, and extended the duration of our debt. We reduced our weighted average interest rate on these facilities by 1.11% during the year.
- We voluntarily reduced total borrowing capacity on our advance facilities by $200.0 million as we continue to experience better than expected forbearance performance. We reduced our weighted average interest rate on these facilities by 0.42% during the year.

In the normal course of business, we are actively engaged with our lenders and as a result, have renewed, replaced or extended our debt agreements to the extent necessary to finance our operations. See Note 14 — Borrowings to the Consolidated Financial Statements for additional information.

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

	December 31, 2021			December 31, 2020		
	Total Borrowing Capacity (1)	Available Borrowing Capacity - Committed (1)	Available Borrowing Capacity - Uncommitted (1)	Total Borrowing Capacity (1)	Available Borrowing Capacity - Committed (1)	Available Borrowing Capacity - Uncommitted (1)
Advance facilities	$ 595.0	$ 82.7	$ —	$ 795.0	$ 213.7	$ —
Mortgage loan warehouse facilities	2,119.3	240.3	794.0	1,037.0	186.9	398.4
MSR financing facilities	785.0	40.4	18.3	375.0	39.2	13.0
Total	$ 3,499.3	$ 363.4	$ 812.3	$ 2,207.0	$ 439.9	$ 411.3
Total Capacity increase (decrease)	$ 1,292.3	$ (76.5)		59%	(17)%	
Advance facilities	$ (200.0)	$ (131.0)		(25)%	(61)%	
Mortgage loan warehouse facilities	$ 1,082.3	$ 53.4		104%	29%	
MSR financing facilities	$ 410.0	$ 1.2		109%	3%	

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

Our total borrowing capacity increased by approximately $1.3 billion (or 59%) in 2021, mostly driven by a $1.1 billion (104%) increase in our mortgage loan warehouse capacity to fund the growth in our Originations business. In addition, we increased the capacity of our MSR financing facilities by $410.0 million to fund our MSR bulk acquisitions and portfolio growth. The available borrowing capacity under our advance financing facilities decreased by $131.0 million as compared to December 31, 2020 due to a $170.0 million voluntary reduction in total borrowing capacity of the OMART variable funding notes and a $30.0 million reduction in total borrowing capacity of the OFAF facility, offset in part by a $69.0 million decrease in outstanding borrowings, consistent with a decrease in our servicer advances. At December 31, 2021, none of the available borrowing capacity under our advance financing facilities could be funded based on the amount of eligible collateral that had been pledged to such facilities. Also, none of our uncommitted borrowing capacity was available to fund advances at December 31, 2021 under our Ginnie Mae MSR financing facility based on the amount of eligible collateral.

We may utilize committed borrowing capacity under our mortgage warehouse facilities and MSR financing facilities to the extent we have sufficient eligible collateral to borrow against and otherwise satisfy the applicable conditions to funding. At December 31, 2021, we had no committed borrowing capacity under our mortgage loan warehouse facilities, based on the amount of eligible collateral. Uncommitted amounts can be advanced at the discretion of the lender, and there can be no assurance that any uncommitted amounts will be available to us at any particular time.

At December 31, 2021, our unrestricted cash position was $192.8 million compared to $284.8 million at December 31, 2020. We typically invest cash in excess of our immediate operating needs in deposit accounts and other liquid assets.

We strive to optimize our daily cash position to reduce financing costs while closely monitoring our liquidity needs and ongoing funding requirements. We regularly monitor and project cash flows over various time horizons as a way to anticipate and mitigate liquidity risk.

In assessing our liquidity outlook, our primary focus is on available cash on hand, unused available funding and the following forecast measures:

- Financial projections for ongoing net income, excluding the impact of non-cash items, and working capital needs including loan repurchases;
- Requirements for amortizing and maturing liabilities;
- The projected change in advances compared to the projected borrowing capacity to fund such advances under our facilities, including capacity for monthly peak needs;
- Projected funding requirements for acquisitions of MSRs and other investment opportunities;
- Funding capacity for whole loans and tail draws under our reverse mortgage commitments subject to warehouse eligibility requirements;
- Potential payments or recoveries related to legal and regulatory matters, insurance, taxes and others; and
- Margining requirements associated with our borrowing facilities and hedging program.

Use of Funds

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

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

We have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of $1.5 billion at December 31, 2021. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. During 2021, we funded $226.6 million out of the $2.0 billion borrowing capacity available as of December 31, 2020. We also had short-term commitments to lend $1.0 billion and $63.3 million in connection with our forward and reverse mortgage loan IRLCs, respectively, outstanding at December 31, 2021. 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). See Note 25 — Commitments to the Consolidated Financial Statements for additional information. We finance originated and purchased forward and reverse mortgage loans with repurchase and participation agreements, referred to as warehouse lines.

Regarding the current maturities of our borrowings, as of December 31, 2021, we have approximately $2.09 billion of debt outstanding that would either come due, begin amortizing or require partial repayment in the next 12 months. This amount is comprised of $1.09 billion of borrowings under forward and reverse mortgage warehouse facilities, $512.3 million of notes under advance financing facilities that will enter their respective amortization periods, $449.2 million outstanding under Agency and Ginnie Mae MSR financing facilities maturing in 2022, and $41.7 million of scheduled principal amortization on the PLS Notes secured by PLS MSRs.

In our liquidity management, we consider two factors more specifically as a result of the COVID-19 environment and the volatile interest rate environment: our increased advancing requirements as servicer during each investor remittance period, and the uncertainties of daily margin calls on our collateralized debt facilities and derivative instruments due to interest rate fluctuations. First, as servicer, we are required to advance to investors the loan P&I installments not collected from borrowers for those delinquent loans, including those on forbearance plans. Loan payoffs and prepayments are a source of additional liquidity and are dependent on the interest rate environment. We also advance T&I and Corporate advances primarily on properties that are in default or have been foreclosed. Our obligations to make these advances are governed by servicing agreements or guides, depending on investors or guarantor. Refer to Note 25 — Commitments to the Consolidated Financial Statements for further description of our servicer advance obligations. As subservicer, we are also required to make P&I, T&I and Corporate advances on behalf of servicers following the servicing agreements or guides. However, servicers are generally required to reimburse us within 30 days of our advancing under the terms of the subservicing agreements, and we are generally reimbursed by NRZ the same day we fund P&I advances, or within no more than three days for servicing advances and certain P&I advances under the Ocwen agreements.

Second, we are generally subject to daily margining requirements under the terms of our MSR financing facilities and daily cash calls for our TBAs, interest rate swap futures or other derivatives. Declines in fair value of our MSRs due to declines in market interest rates, assumption updates or other factors require that we provide additional collateral to our lenders under MSR financing facilities. Similarly, declines in fair value of our derivative instruments require that we provide additional collateral to the clearing counterparties. Our exposure to changes in fair value of our MSRs and the associated liquidity risk have increased as a result of the GSE MSR bulk acquisitions in June 2021. Refer to the sensitivity analysis in the Market Risk section of Risk Management for our quantitative and qualitative disclosures about market risk.

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

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

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

Sources of Funds

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

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

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

We use mortgage loan repurchase and participation facilities (commonly called warehouse lines) to fund newly-originated loans on a short-term basis until they are sold to secondary market investors, including GSEs or other third-party investors, and to fund repurchases of certain Ginnie Mae forward loans, HECM loans, second-lien loans and other types of loans. Warehouse facilities are structured as repurchase or participation agreements under which ownership of the loans is temporarily transferred to the lender. These facilities contain eligibility criteria that include aging and concentration limits by loan type among other provisions. 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 consistent liquidity to support our lending operations. Substantially all of the mortgage loans that we originate or purchase are sold or securitized in the secondary mortgage market in the form of residential mortgage backed securities guaranteed by Fannie Mae or Freddie Mac and, in the case of mortgage backed securities guaranteed by Ginnie Mae, are mortgage loans insured or guaranteed by the FHA, VA or United States Department of Agriculture (USDA).

We regularly evaluate financing structure options that we believe will most effectively provide the necessary capacity to support our investment plans, address upcoming debt maturities and accommodate our business needs. We continuously evaluate the allocation of our capital to MSR investments, the related returns, funding and liquidity requirements. While our investment in MAV Canopy exposes us to additional capital contributions, the relationship provides PMC an additional means to finance MSRs and maintain liquidity while maintaining servicing volume - See Item 1. Business, Oaktree Relationship for further details. With the launch of MAV and our relationships with other clients, additional opportunities to rebalance our servicing and subservicing portfolio mix are available to us and may result in additional sales of MSRs while we would perform subservicing for the sold portfolio.

Covenants

Our debt agreements contain various qualitative and quantitative covenants including financial covenants, covenants to operate in material compliance with applicable laws and regulations, monitoring and reporting obligations and restrictions on our ability to engage in various activities, including but not limited to incurring or guarantying additional debt, paying dividends or making distributions on or purchasing equity interests of Ocwen and its subsidiaries, repurchasing or redeeming capital stock or junior capital, repurchasing or redeeming subordinated debt prior to maturity, issuing preferred stock, selling or transferring assets or making loans or investments or other restricted payments, entering into mergers or consolidations or sales of all or substantially all of the assets of Ocwen and its subsidiaries, creating liens on assets to secure debt, and entering into transactions with affiliates. These covenants may limit the manner in which we conduct our business and may limit our ability to engage in favorable business activities or raise additional capital to finance future operations or satisfy future liquidity needs. In addition, breaches or events that may result in a default under our debt agreements include, among other things, nonpayment of principal or interest, noncompliance with our covenants, breach of representations, the occurrence of a material adverse change, insolvency, bankruptcy, certain material judgments and litigation and changes of control. See Note 14 — Borrowings to the Consolidated Financial Statements for additional information regarding our covenants. The most restrictive liquidity requirement under our debt agreements is for a minimum of $125.0 million in consolidated liquidity, as defined, under certain of our advance match funded debt and MSR financing facilities agreements. At December 31, 2021, we held unrestricted cash in excess of this minimum amount.

In addition, our debt agreements generally include cross default provisions such that a default under one agreement could trigger defaults under other agreements. If we fail to comply with our debt agreements and are unable to avoid, remedy or secure a waiver of any resulting default, we may be subject to adverse action by our lenders, including termination of further funding, acceleration of outstanding obligations, enforcement of liens against the assets securing or otherwise supporting our obligations, and other legal remedies, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. We believe that we are in compliance with the covenants in our debt agreements as of December 31, 2021.

Credit Ratings

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

Rating Agency	Long-term Corporate Rating	Review Status / Outlook	Date of last action
Moody’s	Caa1	Stable	February 24, 2021
S&P	B-	Stable	February 24, 2021

On February 24, 2021, concurrent with the launch of the $400.0 million PMC Senior Secured Notes offering, both Moody’s and S&P reaffirmed the corporate ratings at Caa1 and B-, respectively. In addition, both agencies revised the outlook of the corporate ratings to Stable from Negative. This change in outlook was driven by the elimination of the short debt maturity runway and refinancing risk, which was listed as an area of concern by both Moody’s and S&P. On January 24, 2022, S&P affirmed the corporate rating at B-.

On January 24, 2022, S&P raised the assigned rating to the PMC Senior Secured Notes from ‘B-’ to ‘B’ and maintained a stable outlook citing improved profitability and increase in assets. It is possible that additional actions by credit rating agencies could have a material adverse impact on our liquidity and funding position, including materially changing the terms on which we may be able to borrow money.

Cash Flows

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

Our NRZ agreements represent an important component of our liquidity and our liquidity management, and have a significant impact on our consolidated statements of cash flows. Because the lump-sum payments we received in connection with our 2017 Agreements and New RMSR Agreements were recorded as secured financings, additions to, and reductions in, the balance of those secured financings were recognized as financing activity in our consolidated statements of cash flows through April 2020. 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 years ended December 31, 2021 and 2020 includes $— million and $35.1 million, respectively, of such cash flows and they were offset by corresponding amounts in net cash used in financing activities in the same periods.

Our cash flows are summarized as follows:

$ in millions	**For the Year Ended December 31,**	
	2021	**2020**
Net cash provided by (used in) operating activities	$ (472)	$ 261
Net cash provided by (used in) investing activities	(1,001)	(528)
Net cash provided by (used in) financing activities	1,380	132
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (93)	$ (135)
Cash, cash equivalents and restricted cash at end of period	$ 263	$ 357

Cash flows for the year ended December 31, 2021

Our operating activities used $472.2 million of cash largely due to the growth of our new Originations production with net cash paid on loans held for sale of $623.0 million, partially offset by the $28.9 million of net collections of servicing advances, mostly P&I advances.

Our investing activities used $1.0 billion of cash. The primary uses of cash in our investing activities include $831.2 million to purchase MSRs, mostly through bulk acquisitions, net cash outflows in connection with our HECM reverse mortgages of $135.1 million, and $27.9 million of capital contributions to our equity method investee MAV Canopy.

Our financing activities provided $1.4 billion of cash. Cash inflows include $647.9 million of proceeds from the issuance of the PMC Senior Secured Notes and the OFC Senior Secured Notes, warrants and common stock to Oaktree and $1.7 billion received in connection with our reverse mortgage securitizations, which are accounted for as secured financings, largely offset by repayments on the related financing liability of $1.6 billion, $247.0 million of proceeds from sale of MSRs accounted for as a financing in connection with sales of MSRs to MAV, and a $1.1 billion net increase in borrowings under our mortgage warehouse and MSR financing facilities. Cash outflows include $319.2 million to repay our 6.375% senior unsecured notes and 8.375% senior secured notes, $188.7 million repayment of the SSTL, $69.0 million of net repayments on advance match funded liabilities, and $91.2 million of net payments on the financing liabilities related to MSRs transferred.

Cash flows for the year ended December 31, 2020

Our operating activities provided $261.0 million of cash largely due to $213.3 million of net collections of servicing advances, mostly P&I advances, partially offset by net cash paid on loans held for sale during the year of $121.5 million.

Our investing activities used $527.9 million of cash. The primary uses of cash in our investing activities include net cash outflows in connection with our HECM reverse mortgages of $258.9 million and $273.2 million to purchase MSRs.

Our financing activities provided $131.8 million of cash. Cash inflows include $1.2 billion received in connection with our reverse mortgage securitizations, which are accounted for as secured financings, less repayments on the related financing liability of $935.8 million. In addition, we increased borrowings under our mortgage loan warehouse facilities and MSR financing facilities by $119.5 million and $66.9 million, respectively. Cash outflows include repayments of $141.1 million on the SSTL, $97.8 million of net repayments on advance match funded liabilities, and $101.8 million of net payments on the financing liabilities related to MSRs transferred. In addition, we also paid $7.7 million of debt issuance costs related to our SSTL facility amendment and repurchased shares of our common stock for $4.6 million.

RISK MANAGEMENT

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established policies and procedures intended to identify, assess, monitor and manage the types of risk to which we are subject, including strategic, market, credit, liquidity and operational risks.

Our Chief Risk and Compliance Officer is responsible for the design, implementation and oversight of our global risk management and compliance programs. Risks unique to our businesses are governed through various management processes and governance committees to oversee risk and related control activities across our company and provide a framework for potential issues to be identified, assessed and remediated under the direction of senior executives from our business, finance, risk, compliance, internal audit and law departments, as applicable. Information is aggregated and reports on risk matters are made to the Board of Directors, its Risk and Compliance Committee or its other committees, as applicable, to enable the Board of Directors and its committees to fulfill their governance and oversight responsibilities.

Strategic Risk

We are exposed to risk with respect to the strategic initiatives we need to undertake in order to return to sustainable growth and profitability. Strategic risk represents the risk to shareholder or enterprise value, current or future earnings, capital and liquidity from adverse business decisions and/or improper implementation of business strategies. Management is responsible for developing and implementing business strategies that leverage our core competencies and are appropriately structured, resourced and executed. Oversight for our strategic actions is provided by the Board of Directors. Our performance, relative to our business plans and our longer-term strategic plans, is reviewed by management and the Board of Directors.

To achieve our near-term financial objectives, we believe we need to execute on the key business initiatives discussed above under “Overview”. Our ability to achieve our objectives is highly dependent on the success of our business relationships with our critical counterparties like the GSEs, FHFA, Ginnie Mae, our lenders, regulators, significant customers and our ability to attract new customers, all of which are impacted by our capability to adequately address the competitive challenges we face. There can be no assurance that we will be successful in executing on these initiatives. Further, there can be no assurance that even if we execute on these initiatives we will be able to return to profitability. In addition to successful operational execution of our key initiatives, our success will also depend on market conditions and other factors outside of our control. If we continue to experience losses, our share price, business, reputation, financial condition, liquidity and results of operations could be materially and adversely affected.

Market Risk

See Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Liquidity Risk

We are exposed to liquidity risk through our ongoing needs to: originate, purchase, repurchase and finance mortgage loans; sell mortgage loans into secondary markets; retain, acquire and finance MSRs, make and finance advances; fund and sell additional future draws by borrowers under variable rate HECM loans; meet our HMBS issuer obligations with respect to MCA repurchases; repay maturing debt; meet our contractual obligations; and otherwise fund our operations. Liquidity is an essential component of our ability to operate and grow our business; therefore, it is crucial that we maintain adequate levels of excess liquidity to fund our businesses during normal economic cycles and events of market stress.

We estimate how our liquidity needs may be impacted by a number of factors, including fluctuations in asset and liability levels due to our business strategy, asset valuations, changes in cash flows from operations, levels of interest rates, debt service requirements including contractual amortization and maturities, and unanticipated events, including legal and regulatory expenses. We also assess market conditions and capacity for debt issuance in the various markets that we access to fund our business needs. We have established internal processes to anticipate future cash needs and continuously monitor the availability of funds pursuant to our existing debt arrangements. We monitor MSR asset valuations and communicate closely with our lenders for this asset class to ensure adequate liquidity is maintained for mark-to-market valuation changes within MSR financing facilities. We manage this risk in multiple ways, including but not limited to engaging in MSR hedging activities, and maintaining liquidity earmarks at levels to support potential changes in MSR fair values.

We regularly evaluate capital structure options that we believe will most effectively provide the necessary capacity to support our investment objectives, address upcoming debt maturities and contractual amortization, and accommodate our business needs. Our objective is to maximize the total investment capacity through diversification of our funding sources while optimizing cost, advance rates and terms. Historical losses have significantly eroded our stockholders’ equity and weakened our financial condition. To the extent we are not successful in achieving our near-term objective of returning to sustainable profitability, funding continuing losses will limit opportunities to grow our business.

In general, we finance our business operations through a variety of activities - cash on hand, operating cash flow, term borrowings and both committed and non-committed asset-based lending facilities for our significant MSR, mortgage warehouse and servicing advance activities. We address liquidity risk by actively managing our sources and uses of funds and maintaining contingency funding capacities, including but not limited to undrawn excess borrowing capacity on credit lines beyond our expected needs and by extending the tenor of our financing arrangements from time to time. Management closely monitors growth, and can adjust originations pricing quickly to manage its liquidity profile as needed. We have typically "upsized" existing warehouse or advance facilities or entered into new secured facilities in anticipation of our liquidity needs.

Operational Risk

Operational risk is inherent in each of our business lines and related support activities. This risk can manifest itself in various ways, including process execution errors, clerical or technological failures or errors, business interruptions and frauds, all of which could cause us to incur losses. Operational risk includes the following key risks:

- legal risk, as we can have legal disputes with borrowers or counterparties;
- compliance risk, as we are subject to many federal and state rules and regulations;
- third-party risk, as we have many processes that have been outsourced to third parties;
- information technology risk, as we operate many information systems that depend on proper functioning of hardware and software;
- information security risk, as our information systems and associates handle personal financial data of borrowers.

The Board of Directors provides direction to senior executives by setting our organization's risk appetite, and delegates to our Chief Executive Officer and senior executives the primary ownership and responsibility for operational risk management and control. Senior executives in our risk department oversee the establishment of policies and control frameworks that are designed, executed and administered to provide a sound and well-controlled operational environment in accordance with our risk appetite framework. We mandate training for our employees in respect to these policies, require business line change management control oversight, and we conduct targeted control assessment/reviews on a regular basis. Risk issues identified are tracked in our Governance, Risk and Compliance (GRC) system, Process Unity. Remediation and assurance testing are also tracked in our GRC system. We also have several channels for employees to report operational and/or technological issues affecting their operations to management, the operational risk or compliance teams or the Board.

We seek to embed a culture of compliance and business line responsibility for managing operational and compliance risks in our enterprise-wide approach toward risk management. Ocwen has adopted a "Three Lines of Defense" model to enable risks and controls to be properly managed on an on-going basis. The model delineates business line management's accountabilities and responsibilities over risk management and the control environment and includes mechanisms to assess the effectiveness of executing these responsibilities.

The first line of defense consists of business line management, dedicated control directors and quality assurance personnel who are accountable and responsible for their day-to-day activities, processes and controls. The first line of defense is responsible for ensuring that key risks within their activities and operations are identified, assessed, mitigated and monitored by an appropriate control environment that is commensurate with the operations risk profile.

The second line of defense is independent from the business and comprises a Risk Management function (including Third-Party Risk and Information Security) and a Compliance function, which are responsible for:

- providing assurance, oversight, and credible challenge over the effectiveness of the risk and control activities conducted by the first line;
- establishing frameworks to identify and measure the risks being taken by different parts of the business;
- monitoring risk levels, through key indicators and oversight/assurance and testing programs; and
- provide periodic reporting to Senior Management and the Board of Directors for transparency.

The third line of defense, Internal Audit, provides independent assurance as to the effectiveness of the design, implementation and embedding of the risk management frameworks, as well as the management of the risks and controls by the first line and control oversight by the second line. The Internal Audit function provides periodic reporting on its activities to Senior Management and the Board of Directors for transparency.

All business units and overhead functions are subject to unrestricted audits by our internal audit department. Internal audit is granted unrestricted access to our records, physical properties, systems, management and employees in order to perform these audits. The internal audit department reports to the Audit Committee of the Board and assists the Audit Committee in fulfilling its governance and oversight responsibility.

Compliance risk is managed through an enterprise-wide compliance risk management program designed to monitor, detect and deter compliance issues. Our compliance and risk management policies assign primary responsibility and accountability for the management of compliance risk in the lines of business to business line management.

Information Security Risk oversight is performed by our Chief Information Security Officer. Ocwen's information security plans are developed to meet or exceed Federal Financial Institutions Examination Council standards.

Credit Risk

Consumer Credit Risk

The typical obligor credit-related risks inherent in maintaining a mortgage loan portfolio as an investment tend to impact us less than a typical long-term investor because we generally sell the mortgage loans that we originate in the secondary market shortly after origination through GSE and Ginnie Mae guaranteed securitizations and whole loan transactions. We are exposed to early payment defaults from the time that we originate a loan to the time that the loan is sold in the secondary market or shortly thereafter. Early payment defaults are monitored and loans are audited by our quality assurance teams for origination defects. Our exposure to early payment defaults remains very limited and we do not anticipate material losses from this exposure.

Servicing costs are generally higher on higher credit risk loans. In addition, higher credit risk loans are generally affected to a greater extent by an economic downturn or a deterioration of the housing market. An increase in delinquencies and foreclosure rates generally results in increased advances for delinquent principal and interest, taxes and insurance, foreclosure costs and the upkeep of vacant property in foreclosure. Interest expense on advances and higher operating expenses decrease the value of our servicing portfolio. We track the credit risk profile of our servicing portfolio, including the recoverability of advances, with a view to ensuring that changes in portfolio credit risk are identified on a timely basis.

We have loan repurchase and indemnification obligations arising from potential breaches of the representation and warranty provisions in connection with loans we sell in the secondary market. In the event of a breach of these representations and warranties, we may be required to repurchase a mortgage loan or indemnify the purchaser, and we may bear any subsequent loss on the mortgage loan.

We endeavor to minimize our losses from loan repurchases and indemnifications by focusing on originating fully compliant mortgage loans and closely monitoring investor and agency eligibility requirements for loan sales. Our quality assurance teams perform independent testing related to the processing and underwriting of mortgage loans to investor guidelines prior to closing, as well as after the closing but before the sale of loans, to identify potential repurchase exposures due to breach of representations and warranties. In addition, we perform a comprehensive review of the loan files where we receive investor requests for repurchase and indemnification to establish the validity of the claims and determine our obligation. In limited circumstances, we may retain the full risk of loss on loans sold to the extent that the liquidation value of the asset collateralizing the loan is insufficient to cover the loan itself and associated servicing expenses. In instances where we have purchased loans from third parties, we usually have the ability to recover the loss from the third-party originator.

Counterparty Credit Risk

Counterparty credit risk represents the potential loss that may occur because a party to a transaction fails to perform according to the terms of the contract. We regularly evaluate the financial position and creditworthiness of our counterparties and disperse risk among multiple counterparties to the extent possible. We manage derivative counterparty credit risk by entering into financial instrument transactions through national exchanges, primary dealers or approved counterparties and using mutual margining agreements whenever possible to limit potential exposure.

NRZ is contractually obligated, pursuant to our agreements with them related to the Rights to MSRs, to make all advances required in connection with the loans underlying such MSRs. If NRZ's advance financing facilities do not perform as envisaged or should NRZ otherwise be unable to meets its advance financing obligations, we would be required to meet our advance financing obligations with respect to the loans underlying these Rights to MSRs, which could materially and adversely affect our liquidity, financial condition and servicing operations. Due to its concentration in our portfolio, we monitor NRZ's payment performance, liquidity and capital on a regular basis.

Counterparty credit risk exists with our third-party originators, including our correspondent lenders, from whom we purchase originated mortgage loans. The third-party originators make certain representations and warranties to us when we acquire the mortgage loan from them, and they agree to reimburse us for losses incurred due to an origination defect. We become exposed to losses for origination defects if the third-party originator is not able to reimburse us for losses incurred for indemnification or repurchase. We mitigate this risk by monitoring purchase levels from our third-party originators (to reduce concentration risk), by performing regular quality control reviews of the third-party originators' underwriting standards and by regular reviews of the creditworthiness of third-party originators.

Concentration Risk

Our Servicing segment has exposure to concentration risk and client retention risk. As of December 31, 2021, our servicing portfolio included significant client relationships with NRZ which represented 21% and 31% of our servicing portfolio UPB and loan count, respectively. The NRZ servicing portfolio accounts for approximately 66% of all delinquent loans that Ocwen services. During 2021, NRZ-related servicing fees retained by Ocwen represented approximately 19% of the total servicing and subservicing fees earned by Ocwen, net of servicing fees remitted to NRZ (excluding ancillary income). The current terms of our agreements with NRZ extend through July 2022 (legacy Ocwen agreements).

On February 20, 2020, we received a notice of termination from NRZ with respect to the PMC servicing agreement. This termination was for convenience and not for cause, and provided for loan deboarding fees to be paid by NRZ. As the sale accounting criteria were met upon the notice of termination, the MSRs and the Rights to MSRs were derecognized from our balance sheet on February 20, 2020 without any gain or loss on derecognition. We serviced these loans until deboarding in October 2020 representing $34.2 billion of UPB, and accounted for them as a subservicing relationship. Accordingly, we recognized subservicing fees associated with the subservicing agreement subsequent to February 20, 2020 and have not reported any servicing fees collected on behalf of, and remitted to NRZ, any change in fair value, runoff and settlement in financing liability thereafter. On September 1, 2020, 133,718 loans representing $18.2 billion of UPB were deboarded and the remaining 136,500 loans representing $16.0 billion of UPB were deboarded on October 1, 2020.

Currently, subject to proper notice (generally180 days) and the payment of termination fees, NRZ has rights to terminate the legacy Ocwen agreements for convenience. Following the initial term ending July 2022, NRZ may extend the term of the Subservicing Agreements and Servicing Addendum for additional three-month periods by providing proper notice.

In the ordinary course, we regularly share information with NRZ and discuss various aspects of our relationship. At times, we discuss modifications to our relationship that we believe could be to our mutual benefit as our respective businesses evolve over time. We also discuss alternatives to the outcomes contemplated under our agreements when they were originally executed as facts and circumstances change over time. Examples of these discussions include our discussions with respect to the Rights to MSRs. As part of these discussions, we discussed several potential changes to existing contracts. It is possible that NRZ could exercise its rights to terminate for convenience or not renew some or all of the legacy Ocwen servicing agreements.

Given the NRZ concentration in our servicing segment, senior management has been monitoring two main risks associated with our NRZ relationship, in addition to its strategic component. First, management has been monitoring the profitability of the NRZ servicing agreements. As performing loans in the NRZ servicing portfolio have run-off, delinquencies have remained high, resulting in a relatively elevated average cost per loan. Because the NRZ portfolio contains a high percentage of delinquent accounts, it has an inherently high level of potential operational and compliance risk and requires a disproportionately high level of operating staff, oversight support infrastructure and overhead which drives the elevated average cost per loan. We actively pursue cost re-engineering initiatives to continue to reduce our cost-to-service and our corporate overhead, as well as pursue actions to grow our non-NRZ servicing portfolio.

Second, because NRZ has rights to terminate for convenience subject to certain conditions, senior management has been monitoring our risks associated with a potential early termination or non-renewal of some or all of the Ocwen legacy agreements with NRZ. Management developed stress scenarios to assess the operational and financial impact of such termination scenarios, and the necessary mitigating actions. Management’s responses to the different scenarios are all based on the appropriate right-sizing or restructuring of our operations and include, but are not limited to the adequate reduction of direct servicing resources, the closure of certain facilities in different locations to rationalize property utilization, the appropriate planning of loan deboarding, and the potential reduction in corporate support functions without impairing our ability to effectively operate in a controlled environment.

It is possible that the unwinding of all or a significant portion of our relationship with NRZ may not occur in an orderly or timely manner, which could be disruptive and could result in us incurring additional costs or even in disagreements with NRZ relating to our respective rights and obligations. Furthermore, if NRZ were to take actions to limit or terminate our relationship, that could impact perceptions of other servicing clients, lenders, GSEs or others, which could cause them to take actions that materially and adversely impact our business, liquidity, results of operations and financial condition.

Market conditions, including interest rates and future economic projections, could impact investor demand to hold MSRs, which may result in our loss of additional subservicing relationships, or significantly decrease the number of loans under such relationships.

The mortgaged properties securing the residential loans that we service are geographically dispersed throughout all 50 states, the District of Columbia and two U.S. territories. The five largest concentrations of properties are located in California, Texas, Florida, New York and New Jersey, comprising 42% of the number of loans serviced at December 31, 2021. California has the largest concentration with 16% of the total loans serviced.

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. The following is a summary of certain accounting policies and estimates involving significant judgments. Our significant accounting policies and critical accounting estimates are described in Note 1 — Organization, Basis of Presentation and Significant Accounting Policies to the Consolidated Financial Statements.

Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain instruments in our statement of operations and to determine fair value disclosures. Refer to Note 3 — Fair Value to the 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, significant assumptions utilized, and sensitivity analyses. We follow the fair value hierarchy to prioritize the inputs utilized to measure fair value and classify instruments as Level 3 when the valuation technique requires significant unobservable inputs or assumptions. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. The determination of the fair value of these Level 3 financial assets and liabilities and MSRs requires significant management judgment and estimation. See the Market Risk sections of Item 7A.Quantitative and Qualitative Disclosures About Market Risk for a sensitivity analysis reflecting the estimated change in the fair value of our MSRs, HECM loans held for investment and loans held for sale carried at fair value as well as any related derivatives at December 31, 2021, given hypothetical instantaneous parallel shifts in the yield curve. 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:

	December 31,	
	2021	2020
Loans held for sale	$ 928.5	$ 387.8
Loans held for investment - Reverse mortgages	7,199.8	6,997.1
MSRs	2,250.1	1,294.8
Other	29.8	35.2
Assets at fair value	$ 10,408.2	$ 8,715.0
As a percentage of total assets	86 %	82 %
Assets at fair value using Level 3 inputs	$ 9,707.8	$ 8,376.8
As a percentage of assets at fair value	93 %	96 %
HMBS-related borrowings	6,885.0	6,772.7
Pledged MSR liabilities	797.1	567.0
Other	11.0	14.4
Liabilities at fair value	$ 7,693.1	$ 7,354.1
As a percentage of total liabilities	66 %	72 %
Liabilities at fair value using Level 3 inputs	$ 7,688.9	$ 7,349.4
As a percentage of liabilities at fair value	100 %	100 %

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 prepayment speeds and discount rates. Changes to these inputs could have a significant effect on fair value measurements.

Valuation of Reverse Mortgage Loans Held for Investment

Reverse mortgage loans are insured by the FHA and transferred into Ginnie Mae guaranteed securities (or HMBS) that we sell into the secondary market. Loan transfers in these Ginnie Mae securitizations do not qualify for sale accounting and are recorded as secured borrowings. We record both loans held for investment and the corresponding HMBS borrowings at fair value. Our net exposure to reverse mortgages and the HMBS-related borrowings is limited to the residual value we retain, including future draw commitments. Changes in the fair value of the loans held for investment are largely offset by changes in the value of the related secured financing. As of December 31, 2021, we reported $6.98 billion securitized loans held for investment at fair value and $6.89 billion HMBS-related borrowings at fair value, with a residual, net asset value of $94.1 million. In 2021, we recorded a net $2.3 million loss on change in fair value of securitized loans held for investment and HMBS-related borrowings reported in Reverse mortgage revenue, net in our Servicing segment.

The fair value of both reverse mortgage loans held for investment and corresponding HMBS-related borrowings is based primarily on discounted cash flow methodologies. Inputs to the discounted cash flows of these assets include future draws and tail spread gains, conditional prepayment rate (including voluntary and involuntary prepayments) and discount rate. The determination of fair value requires management judgment due to the significant unobservable assumptions, including conditional prepayment rate and discount rate.

We engage third-party valuation experts to support our valuation and provide observations and assumptions related to market activities. We evaluate the reasonableness of our fair value estimate and assumptions using historical experience, or cash flow backtesting, adjusted for prevailing market conditions and benchmarks with third-party expert valuations. We believe that our back-testing and benchmarking procedures provide reasonable assurance that the fair value used in our consolidated financial statements comply with the accounting guidance for fair value measurements and disclosures and reflect the assumptions that a market participant would use.

The following table provides the range and weighted average of significant unobservable assumptions used (expressed as a percentage of UPB) by class projected for the five-year period beginning December 31, 2021:

	December 31,	
Significant unobservable assumptions	**2021**	**2020**
Life in years		
Range	1.0 to 8.2	0.9 to 8.0
Weighted average	5.7	5.9
Conditional prepayment rate (1)		
Range	11.2 % to 36.6%	10.6% to 28.8%
Weighted average	16.0 %	15.4 %
Discount rate	2.6 %	1.9 %

(1) Includes voluntary and involuntary prepayments.

Valuation of MSRs and Pledged MSR Liabilities

We originate MSRs from our lending activities and acquire MSRs through flow purchase agreements, Agency Cash Window programs, bulk purchases, asset acquisitions or business combinations. We account for MSRs and pledged MSR liabilities at fair value. As of December 31, 2021, we reported a $2.3 billion fair value of MSRs. In 2021, we recognized a $149.5 million fair value gain on the revaluation of our MSRs.

We determine the fair value of MSRs and pledged MSR liabilities primarily using discounted cash flow methodologies. The significant estimated future cash inflows for MSRs include servicing fees, late fees, float earnings and other ancillary fees and cash outflows include the cost of servicing, the cost of financing servicing advances and compensating interest payments. The determination of the fair value of MSRs and pledged MSR liabilities requires management judgment relating to the significant unobservable assumptions that underlie the valuation, including prepayment speed, delinquency rates, cost to service and discount rate. Our judgement is informed by the transactions we observe in the market, by our actual portfolio performance and by the advice and information we obtain from our valuation experts, amongst other factors.

To assist in the determination of fair value, we engage third-party valuation experts who generally utilize: (a) transactions involving instruments with similar collateral and risk profiles, adjusted as necessary based on specific characteristics of the asset or liability being valued; and/or (b) industry-standard modeling, such as a discounted cash flow model and a prepayment model, in arriving at their estimate of fair value. The prices provided by the valuation experts reflect their observations and assumptions related to market activity, incorporating available industry survey results, and including risk premiums and liquidity adjustments. While the models and related assumptions used by the valuation experts are proprietary to them, we understand the methodologies and assumptions used to develop the prices based on our ongoing due diligence, which includes regular discussions with the valuation experts, and we perform additional verification and analytical procedures. We evaluate the reasonableness of our third-party experts' assumptions using historical experience adjusted for prevailing market conditions and benchmarks with third-party expert valuation and market participant surveys. We believe that our procedures provide reasonable assurance that the fair value used in our consolidated financial statements comply with the accounting guidance for fair value measurements and disclosures and reflect the assumptions that a market participant would use.

The following table provides the range and weighted average of significant unobservable assumptions used (expressed as a percentage of UPB) by class projected for the five-year period beginning December 31, 2021:

	Conventional	Government-Insured	Non-Agency
Prepayment speed			
Range	6.0% to 12.5%	7.2% to 16.5%	11.7% to 14.5%
Weighted average	9.0%	11.5%	12.5%
Delinquency			
Range	0.6% to 1.3%	6.0% to 13.7%	9.9% to 20.0%
Weighted average	0.8%	7.7%	14.1%
Cost to service (in dollars)			
Range	$68 to $69	$96 to $125	$193 to $235
Weighted average	$68	$106	$214
Discount rate	8.3%	10.1%	11.2%

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 MSRs as the underlying loans prepay faster which causes accelerated MSR portfolio runoff, 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 MSRs 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 MSRs 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

Advances are generally fully reimbursed under the terms of servicing agreements. However, servicing advances may include claimable (with investors) but non-recoverable expenses, for example due to servicer error, such as lack of reasonable documentation as to the type and amount of advances. We record an allowance for losses on servicing advances to the extent 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 default, 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 December 31, 2021, the allowance for losses on servicing advances was $7.0 million, which represented 1% of total servicing advances. In 2021, we recorded an $8.1 million provision expense for losses on servicing advances.

We record an allowance for losses on receivables in our Servicing business, including related to defaulted FHA or VA insured loans repurchased from Ginnie Mae guaranteed securitizations. This allowance is based upon continuing assessments of collectability, historical loss experience, current conditions and reasonable and supportable forecasts. At December 31, 2021, the allowance for losses on receivables related to government-insured claims was $41.5 million, which represented 32% of total government-insured claims receivables. In 2021, we recorded a $14.4 million provision expense on receivables related to government-insured claims.

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

Income Taxes

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, 2021 and 2020, the U.S. and USVI filing jurisdictions were in material cumulative loss positions. 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 $175.4 million and $182.7 million on our U.S. deferred tax assets at December 31, 2021 and 2020, respectively, and a full valuation allowance of $0.4 million on our USVI deferred tax assets at both December 31, 2021 and 2020. 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).

Ocwen and PHH have both experienced historical ownership changes that have caused the use of certain tax attributes to be limited and have resulted in the write-off of certain of these attributes based on our inability to use them in the carryforward periods defined under the tax laws. Ocwen continues to monitor the ownership in its stock to evaluate whether any additional ownership changes have occurred that would further limit its ability to utilize certain tax attributes. 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. As of December 31, 2021, we have recorded a liability for representation and warranty obligations and similar indemnification obligations of $49.4 million. In 2021, we recorded a $3.2 million provision expense for indemnification. See Note 26 — Contingencies for additional information.

Litigation

In the ordinary course of business, we are a defendant in, or a party or potential party to, many threatened and pending litigation matters. 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 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. Management’s assessment involves the use of estimates, assumptions, and judgments, including progress of the matter, prior experience, available defenses, and the advice of legal counsel and other experts. Accruals are adjusted as more information becomes available or when an event occurs requiring a change. In 2021, we recorded a $9.4 million provision expense for loss contingencies. Our total accrual for probable and estimable legal and regulatory matters, including accrued legal fees, was $44.0 million at December 31, 2021. It is possible that we will incur losses relating to threatened and pending litigation that materially exceed the amount accrued. We cannot currently estimate the amount, if any, of reasonably possible losses above amounts that have been recorded at December 31, 2021.

RECENT ACCOUNTING DEVELOPMENTS

Recent Accounting Pronouncements

For additional information, see Note 1 — Organization, Basis of Presentation and Significant Accounting Policies to the Consolidated Financial Statements for additional information.

Our adoption of the standards listed below on January 1, 2021 did not have a material impact on our consolidated financial statements:

- Investments—Equity Securities (ASC Topic 321), Investments—Equity Method and Joint Ventures (ASC Topic 323), and Derivatives and Hedging (ASC Topic 815) (ASU 2020-01)
- Debt—Debt with Conversion and Other Options and Derivatives and Hedging—Contracts in Entity's Own Equity—Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06)
- Income Taxes: Simplifying the Accounting for Income Taxes (ASU 2019-12)

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rates

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

Our management-level Market Risk Committee establishes and maintains policies that govern our risk appetite and associated hedging programs, including such factors as market volatility, duration and interest rate sensitivity measures, limits, targeted hedge ratios, the hedge instruments that we are permitted to use in our hedging activities and the counterparties with whom we are permitted to enter into hedging transactions and our liquidity risk profile. See Note 17 — Derivative Financial Instruments and Hedging Activities to the Consolidated Financial Statements for additional information regarding our use of derivatives.

Our market risk exposure may also be affected by the replacement of LIBOR, which is expected to be fully phased out and completely replaced by June 30, 2023. The LIBOR administrator has advised that no new contracts using U.S. dollar LIBOR should be entered into after December 31, 2021 and that beginning January 1, 2022, renewals of existing contracts should provide for the replacement of U.S. dollar LIBOR with an alternative reference rate. Many of our debt facilities incorporate LIBOR. These facilities either matured prior to the end of 2021 or have terms in place that provide for an alternative to LIBOR upon its phase-out. As we renew or replace these debt facilities, we are working with our counterparties to incorporate alternative benchmarks.

MSR Hedging Strategy

MSRs are carried at fair value with changes in fair value being recorded in earnings in the period in which the changes occur. The fair value of MSRs is subject to changes in market interest rates and prepayment speeds.

Effective May 2021, management started hedging its MSR portfolio and its pipeline separately (see below for further description of pipeline hedging), effectively ending the macro hedge strategy previously in place. Under the new MSR hedging strategy, the interest-rate sensitive MSR portfolio exposure is now defined as follows:

- Agency MSR portfolio,
- expected Agency MSR bulk transactions subject to letters of intent (LOI),
- less the Agency MSRs subject to our sale agreements with NRZ and MAV (See Note 8 — MSR Transfers Not Qualifying for Sale Accounting),
- less the asset value for securitized HECM loans, net of the corresponding HMBS-related borrowings (Reverse).

Our MSR policy's objective is to provide partial hedge coverage of interest-rate sensitive MSR portfolio exposure, considering market and liquidity conditions. The hedge coverage ratio defined as the ratio of hedge and asset rate sensitivity (referred to as DV01) at the time of measurement is subject to lower and upper thresholds, as modeled, of 40% and 60%, respectively. Accordingly, the changes in fair value of our hedging instruments may not fully offset the changes in fair value of our net MSR portfolio exposure attributable to interest rate changes. We periodically evaluate the 40-60% coverage ratio to determine if it warrants adjustment based on market conditions and the symmetry of interest rate risk exposure and liquidity impacts of the hedge and asset profile under shock scenarios. In addition, while DV01 measures remain within the range of our hedging strategy's objective, actual changes in fair value of the derivatives and MSR portfolio may not offset to the same extent, due to non-parallel changes in the interest rate curve and the basis risk inherent in the MSR profile and hedging instruments. We continuously evaluate the use of hedging instruments to strive to enhance the effectiveness of our interest rate hedging strategy.

Effective October 2021, we refined the scope of the hedge policy to allow for MSRs subject to LOI to be covered under a separate hedge coverage ratio requirement sufficient to preserve the economics of the intended transactions.

The following table illustrates the interest rate sensitivity of our MSR portfolio exposure and associated hedges at December 31, 2021. Hypothetical change in values of the MSR and hedges are presented under a set instantaneous +/- 25 basis point parallel move in rates. Refer to the description below under Sensitivity Analysis for more details. Changes in fair value cannot be extrapolated because the relationship to the change in fair value may not be linear. The amounts based on market risk sensitive measures are hypothetical and presented for illustrative purposes only.

	Fair value at December 31, 2021	Hypothetical change in fair value due to 25 bps rate decrease (2)	Hypothetical change in fair value due to 25 bps rate increase (2)
Agency MSRs - interest rate sensitive (excluding NRZ and MAV)	$ 1,307.90	$ (68.3)	$ 66.0
Asset value of securitized HECM loans, net of HMBS-related borrowing	94.1	3.4	(3.5)
MSR hedging derivative instruments	1.2	28.8	(28.4)
Total hedge position		32.2	(31.9)
Hypothetical hedge coverage ratio (1)		47 %	48 %
Hypothetical residual exposure to changes in interest rates		$ (36.1)	$ 34.1

(1) The hypothetical hedge coverage ratio above is calculated as the change in fair value of the total hedge position divided by the change in value of the Agency MSR position.

(2) The baseline for the hypothetical change in fair value is based on a 10-year Treasury Rate of 1.25% at December 31, 2021.

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

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

Loans Held for Investment and HMBS-related Borrowings

The fair value of our HECM loan portfolio generally decreases as market interest rates rise and increases as market rates fall. As our HECM loan portfolio is predominantly comprised of ARMs, higher interest rates cause the loan balance to accrue and reach a 98% maximum claim amount liquidation event more quickly, with lower interest rates extending the timeline to liquidation.

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

Pipeline Hedging Strategy - Loans Held for Sale and IRLCs

In our Originations business, we are exposed to interest rate risk and related price risk during the period from the date of the interest rate lock commitment through (i) the lock commitment cancellation or expiration date or (ii) through the date of sale of the resulting loan into the secondary mortgage market. Loan commitments for forward loans generally range from 5 to 90 days, with the majority of our commitments to borrowers for 60 days and our commitments to correspondent sellers for 7 days. Loans held for sale are generally funded and sold within 5 to 20 days. This interest rate exposure was not individually hedged until May 2021, but rather used as an offset to our MSR exposure and managed as part of our MSR macro-hedging strategy described above. Effective May 2021, we implemented a new pipeline hedging strategy, whereby the interest rate exposure of loans held for sale and IRLCs is economically hedged with derivative instruments, including forward sales of Agency TBAs. The pipeline hedging strategy's objective is to provide hedge coverage of locks and loans within certain tolerance levels. The net daily market risk position of net pull-though adjusted locks and loans held for sale, less the offsetting hedges of the forward and reverse pipelines, is monitored daily and its daily limit is the greater of +/- 15% or +/- $15 million. During the fourth quarter 2021, the daily limit was revised to +/-7.5% or +/- $7.5 million. We report changes in fair value of these derivative instruments in gain on loans held for sale in our consolidated statements of operations, within the Originations segment. We may, from time to time, establish inter-segment derivative instruments between the MSR and pipeline hedging strategies to optimize the use of third party derivatives. Such inter-segment derivatives are eliminated in our consolidated financial statements. Reverse pipeline is hedged under the same principles as described below, for unsecuritized loans held for investment.

Advance Match Funded Liabilities

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

Sensitivity Analysis

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

The following table summarizes the estimated change in the fair value of our MSRs, HECM loans held for investment and loans held for sale that we have elected to carry at fair value as well as any related derivatives at December 31, 2021, given hypothetical instantaneous parallel shifts in the yield curve. We used December 31, 2021 market rates to perform the sensitivity analysis. The estimates are based on the interest rate risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves. These sensitivities are hypothetical and presented for illustrative purposes only. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship to the change in fair value may not be linear.

	Change in Fair Value	
	Down 25 bps	Up 25 bps
Asset value of securitized HECM loans, net of HMBS-related borrowing	$ 3.4	$ (3.5)
Loans held for investment - Unsecuritized HECM loans and tails	0.04	(0.04)
Loans held for sale	15.8	(19.1)
Derivative instruments	12.1	(9.7)
Total MSRs - Agency and non-Agency (1)	(68.4)	66.1
Interest rate lock commitments (2)	(1.6)	1.3
Total, net	$ (38.7)	$ 35.1

(1) Primarily reflects the impact of market interest 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. Fair value adjustments to our MSRs are offset, in part, by fair value adjustments related to the NRZ and MAV financing liabilities, which are recorded in Pledged MSR liability expense.
(2) Forward mortgage loans only.

The increase in our net sensitivity as of December 31, 2021 as compared to December 31, 2020 (from approximately $15 million to $35 - $39 million for a 25 basis point parallel shift in the yield curve) is primarily due to the growth of our Servicing and Originations businesses, with the significant increase in the size of our Agency MSR portfolio through bulk acquisitions and the increase in our pipeline, as our hedging strategy objectives and coverage ratio remained broadly similar.

Borrowings

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

Based on December 31, 2021 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 $9.8 million resulting from an increase of $22.6 million in annual interest income and an increase of $12.8 million in annual interest expense.

Foreign Currency Exchange Rate Risk

Our operations in India and the Philippines expose us to foreign currency exchange rate risk to the extent that our foreign exchange positions remain unhedged. Depending on the magnitude and risk of our positions we may enter into forward exchange contracts to hedge against the effect of changes in the value of the India Rupee or Philippine Peso.

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.

Interest Rate Sensitive Financial Instruments

The tables below present the notional amounts of our financial instruments that are sensitive to changes in interest rates categorized by expected maturity and the related fair value of these instruments at December 31, 2021 and 2020. We use certain assumptions to estimate the expected maturity and fair value of these instruments. We base expected maturities upon contractual maturity and projected repayments and prepayments of principal based on our historical experience. The actual maturities of these instruments could vary substantially if future prepayments differ from our historical experience. Average interest rates are based on the contractual terms of the instrument and, in the case of variable rate instruments, reflect estimates of applicable forward rates. The averages presented represent weighted averages.

	Expected Maturity Date at December 31, 2021							
	2022	**2023**	**2024**	**2025**	**2026**	**Thereafter**	**Total Balance**	**Fair Value (1)**
Rate-Sensitive Assets:								
Interest-earning cash	$ 136.7	$ —	$ —	$ —	$ —	$ —	$ 136.7	$ 136.7
Average interest rate	*0.27 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*0.27 %*	
Loans held for sale, at fair value	917.5	—	—	—	—	—	917.5	917.5
Average interest rate	*3.59 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*3.59 %*	
Loans held for sale, at lower of cost or fair value (2)	6.1	0.4	—		—	4.5	11.0	11.0
Average interest rate	*4.19 %*	*5.51 %*	*— %*	*— %*	*— %*	*3.59 %*	*3.98 %*	
Loans held for investment	414.3	628.4	899.7	1,152.8	761.6	3,342.9	7,199.8	7,199.8
Average interest rate	*3.13 %*	*3.23 %*	*3.23 %*	*2.96 %*	*2.93 %*	*2.74 %*	*2.78 %*	
Debt service accounts and interest-earning time deposits	10.0	0.1	—	—	0.1	0.5	10.6	10.6
Average interest rate	*0.03 %*	*4.00 %*	*— %*	*— %*	*4.00 %*	*5.40 %*	*0.30 %*	
Total rate-sensitive assets	$ 1,484.5	$ 628.9	$ 899.7	$ 1,152.8	$ 761.7	$ 3,347.9	$ 8,275.5	$ 8,275.5
Percent of total	*17.94 %*	*7.60 %*	*10.87 %*	*13.93 %*	*9.20 %*	*40.46 %*	*100.00 %*	
Rate-Sensitive Liabilities (3):								
Match funded liabilities	$ 512.3	$ —	$ —	$ —	$ —	$ —	$ 512.3	$ 512.0
Average interest rate	*1.54 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*1.54 %*	
Senior notes (4)	—	—	—	—	400.0	285.0	685.0	674.9
Average interest rate	*— %*	*— %*	*— %*	*— %*	*7.88 %*	*12.00 %*	*9.59 %*	
Mortgage loan warehouse facilities	1,085.1	—	—	—	—	—	1,085.1	1,085.1
Average interest rate	*2.60 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*2.60 %*	
MSR financing facilities (4)	490.9	94.2	—	—	277.1	39.5	901.7	873.8
Average interest rate	*3.94 %*	*2.69 %*	*— %*	*— %*	*2.69 %*	*— %*	*4.55 %*	
Total rate-sensitive liabilities	$ 2,088.3	$ 94.2	$ —	$ —	$ 677.1	$ 324.5	$ 3,184.1	$ 3,145.8
Percent of total	*65.59 %*	*2.96 %*	*— %*	*— %*	*21.27 %*	*10.19 %*	*100.00 %*	

	Expected Maturity Date at December 31, 2021 (Notional Amounts)							
	2022	**2023**	**2024**	**2025**	**2026**	**There- after**	**Total Balance**	**Fair Value (1)**
Rate-Sensitive Derivative Financial Instruments:								
Derivative assets (liabilities)								
Forward MBS trades	175.0	—	—	—	—	—	$ 175.0	$ 0.4
Average coupon	*2.07 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*2.07 %*	
TBA / Forward MBS Trades	550.0	—	—	—	—	—	550.0	(0.3)
Average coupon	*2.00 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*2.00 %*	
Derivatives futures	792.5	—	—	—	—	—	792.5	1.7
Average coupon	*1.53 %*	*— %*	*— %*	*— %*	*— %*	*— %*	1.53 %	
IRLCs	1,085.3	—	—	—	—	—	1,085.3	18.1
Average coupon	*2.40 %*	*— %*	*— %*	*— %*	*— %*	*— %*	2.40 %	
TBA forward Pipeline trades	1,232.0	—	—	—	—	—	1,232.0	—
Average coupon	*2.44 %*	*— %*	*— %*	*— %*	*— %*	*— %*	2.44 %	
Option contracts	575.0	—	—	—	—	—	575.0	(0.3)
Average coupon	*— %*	*— %*	*— %*	*— %*	*— %*	*— %*	— %	
Total derivatives, net	$ 4,409.8	$ —	$ —	$ —	$ —	$ —	$ 4,409.8	$ 19.7
Forward LIBOR curve (5)	*0.45 %*	*1.22 %*	*1.46 %*	*1.52 %*	*1.52 %*	*1.64 %*		

	Expected Maturity Date at December 31, 2020							
	2021	2022	2023	2024	2025	There- after	Total Balance	Fair Value (1)
Rate-Sensitive Assets:								
Interest-earning cash	$ 261.5	$ —	$ —	$ —	$ —	$ —	$ 261.5	$ 261.5
Average interest rate	*0.30 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*0.30 %*	
Loans held for sale, at fair value	366.4	—	—	—	—	—	366.4	366.4
Average interest rate	*3.33 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*3.33 %*	
Loans held for sale, at lower of cost or fair value (2)	0.2	—	0.5	—	—	20.8	21.5	21.5
Average interest rate	*5.00 %*	*— %*	*5.51 %*	*— %*	*— %*	*4.21 %*	*4.42 %*	
Loans held for investment	396.4	385.9	729.0	1,550.2	1,392.1	2,543.5	6,997.1	6,997.1
Average interest rate	*3.26 %*	*3.46 %*	*3.64 %*	*3.52 %*	*3.53 %*	*3.44 %*	*4.82 %*	
Debt service accounts and interest-earning time deposits	20.5	0.3	—	—	—	—	20.8	20.8
Average interest rate	*0.09 %*	*5.55 %*	*— %*	*— %*	*— %*	*— %*	*0.17 %*	
Total rate-sensitive assets	$ 1,045.0	$ 386.2	$ 729.5	$ 1,550.2	$ 1,392.1	$ 2,564.3	$ 7,667.3	$ 7,667.3
Percent of total	*13.63 %*	*5.04 %*	*9.51 %*	*20.22 %*	*18.16 %*	*33.44 %*	*100.00 %*	
Rate-Sensitive Liabilities (3):								
Match funded liabilities	$ 106.3	$ 475.0	$ —	$ —	$ —	$ —	$ 581.3	$ 582.0
Average interest rate	*4.10 %*	*1.49 %*	*— %*	*— %*	*— %*	*— %*	*1.96 %*	
Senior notes (4)	21.5	291.5	—	—	—	—	313.1	320.9
Average interest rate	*6.38 %*	*8.38 %*	*— %*	*— %*	*— %*	*— %*	*8.24 %*	
Mortgage loan warehouse facilities	451.7	—	—	—	—	—	$ 451.7	451.7
Average interest rate	*3.30 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*3.30 %*	
MSR financing facilities (4)	349.4	41.7	—	—	—	47.5	438.6	406.9
Average interest rate	4.79 %	5.07 %	— %	— %	— %	— %	4.82 %	
Senior secured term loan (4)	20.0	165.0	—	—	—	—	185.0	184.6
Average interest rate	*7.00 %*	*7.00 %*	*— %*	*— %*	*— %*	*— %*	*7.00 %*	
Total rate-sensitive liabilities	$ 949.0	$ 973.2	$ —	$ —	$ —	$ 47.5	$ 1,969.6	$ 1,946.1
Percent of total	*48.18 %*	*49.41 %*	*— %*	*— %*	*— %*	*2.41 %*	*100.00 %*	

	Expected Maturity Date at December 31, 2020 (Notional Amounts)							
	2021	2022	2023	2024	2025	There- after	Total Balance	Fair Value (1)
Rate-Sensitive Derivative Financial Instruments:								
Derivative assets (liabilities)								
Forward MBS trades	50.0	—	—	—	—	—	50.0	$ (0.1)
Average coupon	*2.40 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*2.40 %*	
TBA / Forward MBS Trades	400.0	—	—	—	—	—	400.0	(4.6)
Average coupon	*2.22 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*2.22 %*	
Derivatives futures	593.5	—	—	—	—	—	593.5	0.5
Average coupon	*0.75 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*0.75 %*	
IRLCs	631.4	—	—	—	—	—	631.4	22.7
Average coupon	*2.89 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*2.89 %*	
Total derivatives, net	$ 1,675	$ —	$ —	$ —	$ —	$ —	$ 1,675	$ 19
Forward LIBOR curve (5)	*0.14 %*	*0.13 %*	*0.20 %*	*0.36 %*	*0.60 %*	*0.86 %*		

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this section is contained in the Consolidated Financial Statements of Ocwen Financial Corporation and Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm, beginning on Page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of our principal executive officer and our 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 the end of the period covered by this Annual Report. Based on such evaluation, management concluded that, as of the end of such period, our disclosure controls and procedures are effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f).

Under the supervision of and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our internal control over financial reporting as of December 31, 2021, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 framework). Based on that evaluation, our management concluded that, as of December 31, 2021, internal control over financial reporting is effective based on criteria established in Internal Control—Integrated Framework issued by the COSO.

The effectiveness of Ocwen's internal control over financial reporting as of December 31, 2021 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report that appears herein.

Limitations on the Effectiveness of Controls

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting during our fiscal quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees as required by the New York Stock Exchange rules. We have also adopted a Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer. Any waivers from either the Code of Business Conduct and Ethics or the Code of Ethics for Senior Financial Officers must be approved by our Board of Directors or a Board Committee and must be promptly disclosed. The Code of Business Conduct and Ethics and the Code of Ethics for Senior Financial Officers are available on our web site at www.ocwen.com in the "Shareholders" section under "Corporate Governance." Any amendments to the Code of Business Conduct and Ethics or the Code of Ethics for Senior Financial Officers, as well as any waivers that are required to be disclosed under the rules of the SEC or the New York Stock Exchange, will be posted on our website.

The additional information required by this item is incorporated by reference to the information contained in our definitive Proxy Statement with respect to our 2022 Annual Meeting, which we intend to file with the SEC no later than 120 days after the end of our fiscal year ended December 31, 2021.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the information contained in our definitive Proxy Statement with respect to our 2022 Annual Meeting, which we intend to file with the SEC no later than 120 days after the end of our fiscal year ended December 31, 2021.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the information contained in our definitive Proxy Statement with respect to our 2022 Annual Meeting, which we intend to file with the SEC no later than 120 days after the end of our fiscal year ended December 31, 2021.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the information contained in our definitive Proxy Statement with respect to our 2022 Annual Meeting, which we intend to file with the SEC no later than 120 days after the end of our fiscal year ended December 31, 2021.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the information contained in our definitive Proxy Statement with respect to our 2022 Annual Meeting, which we intend to file with the Securities and Exchange Commission no later than 120 days after the end of our fiscal year ended December 31, 2021.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(1) and (2) Financial Statements and Schedules. The information required by this section is contained in the Consolidated Financial Statements of Ocwen Financial Corporation and Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm, beginning on Page F-1.

(3) Exhibits.

3.1	Amended and Restated Articles of Incorporation, as amended (15)
3.2	Amended and Restated Bylaws of Ocwen Financial Corporation (16)
4.1	Form of Certificate of Common Stock (1)
4.2	The Company agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument with respect to the issuance of long-term debt of the Company and its subsidiaries, the authorized principal amount of which does not exceed 10% of the consolidated assets of the Company and its subsidiaries.

4.3	Description of Common Stock (20)
10.1*	Ocwen Financial Corporation 1998 Annual Incentive Plan, as amended (12)
10.2*	Ocwen Financial Corporation Deferral Plan for Directors, dated March 7, 2005 (5)
10.3*	Ocwen Financial Corporation 2007 Equity Incentive Plan, dated May 10, 2007 (6)
10.4*	Ocwen Financial Corporation 2017 Performance Incentive Plan (9)
10.5†††	Binding Term Sheet dated as of February 22, 2019 between Altisource S.à r.l., Ocwen Financial Corporation and Ocwen Mortgage Servicing, Inc. (15)
10.6	Services Agreement, dated as of August 10, 2009, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. , as amended (filed herewith)
10.7	Services Agreement, dated as of October 1, 2012, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l., as amended (filed herewith)
10.8	Agreement dated as of April 12, 2013 by and among Altisource Solutions S.à r.l., Ocwen Financial Corporation and Ocwen Mortgage Servicing, Inc. (7)
10.9†††††	Binding Term Sheet among Ocwen Financial Corporation, Ocwen USVI Services, LLC and Altisource S.à r.l. dated as of May 5, 2021 (18)
10.10*	Form of Indemnification Agreement (8)
10.11*	Form of Undertaking to Repay Advancement of Indemnification Expenses (8)
10.12††	Transfer Agreement dated as of July 23, 2017 by and between Ocwen Loan Servicing, LLC, New Residential Mortgage LLC, Ocwen Financial Corporation, and New Residential Investment Corp. (10)
10.13††	Subservicing Agreement dated as of July 23, 2017 by and between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (10)
10.14††	New RMSR Agreement, dated as of January 18, 2018 by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (2)
10.15††	Amendment No. 1 to Transfer Agreement, dated as of January 18, 2018 by and among Ocwen Loan Servicing, LLC, New Residential Mortgage LLC, Ocwen Financial Corporation and New Residential Investment Corp. (2)
10.16*	Offer Letter, dated April 17, 2018, between Ocwen Financial Corporation and Glen Messina, as amended (filed herewith)
10.17††	Amendment No. 1 to Subservicing Agreement dated as of August 17, 2018 between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (11)
10.18††	Amendment No. 1 to New RMSR Agreement dated as of August 17, 2018 among New Residential Mortgage LLC, Ocwen Loan Servicing, LLC and the other parties thereto (11)
10.19††	Subservicing Agreement dated as of August 17, 2018 between New Penn Financial, LLC and Ocwen Loan Servicing, LLC (11)
10.20*	Form of Director Restricted Stock Unit Agreement (1)
10.21*	Amended and Restated Ocwen Financial Corporation United States Basic Severance Plan (14)
10.22*	Amended and Restated Ocwen Financial Corporation United States Change in Control Severance Plan (14)
10.23*	Offer Letter dated January 17, 2019 between Ocwen Financial Corporation and June Campbell (3)
10.24*	Form of 2019 Annual Performance-Based Cash Award Agreement (4)
10.25*	Form of 2019 Annual Performance-Based Stock Award Agreement (4)
10.26*	Form of 2019 Annual Time-Based Cash Award Agreement (4)
10.27*	Form of 2019 Annual Time-Based Stock Award Agreement (4)
10.28*	Form of 2019 Transitional Cash Award Agreement (4)
10.29*	Form of Cash Award granted September 10, 2020 (15)
10.30*	Form of Restricted Stock Unit Award granted September 10, 2020 (15)
10.31††††	Amendment No. 2, dated as of October 5, 2020, to New RMSR Agreement dated as of January 18, 2018 by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (15)
10.32††††	Amendment No. 2, dated as of October 5, 2020, to Subservicing Agreement dated as of July 23, 2017 between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (15)
10.33††††	Amendment No. 1, dated as of October 5, 2020, Subservicing Agreement dated as of August 17, 2018 between New Penn Financial, LLC and PHH Mortgage Corporation (15)

10.34	Agreement Amending Notice Due Date among PHH Mortgage Corporation, New Residential Mortgage LLC and the other parties thereto, dated December 10, 2021 (filed herewith)
10.35††††	Transaction Agreement between Ocwen Financial Corporation and Oaktree Capital Management L.P. and affiliates, dated as of December 21, 2020 (20)
10.36††††	Form of Securities Purchase Agreement between Ocwen Financial Corporation, Opps OCW Holdings, LLC, and ROF8 OCW MAV PT, LLC (20)
10.37	Form of Registration Rights Agreement between Ocwen Financial Corporation, Opps OCW Holdings, LLC, and ROF8 OCW MAV PT, LLC (20)
10.38	Form of Warrant issuable to Opps OCW Holdings, LLC and ROF8 OCW MAV PT, LLC (20)
10.39*	Form of 2020 Annual Time-Based Cash Award Agreement (13)
10.40*	Form of 2020 Annual Performance-Based Cash Award Agreement (13)
10.41*	Ocwen Financial Corporation 2021 Equity Incentive Plan (17)
10.42	Bulk Servicing Rights Purchase and Sale Agreement between PHH Mortgage Corporation and AmeriHome Mortgage Company, LLC dated as of May 21, 2021 (18)
10.43††††	Note and Warrant Purchase Agreement, dated as of February 9, 2021, by and among Ocwen Financial Corporation, the purchasers signatory thereto, and Oaktree Fund Administration, LLC, as collateral agent (19)
10.44††††	Second Lien Notes Pledge and Security Agreement, dated as of March 4, 2021, among Ocwen Financial Corporation and Oaktree Fund Administration, LLC (19)
10.45	Form of $199,500,000 aggregate principal amount Senior Secured Notes due 2027 (19)
10.46	Form of Warrant issued March 4, 2021 (19)
10.47	Registration Rights Agreement dated as of March 4, 2021 (19)
10.48††††	First Lien Notes Pledge and Security Agreement dated as of March 4, 2021 among PHH Mortgage Corporation, PHH Corporation, other guarantors thereto, and Wilmington Trust, National Association (19)
10.49††††	Indenture, dated as of March 4, 2021, among PHH Mortgage Corporation, as the issuer, Ocwen Financial Corporation, as the parent, and the other guarantors thereto, and Wilmington Trust, National Association, as the trustee and collateral trustee (19)
10.50	Form of $400,000,000 aggregate principal amount 7.875% Senior Secured Notes due 2026 (19)
10.51††††	First Amendment to Transaction Agreement, dated as of March 4, 2021, by and among OCW MAV Holdings, LLC, Ocwen Financial Corporation, and affiliates of Oaktree Capital Management L.P. (19)
10.52*	Form of Stock-Settled Performance-Based Restricted Stock Unit Agreement dated March 2, 2021 (19)
10.53*	Form of Hybrid (Cash and Stock Settled) Performance-Based Restricted Stock Unit Agreement dated March 2, 2021 (19)
10.54*	Form of Stock-Settled Time-Based Restricted Stock Unit Agreement dated March 2, 2021 (19)
10.55*	Form of Hybrid (Cash and Stock Settled) Time-Based Restricted Stock Unit Agreement dated March 2, 2021 (19)
21.1	Subsidiaries (filed herewith)
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith)
31.1	Certification of the principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of the principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of the principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101	The following financial statements from the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 were formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Loss, (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	The cover page from the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, formatted in iXBRL (included as Exhibit 101).

* Management contract or compensatory plan or agreement.

† Certain exhibits have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any referenced exhibits will be furnished supplementally to the SEC upon request.

†† Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

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

†††† Certain schedules to the exhibits have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any referenced schedules will be furnished supplementally to the SEC upon request.

††††† Certain information has been omitted in accordance with Item 601(b)(10) of Regulation S-K because it is both not material and is the type of information that the Registrant treats as private or confidential. An unredacted copy will be furnished supplementally to the SEC upon request.

(1) Incorporated by reference from the similarly described exhibit included with the Registrant's Annual Report on Form 10-K filed for the year ended December 31, 2018 filed on February 27, 2019.

(2) Incorporated by reference to the similarly described exhibit included with the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed on May 2, 2018.

(3) Incorporated by reference from the similarly described exhibit included with the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2019 filed on May 7, 2019.

(4) Incorporated by reference from the similarly described exhibit included with the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2019 filed on August 6, 2019.

(5) Incorporated by reference from the similarly described exhibit included with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 16, 2005.

(6) Incorporated by reference from the similarly described exhibit to the Registrant's definitive Proxy Statement with respect to its 2007 Annual Meeting of Shareholders as filed on March 30, 2007.

(7) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on April 18, 2013.

(8) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on March 26, 2015.

(9) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on May 24, 2017.

(10) Incorporated by reference from the similarly described exhibit included with the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2017 filed on November 2, 2017.

(11) Incorporated by reference to the similarly described exhibit included with the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2018 filed on November 6, 2018.

(12) Incorporated by reference to the similarly described exhibit included with the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2016 filed on April 28, 2016.

(13) Incorporated by reference to the similarly described exhibit included with the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2020 filed on May 8, 2020.

(14) Incorporated by reference to the similarly described exhibit included with the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2020 filed on August 4, 2020.

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

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

(17) Incorporated by reference to the similarly described exhibit to the Registrant's Form 8-K filed on May 25, 2021.

(18) Incorporated by reference to the similarly described exhibit to the Registrant's Form10-Q for the period ended June 30, 2021 filed on August 5, 2021.

(19) Incorporated by reference to the similarly described exhibit to the Registrant's Form 10-Q for the period ended March 31, 2021 filed on May 4, 2021.

(20) Incorporated by reference from the similarly described exhibit included with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2020 filed on February 19, 2021.

ITEM 16. FORM 10-K SUMMARY

None.

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 our behalf by the undersigned, thereunto duly authorized.

Ocwen Financial Corporation

By: /s/ Glen A. Messina
Glen A. Messina
President and Chief Executive Officer

Date: February 25, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ Phyllis R. Caldwell Phyllis R. Caldwell, Chair of the Board of Directors	Date: February 25, 2022
/s/ Glen A. Messina Glen A. Messina, President, Chief Executive Officer and Director (principal executive officer)	Date: February 25, 2022
/s/ Alan J. Bowers Alan J. Bowers, Director	Date: February 25, 2022
/s/ Jenne K. Britell Jenne K. Britell, Director	Date: February 25, 2022
/s/ Jacques J. Busquet Jacques J. Busquet, Director	Date: February 25, 2022
/s/ DeForest B. Soaries, Jr. DeForest B. Soaries, Jr., Director	Date: February 25, 2022
/s/ Kevin Stein Kevin Stein, Director	Date: February 25, 2022
/s/ June C. Campbell June C. Campbell, Executive Vice President and Chief Financial Officer (principal financial officer)	Date: February 25, 2022
/s/ Francois Grunenwald Francois Grunenwald, Senior Vice President and Chief Accounting Officer (principal accounting officer)	Date: February 25, 2022

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

December 31, 2021

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES
December 31, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Ocwen Financial Corporation:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ocwen Financial Corporation and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for measurement of credit losses on financial instruments and made an irrevocable fair value election for certain financial instruments in 2020 due to adoption of ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Fair Value - Mortgage Servicing Rights — Refer to Notes 3 and 7 to the financial statements

Critical Audit Matter Description

The Company has elected to account for its mortgage servicing rights (“MSRs”) at fair value. The determination of the fair value of MSRs requires management judgment due to the significant unobservable assumptions that underlie the valuation. The Company estimates the fair value of its MSRs with the assistance of independent third-party valuation experts that use discounted cash flow models and analysis of current market data. The significant unobservable assumptions used in the valuation of MSRs include prepayment speeds, cost to service, and discount rates. The Company’s MSRs balance was $2.250 billion at December 31, 2021, which are classified as Level 3 in the valuation hierarchy. A change in the significant unobservable valuation assumptions utilized might result in a significantly higher or lower fair value measurement.
We identified the valuation of MSRs as a critical audit matter because of (i) the significant judgments made by management in determining the prepayment speeds, cost to service, and discount rates assumptions, and (ii) the high degree of auditor

judgment and an increased extent of effort when performing audit procedures to evaluate the appropriateness of these significant unobservable valuation assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the significant unobservable valuation assumptions used by management to estimate the fair value of the Company's MSRs included the following, among others:

- We tested the operating effectiveness of controls over management's valuation of MSRs and management's evaluation of the reasonableness of the significant unobservable assumptions, including those related to the determination and supervision of their third-party valuation experts, data utilized in the third-party valuation expert's model, and the determination of (1) prepayment speeds (2) cost to service and (3) discount rates assumptions.
- We subjected the data utilized in the valuation model to substantive audit procedures on a sample basis by confirming balances with borrowers, obtaining and inspecting loan origination documents, and obtaining and inspecting supporting documentation for loan activity.
- With the assistance of our fair value specialists, we inquired of the Company's third-party valuation specialists regarding the reasonableness of the valuation assumptions and the appropriateness of the valuation model.
- We evaluated management's ability to reasonably estimate fair value by comparing management's assumptions and the overall fair value to market surveys.
- We assessed the consistency by which management has applied significant valuation assumptions.

Fair Value – Loans Held for Investment — Refer to Notes 3 and 5 to the financial statements

Critical Audit Matter Description

The Company has elected to account for its reverse residential mortgage loans that are classified as loans held for investment ("reverse mortgages") at fair value. The fair value of reverse mortgages is 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 on HECM reverse mortgage loans. The Company's reverse mortgage balance was $7.2 billion at December 31, 2021, which is classified as Level 3 in the valuation hierarchy. A change in the valuation assumptions utilized might result in a significantly higher or lower fair value measurement.

We identified the valuation of reverse mortgages as a critical audit matter because of (i) the significant judgments made by management in determining the prepayment speeds, voluntary and involuntary prepayments, and discount rate assumptions, all of which are unobservable, and (ii) the high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the appropriateness of these significant unobservable valuation assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the significant unobservable valuation assumptions used by management to estimate the fair value of the Company's reverse mortgages included the following, among others:

- We tested the operating effectiveness of controls over management's valuation of reverse mortgages and management's evaluation of the reasonableness of the significant unobservable assumptions, data utilized in the valuation model, and their determination of (1) prepayment speeds (2) voluntary and involuntary prepayments and (3) discount rate.
- We subjected the data utilized in determining the unobservable assumptions used in the valuation model to substantive audit procedures on a sample basis by confirming balances with borrowers, obtaining and inspecting loan origination documents, and obtaining and inspecting supporting documentation for loan activity.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the valuation methodology and significant assumptions used, including whether the significant assumptions were appropriate and consistent with what market participants would use in the valuation of reverse mortgages.
- We assessed the consistency by which management has applied significant unobservable valuation assumptions.

/s/ DELOITTE & TOUCHE LLP

New York, NY

February 25, 2022

We have served as the Company's auditor since 2009.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Ocwen Financial Corporation:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Ocwen Financial Corporation and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 25, 2022, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of accounting standards update (ASU) 2016-13: Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (CECL).

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

New York, NY

February 25, 2022

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

	December 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 192,792	$ 284,802
Restricted cash ($9,759 and $16,791 related to variable interest entities (VIEs))	70,654	72,463
Mortgage servicing rights, at fair value	2,250,147	1,294,817
Advances, net (amounts related to VIEs of $587,059 and $651,576)	772,433	828,239
Loans held for sale ($917,534 and $366,364 carried at fair value) ($462,144 and $0 related to VIEs)	928,527	387,836
Loans held for investment, at fair value ($7,879 and $9,770 related to VIEs)	7,207,641	7,006,897
Receivables, net	180,707	187,665
Investment in equity method investee	23,297	—
Premises and equipment, net	13,674	16,925
Other assets ($21,886 and $25,476 carried at fair value) ($1,530 and $4,544 related to VIEs)	507,250	571,483
Total assets	$ 12,147,123	$ 10,651,127
Liabilities and Stockholders' Equity		
Liabilities		
Home Equity Conversion Mortgage-Backed Securities (HMBS) related borrowings, at fair value	$ 6,885,022	$ 6,772,711
Other financing liabilities, at fair value ($238,144 and $0 due to related party) ($7,879 and $9,770 related to VIEs)	804,963	576,722
Advance match funded liabilities (related to VIEs)	512,297	581,288
Mortgage loan warehouse facilities	1,085,076	451,713
MSR financing facilities, net	900,760	437,672
Senior secured term loan, net	—	179,776
Senior notes, net ($222,242 due to related parties)	614,797	311,898
Other liabilities ($3,080 and $4,638 carried at fair value)	867,514	923,975
Total liabilities	11,670,429	10,235,755
Commitments and Contingencies (Notes 25 and 26)		
Stockholders' Equity		
Common stock, $.01 par value; 13,333,333 shares authorized; 9,208,312 and 8,687,750 shares issued and outstanding at December 31, 2021 and December 31, 2020, respectively	92	87
Additional paid-in capital	592,572	556,062
Accumulated deficit	(113,604)	(131,682)
Accumulated other comprehensive loss, net of income taxes	(2,366)	(9,095)
Total stockholders' equity	476,694	415,372
Total liabilities and stockholders' equity	$ 12,147,123	$ 10,651,127

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

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

	For the Years Ended December 31,		
	2021	**2020**	**2019**
Revenue			
Servicing and subservicing fees	$ 781,941	$ 737,320	$ 975,507
Reverse mortgage revenue, net	79,676	60,726	86,309
Gain on loans held for sale, net	145,755	137,236	38,300
Other revenue, net	42,727	25,630	23,259
Total revenue	1,050,099	960,912	1,123,375
MSR valuation adjustments, net	(109,900)	(251,921)	(120,876)
Operating expenses			
Compensation and benefits	297,947	265,295	313,508
Servicing and origination	113,627	77,265	109,007
Professional services	81,890	106,872	102,638
Technology and communications	56,021	59,592	79,166
Occupancy and equipment	36,536	47,503	68,146
Other expenses	23,306	19,177	1,474
Total operating expenses	609,327	575,704	673,939
Other income (expense)			
Interest income	26,374	15,999	17,104
Interest expense ($31,656, $0 and $0 due to related parties)	(143,968)	(109,367)	(114,129)
Pledged MSR liability expense ($4,675, $0 and $0 due to related party)	(209,901)	(152,334)	(372,089)
Gain (loss) on extinguishment of debt	(15,458)	—	5,099
Earnings of equity method investee	3,620	—	—
Other, net	4,090	6,731	8,964
Total other income (expense), net	(335,243)	(238,971)	(455,051)
Income (loss) before income taxes	(4,371)	(105,684)	(126,491)
Income tax expense (benefit)	(22,449)	(65,506)	15,634
Net income (loss)	$ 18,078	$ (40,178)	$ (142,125)
Earnings (loss) per share			
Basic	$ 2.00	$ (4.59)	$ (15.86)
Diluted	$ 1.93	$ (4.59)	(15.86)
Weighted average common shares outstanding			
Basic	9,021,975	8,748,725	8,962,961
Diluted	9,382,467	8,748,725	8,962,961

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

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

	For the Years Ended December 31,		
	2021	2020	2019
Net income (loss)	$ 18,078	$ (40,178)	$ (142,125)
Other comprehensive income (loss), net of income taxes			
Reclassification adjustment for losses on cash flow hedges included in net income	115	158	147
Change in unfunded pension plan obligation liability	6,529	(1,620)	(3,442)
Other	84	(39)	(42)
Comprehensive income (loss)	$ 24,806	$ (41,679)	$ (145,462)

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019
(Dollars in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss), Net of Taxes	Total
	Shares	Amount				
Balance at January 1, 2019	8,927,495	$ 89	$ 555,306	$ 3,567	$ (4,257)	$ 554,705
Net loss	—	—	—	(142,125)	—	(142,125)
Cumulative effect on adoption of FASB ASU 2016-02, Leases	—	—	—	16	—	16
Equity-based compensation and other	63,321	1	2,751	—	—	2,752
Other comprehensive loss, net of income taxes	—	—	—	—	(3,337)	(3,337)
Balance at December 31, 2019	8,990,816	90	558,057	(138,542)	(7,594)	412,011
Net loss	—	—	—	(40,178)	—	(40,178)
Cumulative effect of adoption of FASB ASU No. 2016-13, Credit Losses	—	—	—	47,038	—	47,038
Repurchase of common stock	(377,484)	(4)	(4,601)	—	—	(4,605)
Additional shares issued on reverse stock split rounding	4,692	—	—	—	—	—
Equity-based compensation and other	69,726	1	2,606	—	—	2,607
Other comprehensive loss, net of income taxes	—	—	—	—	(1,501)	(1,501)
Balance at December 31, 2020	8,687,750	87	556,062	(131,682)	(9,095)	415,372
Net income	—	—	—	18,078	—	18,078
Issuance of common stock	426,705	4	12,165	—	—	12,169
Issuance of common stock warrants, net of issuance costs	—	—	19,956	—	—	19,956
Equity-based compensation and other	93,857	1	4,389	—	—	4,390
Other comprehensive income, net of income taxes	—	—	—	—	6,729	6,729
Balance at December 31, 2021	9,208,312	$ 92	$ 592,572	$ (113,604)	$ (2,366)	$ 476,694

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

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

	For the Years Ended December 31,		
	2021	**2020**	**2019**
Cash flows from operating activities			
Net income (loss)	$ 18,078	$ (40,178)	$ (142,125)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
MSR valuation adjustments, net	109,900	251,921	120,876
Loss (gain) on sale of MSRs, net	121	(184)	(453)
Provision for bad debts	22,738	25,637	34,867
Depreciation	10,265	19,121	31,911
Amortization of debt issuance costs and discount	7,792	6,992	4,512
Loss (gain) on extinguishment of debt	15,458	—	(5,099)
Provision for (reversal of) valuation allowance on deferred tax assets	2,344	28,215	32,470
Decrease (increase) in deferred tax assets other than provision for valuation allowance	(2,129)	(29,589)	(29,350)
Equity-based compensation expense	4,719	2,401	2,697
Loss (gain) on valuation of Pledged MSR financing liability	77,945	(17,853)	152,986
Net gain on valuation of loans held for investment and HMBS-related borrowings	(18,304)	(10,078)	(55,869)
Earnings of equity method investee	(3,620)	—	—
Gain on loans held for sale, net	(145,755)	(137,236)	(38,300)
Origination and purchase of loans held for sale	(19,972,375)	(7,552,026)	(1,488,974)
Proceeds from sale and collections of loans held for sale	19,349,349	7,430,544	1,380,138
Changes in assets and liabilities:			
Decrease in advances, net	28,868	213,293	105,052
(Increase) decrease in receivables and other assets, net	14,168	114,089	126,881
Increase (decrease) in other liabilities	6,796	(34,181)	(72,182)
Other, net	1,487	(9,914)	(8,098)
Net cash provided by (used in) operating activities	(472,155)	260,974	151,940
Cash flows from investing activities			
Origination of loans held for investment	(1,763,418)	(1,203,645)	(1,026,154)
Principal payments received on loans held for investment	1,628,320	944,699	558,720
Purchase of MSRs	(831,204)	(273,197)	(145,668)
Proceeds from sale of MSRs	—	248	4,984
Acquisition of reverse mortgage subservicing agreements	(8,956)	—	—
Investment in equity method investee	(27,927)	—	—
Distribution of capital from equity method investee	8,250	—	—
Acquisition of advances in connection with the purchase of MSRs	(6,276)	(14)	(1,457)
Proceeds from sale of advances and match funded advances	1,272	809	14,186
Purchase of real estate	(6,525)	(1,377)	(2,772)
Proceeds from sale of real estate	8,118	7,525	7,548
Additions to premises and equipment	(3,270)	(4,110)	(1,954)
Other, net	166	1,187	5,129
Net cash provided by (used in) investing activities	(1,001,450)	(527,875)	(587,438)
Cash flows from financing activities			
Repayment of match funded liabilities, net	(68,991)	(97,821)	(99,175)
Repayment of other financing liabilities	(91,248)	(101,771)	(218,783)
Proceeds from (repayments of) mortgage loan warehouse facilities, net	633,363	119,489	176,511
Proceeds from MSR financing facilities	715,747	369,024	343,641
Repayment of MSR financing facilities	(249,973)	(300,553)	(39,420)
Repayment of Senior notes	(319,156)	—	(131,791)
Proceeds from issuance of Senior notes and warrants	647,944	—	—
Proceeds from issuance of additional senior secured term loan (SSTL)	—	—	119,100
Repayment of senior secured term loan (SSTL) borrowings	(188,700)	(141,067)	(25,433)
Payment of debt issuance costs	(16,210)	(7,701)	(2,813)
Proceeds from sales of MSRs to related party, accounted for as a financing	247,038	—	—
Proceeds from sale of Home Equity Conversion Mortgages (HECM, or reverse mortgages) accounted for as a financing (HMBS-related borrowings)	1,674,914	1,232,641	962,113
Repayment of HMBS-related borrowings	(1,614,295)	(935,778)	(549,600)
Issuance of common stock	9,878	—	—
Repurchase of common stock	—	(4,605)	—
Other, net	(525)	(32)	(3,522)
Net cash provided by (used in) financing activities	1,379,786	131,826	530,828
Net increase (decrease) in cash, cash equivalents and restricted cash	(93,819)	(135,075)	95,330
Cash, cash equivalents and restricted cash at beginning of year	357,265	492,340	397,010
Cash, cash equivalents and restricted cash at end of year	$ 263,446	$ 357,265	$ 492,340

Supplemental cash flow information			
Interest paid	$ 125,115	$ 97,023	$ 111,144
Income tax payments (refunds), net	(22,335)	(43,469)	4,075
Supplemental non-cash investing and financing activities			
Recognition of gross right-of-use asset and lease liability:			
Right-of-use asset	4,485	3,724	66,231
Lease liability	4,219	2,902	66,247
Transfers from loans held for investment to loans held for sale	4,271	3,084	1,892
Transfers of loans held for sale to real estate owned (REO)	8,438	3,657	6,636
Derecognition of MSRs and financing liabilities:			
MSRs	$ —	(263,664)	—
Financing liability - Pledged MSR liability	—	(263,664)	—
Deconsolidation of mortgage-backed securitization trusts (VIEs):			
Loans held for investment	$ —	$ (10,715)	$ —
Other financing liabilities	—	(9,519)	—
Recognition of future draw commitments for HECM loans at fair value upon adoption of FASB ASU No. 2016-13	—	47,038	—
Supplemental information - Sale and deconsolidation of subsidiary			
Cash proceeds received	$ 4,409	$ —	$ —
Equity / cash balance held by subsidiary upon sale	(5,250)	—	—

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

	December 31, 2021	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ 192,792	$ 284,802	$ 428,339
Restricted cash and equivalents:			
Debt service accounts	9,968	20,141	23,276
Other restricted cash	60,686	52,322	40,725
Total cash, cash equivalents and restricted cash reported in the statements of cash flows	$ 263,446	$ 357,265	$ 492,340

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

Note 1 — Organization, Basis of Presentation and Significant Accounting Policies

Organization

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

Ocwen directly or indirectly owns all of the outstanding common stock of its operating subsidiaries, including PMC since its acquisition on October 4, 2018, Ocwen Financial Solutions Private Limited (OFSPL) and Ocwen USVI Services, LLC (OVIS). Effective May 3, 2021, Ocwen holds a 15% equity interest in MAV Canopy HoldCo I, LLC (MAV Canopy) that invests in mortgage servicing assets through its wholly owned licensed mortgage subsidiary MSR Asset Vehicle LLC (MAV). See Note 11 — Investment in Equity Method Investee for additional information.

We perform servicing activities related to our own mortgage servicing rights (MSRs) portfolio (primary) and 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 referred to as GSEs), the Government National Mortgage Association (Ginnie Mae, and together with the GSEs, the Agencies) and private-label securitizations (PLS, or non-Agency). 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 generally 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 source our servicing portfolio through multiple channels, including retail, wholesale, correspondent, flow MSR purchase agreements, the Agency Cash Window programs and bulk MSR purchases. We originate, sell and securitize conventional (conforming to the underwriting standards of Fannie Mae or Freddie Mac; collectively referred to as Agency or GSE) loans and government-insured (Federal Housing Administration (FHA) or Department of Veterans Affairs (VA)) forward mortgage loans, generally with servicing retained. The GSEs or Ginnie Mae guarantee these mortgage securitizations. We originate and purchase Home Equity Conversion Mortgage (HECM) loans, or reverse mortgages, that are mostly insured by the FHA and we are an approved issuer of Home Equity Conversion Mortgage-Backed Securities (HMBS) that are guaranteed by Ginnie Mae.

We had a total of approximately 5,700 employees at December 31, 2021 of which approximately 3,200 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, nearly 70% were engaged in supporting our loan servicing operations as of December 31, 2021.

Basis of Presentation and Significant Accounting Policies

Consolidation and Basis of Presentation

Principles of Consolidation

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. (GAAP).

Our consolidated financial statements include the accounts of Ocwen, its wholly-owned subsidiaries and any variable interest entity (VIE) for which we have determined that we are the primary beneficiary. We apply the equity method of accounting to investments where we are able to exercise significant influence, but not control, over the policies and procedures of the entity.

We have eliminated intercompany accounts and transactions in consolidation.

Foreign Currency Translation

The functional currency of each of our foreign subsidiaries is the U.S. dollar. Re-measurement adjustments of foreign-denominated amounts to U.S. dollars are included in Other, net in our consolidated statements of operations.

Use of Estimates and Assumptions

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

Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents includes both interest-bearing and non-interest-bearing demand deposits with financial institutions that have original maturities of 90 days or less.

Restricted Cash

Restricted cash includes amounts specifically designated to repay debt, to provide over-collateralization for MSR financing facilities, mortgage loan warehouse facilities and match funded debt facilities, and to provide additional collateral to support certain obligations, including letters of credit.

Mortgage Servicing Rights

MSRs are assets representing our right to service portfolios of mortgage loans. We recognize MSRs when originated or purchased loans are securitized or sold in the secondary market. We also acquire MSRs through flow purchase agreements, Agency Cash Window programs, and bulk acquisition transactions, or through asset purchases or business combination transactions. The unpaid principal balance (UPB) of the loans underlying the MSRs is not included on our consolidated balance sheets. For servicing retained in connection with the securitization of reverse mortgage loans accounted for as secured financings, we do not recognize an MSR.

All newly acquired or retained MSRs are initially measured at fair value. To the extent any portfolio contract is not expected to compensate us adequately for performing the servicing, we would recognize a servicing liability. We define contracts as Agency, government-insured or non-Agency (commonly referred to as non-prime, subprime or private-label loans) based on applicable servicing guidelines, underwriting standards and borrower risk characteristics.

We account for servicing assets and servicing liabilities at fair value, and report changes in fair value in earnings (MSR valuation adjustments, net) in the period in which the changes occur.

We earn fees for servicing and subservicing both forward and reverse mortgage loans. We collect servicing and subservicing fees, generally expressed as a percent of UPB or fee per loan by loan performing status, from the borrowers’ payments or from the owner of the servicing in subservicing relationships . In addition to servicing and subservicing fees, we also report late fees, prepayment penalties, float earnings and other ancillary fees as revenue in Servicing and subservicing fees in our consolidated statements of operations. We recognize servicing and subservicing fees as revenue when the fees are earned, which is generally when the borrowers’ payments are collected, when loans are modified or liquidated through the sale of the underlying real estate collateral, or when subservicing customers are invoiced.

Advances

During any period in which a borrower does not make payments, servicing and subservicing agreements may require that we advance our own funds to meet contractual principal and interest remittance requirements for the investors, to pay property taxes and insurance premiums and to process foreclosures. We also advance funds to maintain, repair and market foreclosed real estate properties on behalf of investors. These advances are made pursuant to the terms of each servicing and subservicing contract. Each servicing and subservicing contract is associated with specific loans, identified as a pool.

When we make an advance on a loan under each servicing or subservicing contract, we are entitled to recover that advance either from the borrower, for reinstated and performing loans, or from guarantors (GSEs), insurers (FHA/VA) and investors, for modified and liquidated loans. Most of our servicing and subservicing contracts provide that the advances made under the respective agreement have priority over all other cash payments from the proceeds of the loan, and in the majority of cases, the proceeds of the pool of loans that are the subject of that servicing or subservicing contract. As a result, we are entitled to repayment from loan proceeds before any interest or principal is paid on the bonds, and in the majority of cases, advances in excess of loan proceeds may be recovered from pool level proceeds.

Servicing advances are financial assets subject to the credit loss allowance model under Accounting Standards Codification (ASC) 326: Financial Instruments - Credit Losses (CECL), effective January 1, 2020. The allowance for expected credit losses is estimated based on relevant qualitative and quantitative information about past events, including historical collection and loss experience, current conditions, and reasonable and supportable forecasts that affect collectability. Expected credit losses on advances are expected to be nil, or de minimis, as advances are generally fully reimbursable or recoverable under the terms of the servicing agreements. GSE and government-insured advances are subject to implicit and government guarantees, respectively, regarding advance reimbursement and the non-Agency pooling and servicing agreement terms regarding advance recovery, the credit loss history and the expectation over the remaining life of the advance portfolio support a zero allowance for credit loss.

Servicing advances may also include claimable (with investors) but nonrecoverable expenses, for example due to servicer error, such as lack of reasonable documentation as to the type and amount of advances. Such servicer errors result in the determination that the advance is uncollectible and represent operational losses resulting from not complying with servicing guidelines as established by the respective party (i.e., trustee, master servicer, investor, mortgage insurer). We establish an allowance for such operational losses through a charge to earnings (Servicing and origination expense) to the extent that a portion of advances are uncollectible taking into consideration, among other factors, probability of cure or modification, length of delinquency and the amount of the advance. We also 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, 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.

Under the terms of our subservicing agreements, we are generally reimbursed by our subservicing clients on a monthly or more frequent basis. For those advances that have been reimbursed, i.e., that are off-balance sheet, if a loss contingency is probable and reasonably estimable, we recognize a loss contingency accrual for the amount of advances deemed uncollectible caused by our failure to comply with the subservicing agreements or our servicing practices. We report such loss contingency within Other liabilities - Liability for indemnification obligations.

Loans Held for Sale

Loans held for sale include forward and reverse mortgage loans that we do not intend to hold until maturity. We report loans held for sale at either fair value or the lower of cost or fair value computed on an aggregate basis. Residential forward and reverse mortgage loans that we intend to sell are carried at fair value as a result of a fair value election. In addition, effective January 1, 2020, repurchased loans by our Servicing business, including those loans we repurchase from Ginnie Mae guaranteed securitizations pursuant to Ginnie Mae servicing guidelines, are accounted for under the fair value election. For loans that we elected to measure at fair value on a recurring basis, we report changes in fair value in Gain on loans held for sale, net in the consolidated statements of operations in the period in which the changes occur. These loans are expected to be sold into the secondary market to the GSEs, into Ginnie Mae guaranteed securitizations or to third-party investors. For the legacy portfolio of loans measured at the lower of cost or fair value, we account for any excess of cost over fair value as a valuation allowance and include changes in the valuation allowance in Other, net, in the consolidated statements of operations in the period in which the change occurs.

We report any gain or loss on the transfer of loans held for sale in Gain on loans held for sale, net in the consolidated statements of operations along with the changes in fair value of the loans and the gain or loss on any related derivatives. Gains or losses on sales or securitizations take into consideration any retained interests, including servicing rights and representation and warranty obligations, both of which are initially recorded at fair value at the date of sale in Gain on loans held for sale, net, in our consolidated statements of operations. We include all changes in loans held for sale and related derivative balances in operating activities in the consolidated statements of cash flows.

We accrue interest income as earned. We place loans on non-accrual status after any portion of principal or interest has been delinquent for more than 89 days, or earlier if management determines the borrower is unable to continue performance. When we place a loan on non-accrual status, we reverse the interest that we have accrued but not yet received. We return loans to accrual status only when we reinstate the loan and there is no significant uncertainty as to collectability.

Loans Held for Investment

Originated reverse mortgage loans that are insured by the FHA and pooled into Ginnie Mae guaranteed securities that we sell into the secondary market with servicing rights retained are classified as loans held for investment. We have elected to measure these loans at fair value, with changes in fair value reported in Reverse mortgage revenue, net in the consolidated statements of operations. Loan transfers in these Ginnie Mae securitizations do not meet the definition of a participating interest and as a result, the transfers of the reverse mortgages do not qualify for sale accounting. Therefore, we account for these transfers as financings, with the reverse mortgages classified as Loans held for investment, at fair value, on our consolidated balance sheets, with no gain or loss recognized on the transfer.

Effective January 1, 2019, we elected to fair value future draw commitments for HECM loans purchased or originated after December 31, 2018. The value of future draw commitments for HECM loans purchased or originated before January 1, 2019 were recognized as the draws were securitized or sold. Effective January 1, 2020, in connection with the adoption of Accounting Standard Update (ASU) 2016-13 and ASU 2019-04: Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, we made an irrevocable fair value election on all future draw commitments for HECM loans that were purchased or originated before January 1, 2019. We recorded cumulative-effect adjustments of $47.0 million to retained earnings as of January 1, 2020, to reflect the excess of the fair value over the carrying amount.

Upfront costs and fees related to loans held for investment, including broker fees, are recognized in Reverse mortgage revenue, net in the consolidated statement of operations as incurred and are not capitalized. Premiums on loans purchased via the correspondent channel are capitalized upon origination because they represent part of the purchase price. However, the loans are subsequently measured at fair value on a recurring basis.

We record the proceeds from the transfer of assets as secured borrowings (HMBS-related borrowings) and recognize no gain or loss on the transfer. We measure the HECM loans and HMBS-related borrowings at fair value on a recurring basis. The changes in fair value of the HECM loans and HMBS-related borrowings are included in Reverse mortgage revenue, net in our consolidated statements of operations. Included in net fair value changes on the HECM loans and related HMBS borrowings are the net interest income that we expect to be collected on the HECM loans and the interest expense on the HMBS-related borrowings. In addition, Reverse mortgage revenue, net includes the fair value changes of the interest rate lock commitments related to reverse mortgage loans. We report originations and collections of HECM loans in investing activities in the consolidated statements of cash flows. We report net fair value gains on HECM loans and the related HMBS borrowings as an adjustment to the net cash provided by or used in operating activities in the consolidated statements of cash flows. Proceeds from securitizations of HECM loans and payments on HMBS-related borrowings are included in financing activities in the consolidated statements of cash flows.

Transfers of Financial Assets and MSRs

We securitize, sell and service forward and reverse residential mortgage loans. Securitization transactions typically involve the use of VIEs and are accounted for either as sales or as secured financings. We typically retain economic interests in the securitized assets in the form of servicing rights and obligations. In order to efficiently finance our assets and operations and create liquidity, we may sell servicing advances, MSRs or the right to receive certain servicing fees relating to MSRs (Rights to MSRs).

In order to determine whether or not a VIE is required to be consolidated, we consider our ongoing involvement with the VIE. In circumstances where we have both the power to direct the activities that most significantly impact the performance of the VIE and the obligation to absorb losses or the right to receive benefits that could be significant, we would conclude that we would consolidate the entity, which precludes us from recording an accounting sale in connection with the transfer of the financial assets. In the case of a consolidated VIE, we continue to report the underlying residential mortgage loans or servicing advances, and we record the securitized debt on our consolidated balance sheet.

In the case of transfers where either one or both of the power or economic criteria above are not met, we evaluate whether a sale has occurred for accounting purposes.

In order to recognize a sale of financial assets, the transferred assets must be legally isolated, not be constrained by restrictions from further transfer and be deemed to be beyond our control. If the transfer does not meet any of these three criteria, the financial assets are not derecognized and the transaction is accounted for consistent with a secured financing. In certain situations, we may have continuing involvement in transferred loans through our retained servicing. Transactions involving retained servicing would still be eligible for sale accounting, as we have ceded effective control of these loans to the purchaser.

A sale of MSRs shall be recognized as a sale for accounting purposes if substantially all the risks and rewards inherent in owning the MSRs have been effectively transferred to the buyer, title has transferred to the buyer and any protection provisions retained by the seller are minor and can be reasonably estimated. In the case of transfers of MSRs accounted for as a sale where we retain the right to subservice, we defer any related gain or loss and amortize the balance over the life of the subservicing agreement. A loss shall be recognized currently if the transferor determines that prepayments of the underlying mortgage loans may result in performing the future servicing at a loss.

A sale of mortgage servicing rights with a subservicing contract may not be treated as a sale when the terms of the subservicing contract unduly limit the buyer's ability to exercise ownership control over the servicing rights or results in the seller retaining some of the risks and rewards of ownership. If the buyer cannot cancel or decline to renew the subservicing contract after a reasonable period of time, the buyer is precluded from exercising certain rights of ownership. Conversely, if the seller cannot cancel the subservicing contract after a reasonable period of time, the seller has not transferred substantially all of the risks of ownership. If the criteria for sale recognition are not met, the transferred MSRs are not derecognized and the transaction is accounted for consistent with a secured financing. Accordingly, when a transaction does not achieve sale treatment, we recognize the proceeds received and a corresponding liability, referred to as Pledged MSR liability within Other financing liabilities, that we subsequently remeasure at fair value with changes in fair value reported within Pledged MSR liability expense in the consolidated statements of operations. In the case of a sale of MSRs accounted for as a secured financing where we retain the right to subservice, no gain or loss is generally recognized on the transfer. A gain or loss may be recognized to the extent the estimated fair value of the pledged MSR liability differs from the total proceeds of the MSR transfer.

Subsequent to the determination that a transaction does not meet the accounting sale criteria, we may determine that we meet the criteria. In the event we subsequently meet the accounting sale criteria, we derecognize the transferred assets and related liabilities. See Note 8 — MSR Transfers Not Qualifying for Sale Accounting.

In connection with the Ginnie Mae early buyout program, our agreements provide either that: (a) we have the right, but not the obligation, to repurchase previously transferred mortgage loans under certain conditions, including the mortgage loans becoming eligible for pooling under a program sponsored by Ginnie Mae; or (b) we have the obligation to repurchase previously transferred mortgage loans that have been subject to a successful trial modification before any permanent modification is made. Once these conditions are met, we have effectively regained control over the mortgage loan(s), and under GAAP, must re-recognize the loans on our consolidated balance sheets and establish a corresponding repurchase liability. With respect to those loans that we have the right, but not the obligation, to repurchase under the applicable agreement, this requirement applies regardless of whether we have any intention to repurchase the loan. We re-recognize the loans in Other assets and a corresponding liability in Other liabilities.

Derivative Financial Instruments

We use derivative instruments to manage the fair value changes in our MSRs, interest rate lock commitments and loan portfolios which are exposed to interest rate risk. We do not use derivative instruments for trading or speculative purposes. We recognize all derivative instruments at fair value on our consolidated balance sheets in Other assets and Other liabilities. Derivative instruments are generally entered into as economic hedges against changes in the fair value of a recognized asset or liability and are not designated as hedges for accounting purposes. We generally report the changes in fair value of such derivative instruments in the same line item in the consolidated statement of operations as the changes in fair value of the related asset or liability. For all other derivative instruments not designated as a hedging instrument, we report changes in fair value in Other, net.

Premises and Equipment, Leases

We report premises and equipment at cost and, except for land, depreciate them over their estimated useful lives on a straight-line basis as follows:

Computer hardware and software	2 – 3 years
Buildings	40 years
Leasehold improvements	Term of the lease not to exceed useful life
Right of Use (ROU) assets	Term of the lease not to exceed useful life
Furniture and fixtures	5 years
Office equipment	5 years

Our leases include non-cancelable operating leases for premises and equipment. At lease commencement and renewal date, we estimate the ROU assets and lease liability at present value using our estimated incremental borrowing rate. We amortize the balance of the ROU assets and recognize interest on the lease liability. Our lease liability represents the present value of the lease payments and 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.

Intangible Assets

Intangible assets are recorded at their estimated fair value at the date of acquisition. Intangible assets deemed to have a finite useful life are amortized on a basis representative of the time pattern over which the benefit is derived. Intangible assets subject to amortization are evaluated for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable, but no less than annually. An impairment loss is recognized if the carrying value of the intangible asset is not recoverable and exceeds fair value. Intangible assets primarily consist of a subservicing intangible asset acquired in the transaction with Mortgage Assets Management, LLC (formerly known as Reverse Mortgage Solutions, Inc.) (MAM (RMS)) and its then parent on October 1, 2021. This asset is being amortized ratably over the five-year term of the respective subservicing contracts based on portfolio runoff. Intangible assets are included in Other assets, net of accumulated amortization, on our consolidated balance sheets.

Investments in Unconsolidated Entities

We account for our investments in unconsolidated entities using the equity method. These investments include our investment in MAV Canopy in which we hold a significant, but less than controlling, ownership interest. Under the equity method of accounting, investments are initially recorded at cost and thereafter adjusted for additional investments, distributions and the proportionate share of earnings or losses of the investee. We evaluate our equity method investments for impairment when events or changes in circumstances indicate that an other-than-temporary decline in value may have occurred.

Litigation

We monitor our legal matters, including advice from external legal counsel, and periodically perform assessments of these matters for potential loss accrual and disclosure. We establish a liability for settlements, judgments on appeal and filed and/or threatened claims for which we believe that it is probable that a loss has been or will be incurred and the amount can be reasonably estimated. We recognize legal costs associated with loss contingencies in Professional services expense in the consolidated statement of operations as incurred.

Stock-Based Compensation

We initially measure the cost of employee services received in exchange for a stock-based award as the fair value of the award on the grant date. For awards which must be settled in cash and are therefore classified as liabilities rather than equity in the consolidated balance sheet, fair value is subsequently remeasured and fair value changes are reported as compensation expense at each reporting date. For equity awards with a service condition, we recognize the cost as compensation expense ratably over the vesting period. For equity awards with a market condition, we recognize the cost as compensation expense ratably over the expected life of the option that is derived from an options pricing model. When equity awards with a market condition meet their vesting requirements, any unrecognized compensation at the vesting date is recognized ratably over the vesting period. For equity awards with both a market condition and a service condition for vesting, we recognize cost as compensation expense over the requisite service period for each tranche of the award using the graded-vesting method.

Income Taxes

We file consolidated U.S. federal income tax returns. We allocate consolidated income tax among all subsidiaries included in the consolidated return as if each subsidiary filed a separate return or, in certain cases, a consolidated return.

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Additionally, we adjust deferred taxes to reflect estimated tax rate changes. We conduct periodic evaluations to determine whether it is more likely than not that some or all of our deferred tax assets will not be realized. Among the factors considered in this evaluation are estimates of future earnings, the future reversal of temporary differences and the impact of tax planning strategies that we can implement if warranted. We provide a valuation allowance for any portion of our deferred tax assets that, more likely than not, will not be realized. We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit, based on the technical merits of the position. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. We recognize interest and penalties related to income tax matters in Income tax expense.

Basic and Diluted Earnings per Share

We calculate basic earnings per share based upon the weighted average number of shares of common stock outstanding during the year. We calculate diluted earnings per share based upon the weighted average number of shares of common stock outstanding and all dilutive potential common shares outstanding during the year. The computation of diluted earnings per share includes the estimated impact of the exercise of outstanding options and warrants to purchase common stock using the treasury stock method.

Going Concern

In accordance with Financial Accounting Standards Board (FASB) 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.

Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Recently Adopted Accounting Standards

Investments—Equity Securities (ASC Topic 321), Investments—Equity Method and Joint Ventures (ASC Topic 323), and Derivatives and Hedging (ASC Topic 815) (ASU 2020-01)

The amendments in this ASU affect all entities that apply the guidance in ASC Topics 321, 323, and 815 and (1) elect to apply the measurement alternative or (2) enter into a forward contract or purchase an option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting. The amendments clarify that forward or option contracts to purchase investments that will be accounted for using the equity method that do not meet the definition of a derivative under ASC Topic 815 are in the scope of ASC Topic 321. Therefore, when the purchase contract is considered a forward or option contract in the scope of this guidance, the investor would account for changes in the contract's fair value prior to closing through earnings, unless the contract qualifies for the measurement alternative and it is elected. If the measurement alternative is elected, the change in the fair value of the contract would be reflected in earnings upon closing. In addition, if there are observable transactions or impairments before closing, the guidance would require remeasurement of the contract to fair value.

The guidance in this ASU also specifies that when applying the measurement alternative in ASC Topic 321, observable transactions include those transactions by the investor that result in the application or discontinuation of the equity method of accounting.

Our adoption of this standard on January 1, 2021 did not have a material impact on our consolidated financial statements.

Debt—Debt with Conversion and Other Options and Derivatives and Hedging—Contracts in Entity's Own Equity—Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06)

The amendments in this ASU simplify the accounting for certain financial instruments with characteristics of liabilities and equity by reducing the number of accounting models for convertible debt and convertible preferred stock instruments. In addition, this ASU amended the derivative guidance for the "own stock" scope exception and certain aspects when calculating earnings per share. The amendments in this ASU affect entities that issue convertible instruments and/or contracts in an entity's own equity.

The amendments in this ASU were effective on January 1, 2022, with early adoption permitted on January 1, 2021. Our early adoption of this standard on January 1, 2021 did not have a material impact on our consolidated financial statements.

Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04)

This standard provides for optional expedients and other guidance regarding the accounting related to modifications of contracts, hedging relationships and other transactions affected by the phase-out of certain tenors of the London Inter-bank Offered Rate (LIBOR) by the end of 2021 (or June 30, 2023 for U.S. dollar LIBOR of certain tenors). This guidance is effective upon issuance in March 2020 through December 31, 2022 and allows for retrospective application to contract modifications as early as January 1, 2020. We elected to retrospectively adopt this ASU as of January 1, 2020 which resulted in no immediate impact on our consolidated financial statements. Although we do not have any hedge accounting relationships, many of our debt facilities and loan agreements incorporate LIBOR as the referenced interest rate. Some of these facilities and loan agreements either matured prior to the end of 2021 (or June 30, 2023) or have terms in place that provide for an alternative to LIBOR upon its phase-out. We do not anticipate that this standard will have a material impact on our consolidated financial statements.

Income Taxes: Simplifying the Accounting for Income Taxes (ASU 2019-12)

On December 18, 2019, the FASB issued this ASU to ASC 740: Income Taxes, as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. Amendments include the removal of certain exceptions to the general principles of ASC 740 in such areas as intraperiod tax allocation, year to date losses in interim periods and deferred tax liabilities related to outside basis differences. Amendments also include simplification in other areas such as interim recognition of enactment of tax laws or rate changes and accounting for a franchise tax (or similar tax) that is partially based on income.

Our adoption of this standard on January 1, 2021 did not have a material impact on our consolidated financial statements.

Accounting Standards Issued but Not Yet Adopted

Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic

815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force) (ASU 2021-04)

The amendments in this ASU provide the following guidance for a modification or an exchange of a freestanding equity-classified written call option that is not within the scope of another Topic: (1) treat a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as an exchange of the original instrument for a new instrument, (2) measure the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange and (3) recognize the effect of a modification or an exchange of a freestanding equity-classified written call option to compensate for goods or services in accordance with the guidance in ASC 718. In a multiple-element transaction (for example, one that includes both debt financing and equity financing), the total effect of the modification should be allocated to the respective elements in the transaction.

The amendments in this ASU were effective for us on January 1, 2022. We do not anticipate that the adoption of this standard will have a material impact on our consolidated financial statements.

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

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

The amendments in this ASU are effective for us on January 1, 2023. We do not anticipate that the adoption of this standard will have a material impact on our consolidated financial statements.

Note 2 — Securitizations and Variable Interest Entities

We securitize, sell and service forward and reverse residential mortgage loans and regularly transfer financial assets in connection with asset-backed financing arrangements. We have aggregated these transfers of financial assets and asset-backed financing arrangements using special purpose entities (SPEs) or VIEs into the following groups: (1) securitizations of residential mortgage loans, (2) financings of loans held for sale, (3) financings of advances and (4) MSR financings. Financing transactions that do not use SPEs or VIEs are disclosed in Note 14 — Borrowings.

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

Transfers of Forward Loans

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

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

	Years Ended December 31,		
	2021	2020	2019
Proceeds received from securitizations	$ 19,293,156	$ 7,533,284	$ 1,248,837
Servicing fees collected (1)	63,737	47,230	50,326
Purchases of previously transferred assets, net of claims reimbursed	(17,435)	(6,933)	(4,602)
	$ 19,339,458	$ 7,573,581	$ 1,294,561

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

In connection with these transfers, we retained MSRs of $222.7 million, $68.7 million and $7.5 million during 2021, 2020 and 2019, respectively. We securitize forward and reverse residential mortgage loans involving the GSEs and loans insured by the FHA or VA through Ginnie Mae.

Certain obligations arise from the agreements associated with our transfers of loans. Under these agreements, we may be obligated to repurchase the loans, or otherwise indemnify or reimburse the investor or insurer for losses incurred due to material breach of contractual representations and warranties.

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:

	December 31,	
	2021	2020
Carrying value of assets		
MSRs, at fair value	$ 360,830	$ 137,029
Advances	151,166	143,361
UPB of loans transferred (1)	31,864,769	18,062,856
Maximum exposure to loss	$ 32,376,765	$ 18,343,246

(1) Includes $5.6 billion and $4.1 billion of loans delivered to Ginnie Mae as of December 31, 2021 and 2020, respectively, and includes loan modifications delivered through the Ginnie Mae Early Buyout Program (EBO).

At December 31, 2021 and 2020, 3.6% and 6.8%, respectively, of the transferred residential loans that we service were 60 days or more past due, including 60 days or more past due loans under forbearance. This includes 12.0% and 17.1%, respectively, of loans delivered to Ginnie Mae that are 60 days or more past due.

Transfers of Reverse Mortgages

We pool HECM loans into HMBS that we sell into the secondary market with servicing rights retained 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 and the servicing requirements 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 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.

Financing of Loans Held for Sale using SPEs

In 2021, we entered into a warehouse mortgage loan financing facility with a third-party lender involving an SPE (trust). This facility is structured as a gestation repurchase facility whereby Agency mortgage loans are transferred by PMC to the trust for collateralization purposes. We have determined that the trust is a VIE for which we are the primary beneficiary. Therefore, we have included the trust in our consolidated financial statements. We have the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance given we are the sole beneficial owner of the certificates issued by the trust and the servicer of the mortgage loans that result in cash flows to the trust, In addition, we have designed the trust at inception to facilitate the funding facility.

The table below presents the carrying value and classification of the assets and liabilities of the loans held for sale financing facility:

	December 31, 2021
Mortgage loans (Loans held for sale, at fair value)	$ 462,144
Outstanding borrowings (Mortgage loan warehouse facilities)	459,344

Financings of Advances using SPEs

Match funded advances, i.e., advances that are pledged as collateral to our advance facilities, result from our transfers of residential loan servicing advances to SPEs in exchange for cash. We consolidate these SPEs because we have determined that we are the primary beneficiary of the SPEs. Through wholly-owned subsidiaries we hold the sole equity interests in the SPEs and service the mortgage loans that generate the advances. These SPEs issue debt supported by collections on the transferred advances, and we refer to this debt as Advance 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 Advance match funded debt until the payment dates specified in the indenture are classified as debt service accounts within Restricted cash in our 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, as well as amounts set aside as required by our warehouse facilities as security for our obligations under the related agreements. The funds are held in interest earning accounts and those amounts related to match funded advance facilities are held in the name of the SPE created in connection with the facility.

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. Amounts due to affiliates are eliminated in consolidation in our consolidated balance sheets.

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

	December 31,	
	2021	2020
Match funded advances (Advances, net)	$ 587,059	$ 651,576
Debt service accounts (Restricted cash)	7,687	14,195
Unamortized deferred lender fees (Other assets)	1,305	4,253
Prepaid interest (Other assets)	225	291
Advance match funded liabilities	512,297	581,288

MSR Financings using SPEs

In 2019, we entered into a financing facility with a third-party secured by certain Fannie Mae and Freddie Mac MSRs (Agency MSRs). Two SPEs (trusts) were established in connection with this facility. On July 1, 2019, we also entered into an MSR Excess Spread Participation Agreement under which we created a 100% participation interest in the Portfolio Excess Servicing Fees, pursuant to which the holder of the participation interest is entitled to receive certain funds collected on the related portfolio of mortgage loans (other than ancillary income and advance reimbursement amounts) with respect to such Portfolio Excess Servicing Fees. This participation interest has been contributed to the trusts. We pledged the membership interest of the depositor for our OMART advance financing facility as additional collateral to this facility.

In connection with this facility, we entered into repurchase agreements with a third-party pursuant to which we sold trust certificates of the trusts representing certain indirect economic interests in the Agency MSRs and agreed to repurchase such certificates at a future date at the repurchase price set forth in the repurchase agreements. Our obligations under the facility are secured by a lien on the related Agency MSRs. In addition, Ocwen guarantees the obligations under the facility.

We determined that the trusts are VIEs for which we are the primary beneficiary. Therefore, we have included the trusts in our consolidated financial statements. We have the power to direct the activities of the VIEs that most significantly impact the VIE's economic performance given that we are the servicer of the Agency MSRs that result in cash flows to the trusts. In addition, we have designed the trusts at inception to facilitate the third-party funding facility under which we have the obligation to absorb the losses of the VIEs that could be potentially significant to the VIEs.

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

	December 31,	
	2021	2020
MSRs pledged (MSRs, at fair value)	$ 630,605	$ 476,371
Unamortized deferred lender fees (Other assets)	1,495	1,183
Debt service account (Restricted cash)	104	211
Outstanding borrowings (MSR financing facilities, net)	317,523	210,755

In 2019, we issued Ocwen Excess Spread-Collateralized Notes, Series 2019-PLS1 Class A (PLS Notes) secured by certain of PMC's private label MSRs (PLS MSRs). PMC PLS ESR Issuer LLC (PLS Issuer) was established in this connection as a wholly owned subsidiary of PMC. PMC entered into an MSR Excess Spread Participation Agreement with PLS Issuer. PMC created a participation interest in the Excess Servicing Fees, related float and REO fees pursuant to which the holder of the participation interest will be entitled to receive such Excess Servicing Fees, related float and REO fees. PMC holds the MSRs and services the loans which create the related excess cash flows pledged under the MSR Excess Spread Participation Agreement. PLS Issuer's obligations under the facility are secured by a lien on the related PLS MSRs. PMC sold a participation certificate representing certain economic interests in the PLS MSRs and in order to secure its obligations under the participation certificate, it granted a security interest to PLS Issuer in the PLS MSRs. The PLS Issuer assigned the security interest in the PLS MSRs to the collateral agent for the noteholders. Ocwen guarantees the obligations of PLS Issuer under the facility.

We determined that PLS Issuer is a VIE for which we are the primary beneficiary. Therefore, we have included PLS Issuer in our consolidated financial statements. We have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance given that we are the servicer of the MSRs that result in cash flows to PLS Issuer. In addition, PMC has designed PLS Issuer at inception to facilitate the funding for general corporate purposes. Separately, in return for the participation interests, PMC received the proceeds from issuance of the PLS Notes. PMC is the sole member of PLS Issuer, thus PMC has the obligation to absorb the losses of the VIE that could be potentially significant to the VIE.

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

	December 31,	
	2021	2020
MSRs pledged (MSRs, at fair value)	$ 99,833	$ 129,204
Debt service account (Restricted cash)	1,968	2,385
Outstanding borrowings (MSR financing facilities, net)	41,663	68,313
Unamortized debt issuance costs (MSR financing facilities, net)	413	894

Note 3 — Fair Value

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

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.

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:

		December 31,			
		2021		2020	
	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:					
Loans held for sale					
Loans held for sale, at fair value (a) (e)	3, 2	$ 917,534	$ 917,534	$ 366,364	$ 366,364
Loans held for sale, at lower of cost or fair value (b)	3	10,993	10,993	21,472	21,472
Total Loans held for sale		$ 928,527	$ 928,527	$ 387,836	$ 387,836

		December 31,			
		2021		2020	
	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans held for investment					
Loans held for investment - Reverse mortgages (a)	3	$ 7,199,762	$ 7,199,762	$ 6,997,127	$ 6,997,127
Loans held for investment - Restricted for securitization investors (a)	3	7,879	7,879	9,770	9,770
Total loans held for investment		7,207,641	7,207,641	7,006,897	7,006,897
Advances, net (c)	3	772,433	772,433	828,239	828,239
Receivables, net (c)	3	180,707	180,707	187,665	187,665
Mortgage-backed securities (a)	3	1	1	2,019	2,019
Corporate bonds (a)	2	211	211	211	211
Investment in equity method investee (c)	3	23,297	23,297	—	—
Financial liabilities:					
Advance match funded liabilities (c)	3	$ 512,297	$ 511,994	$ 581,288	$ 581,997
Financing liabilities:					
HMBS-related borrowings (a)	3	$ 6,885,022	$ 6,885,022	$ 6,772,711	$ 6,772,711
Other financing liabilities:					
Financing liability - Pledged MSR liability (a)	3	797,084	797,084	566,952	566,952
Financing liability - Owed to securitization investors (a)	3	7,879	7,879	9,770	9,770
Total Other financing liabilities		$ 804,963	$ 804,963	$ 576,722	$ 576,722
Mortgage loan warehouse facilities (c)	3	$ 1,085,076	$ 1,085,076	$ 451,713	$ 451,713
MSR financing facilities (c) (d)	3	900,760	873,820	437,672	406,860
Senior secured term loan (c) (d)	2	$ —	$ —	$ 179,776	$ 184,639
Senior notes:					
PMC & PHH Senior notes (c) (d) (f)	2	392,555	413,472	311,898	320,879
OFC Senior notes due 2027 (c) (d) (f)	3	222,242	261,455	—	—
Total Senior notes		$ 614,797	$ 674,927	$ 311,898	$ 320,879
Derivative financial instrument assets (liabilities)					
Interest rate lock commitments (a)	3	$ 18,084	$ 18,084	$ 22,706	$ 22,706
Forward trades - Loans held for sale (a)	1	364	364	(50)	(50)
TBA / Forward mortgage-backed securities (MBS) trades (a)	1	(287)	(287)	(4,554)	(4,554)
Interest rate swap futures (a)	1	1,734	1,734	504	504
TBA forward Pipeline trades (a)	1	48	48	—	—
Option contracts (a)	2	(277)	(277)	—	—
Other (a)	3	(1,070)	(1,070)	—	—
MSRs (a)	3	$ 2,250,147	$ 2,250,147	$ 1,294,817	$ 1,294,817

(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 14 — Borrowings for additional information.
(e) Loans repurchased from Ginnie Mae securitizations with a fair value of $220.9 million and $51.1 million at December 31, 2021 and 2020, respectively, are classified as Level 3. The remaining balance of loans held for sale at fair value is classified as Level 2.

(f) On March 4, 2021, PMC completed the issuance and sale of $400.0 million aggregate principal amount of senior secured notes. Fair value is based on valuation data obtained from a pricing service. Therefore, these notes are classified as Level 2. Additionally on March 4, 2021 and May 3, 2021, Ocwen completed the private placement of $199.5 million and $85.5 million, respectively, aggregate principal amount of senior secured second lien notes. These notes are classified as Level 3. See Note 14 — 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:

Year Ended December 31, 2021	Loans Held for Investment - Restricted for Securitization Investors	Financing Liability - Owed to Securitiza - tion Investors	Loans Held for Sale - Fair Value	Mortgage-Backed Securities	IRLCs
Beginning balance	$ 9,770	$ (9,770)	51,072	$ 2,019	$ 22,706
Purchases, issuances, sales and settlements					
Purchases	—	—	436,154	—	—
Issuances (1)	—	—	—	—	627,677
Sales	—	—	(259,995)	(1,617)	—
Settlements	(1,891)	1,891	—	—	—
Transfers to:					
Loans held for sale, at fair value (1)	—	—	—	—	(591,701)
Receivables, net	—	—	(1,644)	—	—
Other assets	—	—	(377)	—	—
	(1,891)	1,891	174,138	(1,617)	35,976
Change in fair value included in earnings (1)	—	—	(4,270)	(401)	(40,597)
Transfers in and / or out of Level 3	—	—	—	—	—
Ending balance	$ 7,879	$ (7,879)	$ 220,940	$ 1	$ 18,085

(1) IRLC activity (issuances and transfers) represent changes in fair value included in earnings. This activity is presented on a gross basis in the table for disclosure purposes. Total net change in fair value included in earnings attributed to IRLCs for 2021 is a $4.6 million loss. See Note 17 — Derivative Financial Instruments and Hedging Activities.

Year Ended December 31, 2020	Loans Held for Investment - Restricted for Securitization Investors	Financing Liability - Owed to Securitiza - tion Investors	Loans Held for Sale - Fair Value	Mortgage-Backed Securities	IRLCs
Beginning balance	$ 23,342	$ (22,002)	$ —	$ 2,075	$ —
Purchases, issuances, sales and settlements					
Purchases	—	—	162,589	—	—
Issuances	—	—	—	—	286,992
Deconsolidation of mortgage-backed securitization trusts	(10,715)	9,519	—	—	—
Sales	—	—	(137,780)	—	—
Settlements	(2,857)	2,857	—	—	—
Transfers (to) from:					
Loans held for sale, at fair value	—	—	—	—	(285,198)
Receivables, net	—	—	(969)	—	—
	(13,572)	12,376	23,840	—	1,794
Change in fair value included in earnings	—	(144)	1,650	(56)	10,434
Transfers in and / or out of Level 3	—	—	25,582	—	10,478
Ending balance	$ 9,770	$ (9,770)	$ 51,072	$ 2,019	$ 22,706

Year Ended December 31, 2019	Loans Held for Investment - Restricted for Securitization Investors	Financing Liability - Owed to Securitiza - tion Investors	Mortgage-Backed Securities	Derivatives - Interest Rate Caps
Beginning balance	$ 26,520	$ (24,815)	$ 1,502	$ 678
Purchases, issuances, sales and settlements				
Purchases	—	—	—	—
Issuances	—	—	—	—
Sales	—	—	—	—
Settlements	(3,178)	2,813	—	—
	(3,178)	2,813	—	—
Change in fair value included in earnings	—	—	573	(678)
Ending balance	$ 23,342	$ (22,002)	$ 2,075	$ —

A reconciliation from the beginning balances to the ending balances of Loans Held for Investment and HMBS-related borrowings, MSRs and Pledged MSR liability that we measure at fair value on a recurring and non-recurring basis is disclosed in Note 5 – Reverse Mortgages, Note 7 — Mortgage Servicing and Note 8 — MSR Transfers Not Qualifying for Sale Accounting, respectively.

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 generally 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 EBO and loan resolution activity as part of our contractual obligations as the servicer of the loans. Effective January 1, 2020, we elected to classify any repurchased loans as loans held for sale at 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). Modified and EBO loans purchased before January 1, 2020 are classified as loans held for sale at the lower of cost or fair value. The fair value of these loans is estimated using both observable and unobservable inputs, including published forward Ginnie Mae prices or existing sale contracts, as well as estimated default, prepayment, and discount rates. The significant unobservable input in estimating fair value is the estimated default rate. Accordingly, these repurchased Ginnie Mae loans are classified as Level 3 within the valuation hierarchy.

Loans 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.

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 determine 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.

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. Inputs of the discounted cash flows of these assets include future draws and tail securitization spreads, conditional prepayment rate (including voluntary and involuntary prepayments) and discount rate.

We engage third-party valuation experts in the determination of fair value. While the models and related assumptions used by the valuation experts are proprietary to them, we understand the methodologies, the significant inputs and the assumptions used to develop the prices based on our ongoing due diligence, which includes regular discussions with the valuation experts. We evaluate the reasonableness of our third party experts' assumptions using historical experience, or cash flow backtesting, adjusted for prevailing market conditions. The fair value is equal to the third-party valuation expert fair value mark.

Significant unobservable assumptions include conditional prepayment rate and discount rate. The conditional prepayment rate assumption displayed in the table below is inclusive of voluntary (repayment or payoff) and involuntary (inactive/delinquent status and default) prepayments. The discount rate assumption is primarily based on an assessment of current market yields on reverse mortgage loan and tail securitizations, expected duration of the asset and current market interest rates.

	December 31,	
Significant unobservable assumptions	**2021**	**2020**
Life in years		
Range	1.0 to 8.2	0.9 to 8.0
Weighted average	5.7	5.9
Conditional prepayment rate, including voluntary and involuntary prepayments		
Range	11.2% to 36.6%	10.6% to 28.8%
Weighted average	16.0 %	15.4 %
Discount rate	2.6 %	1.9 %

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

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 from 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

We determine the fair value of MSRs primarily using discounted cash flow methodologies. 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.

We engage third-party valuation experts who generally utilize: (a) transactions involving instruments with similar collateral and risk profiles, adjusted as necessary based on specific characteristics of the asset or liability being valued; and/or (b) industry-standard modeling, such as a discounted cash flow model and prepayment model, in arriving at their estimate of fair value. The prices provided by the valuation experts reflect their observations and assumptions related to market activity, incorporating available industry survey results and client feedback, and including risk premiums and liquidity adjustments. While the models and related assumptions used by the valuation experts are proprietary to them, we understand the methodologies and assumptions used to develop the prices based on our ongoing due diligence, which includes regular discussions with the valuation experts. We believe that the procedures executed by the valuation experts, supported by our verification and analytical procedures, provide reasonable assurance that the prices used in our consolidated financial statements comply with the accounting guidance for fair value measurements and disclosures and reflect the assumptions that a market participant would use.

We evaluate the reasonableness of our third-party experts' assumptions using historical experience adjusted for prevailing market conditions. Assumptions used in the valuation of MSRs 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

MSRs are carried at fair value and classified within Level 3 of the valuation hierarchy. The fair value is equal to the fair value mark provided by the third-party valuation experts, without adjustment, except in the event we have a potential or completed sale, including transactions where we have executed letters of intent, in which case the fair value of the MSRs is recorded at the estimated sale price. 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 or assumptions may result in a significantly higher or lower fair value measurement. Changes in market interest rates predominantly impact the fair value of Agency MSRs via prepayment speeds by altering the borrower refinance incentive and the non-Agency MSRs due to the impact on advance funding costs. The significant unobservable assumptions used in the valuation of these MSRs include prepayment speeds, delinquency rates, cost to service and discount rates.

	December 31,			
	2021		2020	
Significant unobservable assumptions	**Agency**	**Non-Agency**	**Agency**	**Non-Agency**
Weighted average prepayment speed	8.5 %	12.1 %	11.8 %	11.5 %
Weighted average lifetime delinquency rate	1.2 %	11.9 %	3.0 %	28.0 %
Weighted average discount rate	8.5 %	11.2 %	9.2 %	11.4 %
Weighted average cost to service (in dollars)	$ 71	$ 205	$ 79	$ 270

Because the mortgages underlying these MSRs permit the borrowers to prepay the loans, the value of the MSRs generally tends to diminish in periods of declining interest rates, an improving housing market or expanded product availability (as prepayments increase) and increase in periods of rising interest rates, a deteriorating housing market or reduced product availability (as prepayments decrease). The following table summarizes the estimated change in the value of the MSRs as of December 31, 2021 given hypothetical increases in lifetime prepayments and yield assumptions:

Adverse change in fair value	10%	20%
Weighted average prepayment speeds	$ (62,497)	$ (121,391)
Weighted average discount rate	(63,711)	(114,336)

The sensitivity analysis measures the potential impact on fair values based on hypothetical changes, which in the case of our portfolio at December 31, 2021 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. Servicing advances have no stated maturity and do not bear interest. Principal and interest advances are generally realized within a relatively short period of time. The timing of recovery of taxes, insurance and other corporate advances depends on the underlying loan attributes, performance, and in many cases, foreclosure or liquidation timeline. The fair value adjustment to servicing advances associated with the estimated time to recover such advances is separately measured and reported as a component of the fair value of the associated MSR, consistent with actual market transactions. Refer to MSRs above for a description of the valuation methodology and assumptions related to the cost of financing servicing advances and discount rate, among other factors.

Receivables

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

Investment in Equity Method Investee

Our investment in equity method investee is accounted for using the equity method and classified as Level 3 within the valuation hierarchy. The assets, including MSRs and MSR related assets, and liabilities of the investee are carried at fair value or a value that approximates fair value. Accordingly, the investee’s net asset value approximates its fair value, and its earnings or losses reflect the change in its net asset value, resulting in our recorded investment approximating fair value. See Note 11 — Investment in Equity Method Investee for further details.

Advance Match Funded Liabilities

For advance 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 advance 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

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

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

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

Significant unobservable assumptions	December 31, 2021	2020
Life in years		
Range	1.0 to 8.2	0.9 to 8.0
Weighted average	5.7	5.9
Conditional prepayment rate		
Range	11.2% to 36.6%	10.6% to 28.8%
Weighted average	16.0 %	15.4 %
Discount rate	2.5 %	1.7 %

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

Pledged MSR Liabilities

Pledged MSR liabilities are carried at fair value and classified as Level 3 within the valuation hierarchy. We recognize the proceeds received in connection with MSRs transferred or sold in transactions which did not initially qualify for sale accounting treatment as a secured financing that we account for at fair value. We determine the fair value of the pledged MSR liability following a similar approach as for the associated transferred MSRs. Fair value of the pledged MSR liability in connection with the MAV MSR transactions is determined using the fair value mark provided by third-party valuation expert, consistent with the associated MSR, using the same methodology and assumptions, while considering cash flows contractually retained by PMC. Fair value for the portion of the borrowing attributable to the MSRs underlying the Rights to MSRs in connection with NRZ transactions is determined using the fair value mark provided by the 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 fair value mark provided by the third-party valuation experts for the related MSR.

Significant unobservable assumptions	December 31, 2021	2020
Weighted average prepayment speed	10.9 %	11.5 %
Weighted average delinquency rate	8.8 %	29.8 %
Weighted average discount rate	10.5 %	11.4 %
Weighted average cost to service (in dollars)	$ 182	$ 287

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

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. 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.

Mortgage Loan Warehouse Facilities

Our mortgage loan warehouse facilities bear interest at a rate that is adjusted regularly based on a market index. The carrying value of the outstanding borrowings under these revolving facilities approximates fair value.

MSR Financing Facilities

Our MSR financing facilities bear interest at a rate that is adjusted regularly based on a market index. The carrying value of the outstanding borrowings under these facilities approximates fair value.

In 2014, we issued Ocwen Asset Servicing Income Series (OASIS), Series 2014-1 Notes secured by Ocwen-owned MSRs relating to Freddie Mac mortgages. In 2019, we issued Ocwen Excess Spread-Collateralized Notes, Series 2019-PLS1 notes secured by certain of PMC's private label MSRs. We determine the fair value of these notes based on bid prices provided by third parties involved in the issuance and placement of the notes.

Senior Notes

We base the fair value on quoted prices in a market with available 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. 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. IRLCs are classified as Level 3 assets as fallout rates were determined to be significant unobservable assumptions.

We entered 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 until August 2019 and, beginning in September 2019, to hedge our net MSR portfolio. We use derivative instruments, including forward trades of MBS or Agency "to be announced" securities (TBAs) and exchange-traded interest rate swap futures, as economic hedging instruments. Forward contracts, TBAs and interest rate swap futures 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 3ML, respectively) interest rates. The fair value for interest rate caps is based on counterparty market prices and adjusted for counterparty credit risk.

Note 4 — Loans Held for Sale

	Years Ended December 31,		
Loans Held for Sale - Fair Value	**2021**	**2020**	**2019**
Beginning balance	$ 366,364	$ 208,752	$ 176,525
Originations and purchases	19,972,375	7,552,026	1,168,885
Proceeds from sales	(19,279,150)	(7,344,151)	(1,124,247)
Principal collections	(58,603)	(25,976)	(23,116)
Transfers from (to):			
Loans held for investment, at fair value	4,271	3,084	1,892
Receivables	(33,638)	(85,001)	(2,480)
REO (Other assets)	(8,438)	(3,657)	(2,520)
Gain (loss) on sale of loans	(69,927)	50,248	25,253
Capitalization of advances on Ginnie Mae modifications	24,752	12,789	—
Increase (decrease) in fair value of loans	(948)	1,075	(589)
Other	474	(2,825)	(10,851)
Ending balance (1) (2)	$ 917,534	$ 366,364	$ 208,752

(1) At December 31, 2021, 2020 and 2019, the balances include $(4.4) million, $(6.7) million and $(7.8) million, respectively, of fair value adjustments.

(2) At December 31, 2021 and 2020, the balances include $220.9 million and $51.1 million, respectively, of loans that we repurchased from Ginnie Mae guaranteed securitizations pursuant to Ginnie Mae servicing guidelines. Effective January 1, 2020, we elected to classify repurchased loans as Loans held for sale at fair value. See table below for the December 31, 2019 balance. 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.

Loans Held for Sale - Lower of Cost or Fair Value	Years Ended December 31, 2021	2020	2019
Beginning balance - before Valuation allowance	$ 27,652	$ 73,160	$ 77,666
Purchases (1)	—	—	320,089
Proceeds from sales	(10,607)	(58,575)	(221,471)
Principal collections	(989)	(1,842)	(11,304)
Transfers from (to):			
Receivables, net	(1,020)	61	(104,635)
REO (Other assets)	—	—	(4,116)
Gain on sale of loans	549	11,189	4,974
Capitalization of advances on Ginnie Mae modifications	—	—	2,485
Other	(220)	3,659	9,472
Ending balance - before Valuation allowance (2)	15,365	27,652	73,160
Beginning balance - Valuation allowance	$ (6,180)	$ (6,643)	$ (11,569)
(Provision for) reversal of valuation allowance	1,802	(1,144)	(2,537)
Transfer to (from) Liability for indemnification obligations (Other liabilities)	7	(68)	(403)
Sales of loans	—	1,675	7,866
Ending balance - Valuation allowance	(4,372)	(6,180)	(6,643)
Ending balance, net	$ 10,993	$ 21,472	$ 66,517

(1) We elected the fair value option for all newly repurchased loans after December 31, 2019.
(2) At December 31, 2021, 2020 and 2019, the balances include $2.7 million, $12.5 million and $60.6 million, respectively, of loans that we repurchased from Ginnie Mae guaranteed securitizations pursuant to Ginnie Mae servicing guidelines.

Gains on Loans Held for Sale, Net	Years Ended December 31, 2021	2020	2019
Gain on sales of loans, net			
MSRs retained on transfers of forward mortgage loans	$ 222,715	$ 68,734	$ 7,458
Gain (loss) on sale of forward mortgage loans (1) (2)	(87,850)	45,459	25,310
Gain on sale of repurchased Ginnie Mae loans (2)	18,358	15,947	4,764
	153,223	130,140	37,532
Change in fair value of IRLCs	(6,152)	17,479	756
Change in fair value of loans held for sale	1,934	2,280	3,005
Gain (loss) on economic hedge instruments (3)	1,483	(10,069)	(2,689)
Other	(4,733)	(2,594)	(304)
	$ 145,755	$ 137,236	$ 38,300

(1) Includes $27.1 million gain in 2021 related to loans purchased through the exercise of our servicer call rights with respect to certain Non-Agency trusts and sold, servicing released, in 2021.
(2) Realized gain (loss) on sale of loans, excluding retained MSR.
(3) Excludes gain (loss) of $25.3 million and $(17.4) million on inter-segment economic hedge derivatives presented within MSR valuation adjustments, net for 2021 and 2020, respectively. Third-party derivatives are hedging the net exposure of MSR and pipeline, and the change in fair value of derivatives are reported within MSR valuation adjustments, net. Inter-segment derivatives are established to transfer risk and allocate hedging gains/losses to the pipeline separately from the MSR portfolio. Refer to Note 23 — Business Segment Reporting.

Note 5 – Reverse Mortgages

	Years Ended December 31,					
	2021		2020		2019	
	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings (2)	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings (2)	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings
Beginning balance	$ 6,997,127	$ (6,772,711)	$ 6,269,596	$ (6,063,435)	$ 5,472,199	$ (5,380,448)
Cumulative effect of fair value election (1)	—	—	47,038	—	—	—
Originations	1,763,418	—	1,203,645	—	1,026,154	—
Securitization of HECM loans accounted for as a financing (incl. realized fair value changes)	—	(1,674,914)	—	(1,232,641)	—	(962,113)
Additional proceeds from securitization of HECM loans and tails	—	(44,613)	—	(40,934)	—	(19,086)
Repayments (principal payments received)	(1,626,428)	1,614,295	(944,699)	935,778	(558,720)	549,600
Transfers from (to):						
Loans held for sale, at fair value	(3,383)	—	(3,084)	—	(1,892)	—
Receivables, net	(333)	—	(236)	—	(327)	—
REO (Other assets)	(348)	—	(511)	—	(513)	—
Change in fair value	69,709	(7,079)	425,378	(371,479)	332,695	(251,388)
Ending Balance	$ 7,199,762	$ (6,885,022)	$ 6,997,127	$ (6,772,711)	$ 6,269,596	$ (6,063,435)
Securitized loans (pledged to HMBS-Related Borrowings)	$ 6,979,100	$ (6,885,022)	$ 6,872,252	$ (6,772,711)	$ 6,120,933	$ (6,063,435)
Unsecuritized loans	220,662		124,875		148,663	
Total	$ 7,199,762		$ 6,997,127		$ 6,269,596	

(1) In conjunction with the adoption of ASU 2016-13, we elected the fair value option for future draw commitments (tails) on HECM reverse mortgage loans purchased or originated before December 31, 2018, which resulted in the recognition of the fair value of such tails through stockholders' equity on January 1, 2020.

(2) Represents amounts due to the holders of beneficial interests in Ginnie Mae guaranteed HMBS that did not qualify for sale accounting treatment of HECM loans. Under this accounting treatment, the HECM loans securitized with Ginnie Mae remain on our consolidated balance sheets and the proceeds from the sale are recognized as a financing liability, which is recorded at fair value consistent with the related HECM loans. The beneficial interests in Ginnie Mae guaranteed HMBS have no maturity dates, and the borrowings mature as the related loans are repaid. The interest rate is 1ML plus an applicable margin based on the pass-through rate of the loans. See Note 2 — Securitizations and Variable Interest Entities.

Reverse Mortgage Revenue, Net	Years Ended December 31,		
	2021	2020	2019
Gain on new originations (1)	$ 64,971	$ 46,326	$ 17,849
Change in fair value of securitized loans held for investment and HMBS-related borrowings, net	(2,341)	7,573	63,459
Change in fair value included in earnings, net	62,630	53,899	81,308
Loan fees and other	17,046	6,827	5,001
	$ 79,676	$ 60,726	$ 86,309

(1) Includes the changes in fair value of newly originated loans held for investment in the period through securitization date.

Note 6 — Advances

	December 31,	
	2021	2020
Principal and interest	$ 228,041	$ 277,132
Taxes and insurance	381,025	364,593
Foreclosures, bankruptcy, REO and other	170,385	192,787
	779,451	834,512
Allowance for losses	(7,018)	(6,273)
Advances, net	$ 772,433	$ 828,239

The following table summarizes the activity in net advances:

	Years Ended December 31,		
	2021	2020	2019
Beginning balance - before Allowance for Losses	$ 834,512	$ 1,066,448	$ 1,209,935
Asset acquisition	6,916	14	1,457
New advances	831,208	890,389	671,673
Sales of advances	(1,272)	(834)	(11,791)
Collections of advances and other	(891,914)	(1,121,505)	(804,826)
Ending balance - before Allowance for Losses	779,451	834,512	1,066,448
Beginning balance - Allowance for Losses	$ (6,273)	$ (9,925)	$ (23,259)
Provision expense	(8,107)	(7,790)	(3,220)
Net charge-offs and other (1)	7,361	11,442	16,554
Ending balance - Allowance for Losses	(7,018)	(6,273)	(9,925)
Ending balance, net	$ 772,433	$ 828,239	$ 1,056,523

(1) Net change for the year ended December 31, 2019 includes $18.0 million allowance related to sold advances presented in Other liabilities (Liability for indemnification obligations).

Note 7 — Mortgage Servicing

During each period, we remeasure our MSRs at fair value, which contemplates the receipt or nonreceipt of the servicing income for that period. The servicing income, including expectations of future servicing cash flows, are inputs for the measurement of the MSR fair value. The net result on the statement of operations is that we record the contractual cash received in each period as revenue within Servicing and subservicing fees, partially offset by the remeasurement of the MSR fair value within MSR valuation adjustments, net.

Mortgage Servicing Rights – Fair Value Measurement Method	Years Ended December 31,								
	2021			2020			2019		
	Agency	Non-Agency	Total	Agency	Non-Agency	Total	Agency	Non-Agency	Total
Beginning balance	$ 578,957	$ 715,860	$ 1,294,817	$ 714,006	$ 772,389	$ 1,486,395	$ 865,587	$ 591,562	$ 1,457,149
Sales	—	—	—	—	(143)	(143)	(3,578)	(766)	(4,344)
Additions:									
Recognized on the sale of residential mortgage loans	222,715	—	222,715	68,734	—	68,734	8,795	—	8,795
Purchase of MSRs	844,122	—	844,122	285,134	—	285,134	153,505	—	153,505
Servicing transfers and adjustments (1)	117	(10,899)	(10,782)	(266,248)	403	(265,845)	—	(7,309)	(7,309)
Changes in fair value:									
Changes in valuation inputs or assumptions (2)	62,437	87,077	149,514	(145,308)	37,257	(108,051)	(192,323)	268,208	75,885
Realization of cash flows (2)	(136,511)	(113,728)	(250,239)	(77,361)	(94,046)	(171,407)	(117,980)	(79,306)	(197,286)
Ending balance	$ 1,571,837	$ 678,310	$ 2,250,147	$ 578,957	$ 715,860	$ 1,294,817	$ 714,006	$ 772,389	$ 1,486,395

(1) Servicing transfers and adjustments include a $263.7 million derecognition of MSRs/Rights to MSRs effective with the February 20, 2020 notice of termination of the PMC subservicing agreement by NRZ. See Note 8 — MSR Transfers Not Qualifying for Sale Accounting for further information.
(2) Effective January 1, 2021, changes in fair value due to actual versus model variances are presented as Changes in valuation inputs or assumptions. Activity for 2020 and 2019 in the table above has been recast to conform to current year disclosure, resulting in a $1.8 million and $18.1 million gain, respectively, reclassified from Realization of expected cash flows to Changes in valuation inputs or assumptions.

	December 31, 2021		December 31, 2020	
	Fair Value	UPB	Fair Value	UPB
Owned MSRs	$ 1,422,546	$ 127,919,800	$ 727,865	$ 90,174,495
NRZ transferred MSRs (1) (2)	558,940	53,652,843	566,952	64,061,198
MAV transferred MSRs (1)	268,661	24,018,904	—	—
Total MSR UPB	$ 2,250,147	$ 205,591,547	$ 1,294,817	$ 154,235,693

(1) MSRs subject to sale agreements with NRZ and MAV that do not meet sale accounting criteria. During 2021, we transferred MSRs with a UPB of $24.9 billion to MAV. See Note 8 — MSR Transfers Not Qualifying for Sale Accounting.
(2) At December 31, 2021, the title of the MSR transferred to NRZ is retained by Ocwen for $12.1 billion of UPB and transferred to NRZ for $41.5 billion of UPB.

We purchased MSRs with a UPB of $75.6 billion, $31.7 billion and $14.6 billion during 2021, 2020 and 2019, respectively. Purchases during 2021 include a bulk MSR acquisition of performing GSE loans from an unrelated third party effective June 1, 2021, with a UPB and fair value of $46.8 billion and $575.3 million, respectively. We sold MSRs with a UPB of $32.0 million, $80.0 million and $140.8 million during 2021, 2020 and 2019, respectively, to unrelated third parties, mostly to Freddie Mac under the Voluntary Partial Cancellation (VPC) program for delinquent loans. The sales in 2019 of $140.8 million UPB were non-Agency MSRs.

At December 31, 2021, the S&P Global Ratings, Inc.'s (S&P) servicer ratings outlook for PMC is stable. On June 29, 2021, S&P affirmed PMC's servicer rating as Average, raising management and organization ranking to Above Average. In addition, S&P raised PMC's master servicer rating from Average to Above Average reflecting the industry experience of PMC's management, multiple levels of internal controls to monitor operations, and resolution of regulatory actions, amongst other factors mentioned by S&P. On September 28, 2021, Moody's upgraded the servicer quality (SQ) assessment for PMC as a master servicer of residential mortgage loans from SQ3 to SQ3+, reflecting solid reporting and remitting processes and proactive servicer oversight. On March 24, 2020, Fitch Ratings, Inc. (Fitch) placed all U.S. Residential Mortgage Backed Securities (RMBS) servicer ratings on Outlook Negative, resulting from a rapidly evolving economic and operating environment due to the sudden impact of the COVID-19 virus. On April 28, 2021, Fitch affirmed PMC's servicer ratings and revised its outlook from Negative to Stable as PMC's performance in this evolving environment has not raised any elevated concerns. According to Fitch, the affirmation and stable outlook reflected PMC's diligent response to the coronavirus pandemic and its impact on servicing operations, effective enterprise-wide risk environment and compliance management framework, satisfactory loan servicing performance metrics, special servicing expertise, and efficient servicing technology. The ratings also consider the financial condition of PMC's parent, OFC.

Downgrades in servicer ratings could adversely affect our ability to service loans, 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.

The geographic concentration of the UPB of residential loans and real estate we serviced at December 31, 2021 was as follows:

	Amount	Count
California	$ 43,935,174	154,632
Texas	17,016,955	104,502
Florida	13,754,741	91,391
New York	12,701,419	53,132
New Jersey	10,382,601	44,175
Other	107,800,657	654,355
	$ 205,591,547	1,102,187

	Years Ended December 31,		
Servicing Revenue	**2021**	**2020**	**2019**
Loan servicing and subservicing fees			
Servicing	$ 339,233	$ 216,263	$ 227,490
Subservicing	21,120	28,886	15,459
MAV (2)	15,708	—	—
NRZ (2)	304,248	383,685	577,015
Total loan servicing and subservicing fees	680,309	628,834	819,964
Ancillary income			
Late charges	40,869	47,687	57,194
Recording fees	16,013	14,281	13,029
Loan collection fees	11,724	12,919	15,539
Boarding and deboarding fees	10,522	11,122	3,254
Custodial accounts (float earnings)	4,739	9,939	47,562
GSE forbearance fees	1,537	1,204	—
Reverse subservicing ancillary income	1,411	—	—
Home Affordable Modification Program (HAMP) fees (1)	638	565	5,538
Other	14,179	10,769	13,427
Total ancillary income	101,632	108,486	155,543
	$ 781,941	$ 737,320	$ 975,507

(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.
(2) Includes servicing and subservicing fees related to transferred MSRs. See Note 8 — MSR Transfers Not Qualifying for Sale Accounting.

Float balances (balances in custodial accounts, which represent collections of principal and interest that we receive from borrowers) are held in escrow by unaffiliated banks and are excluded from our consolidated balance sheets. Float balances amounted to $2.07 billion, $1.74 billion and $1.71 billion at December 31, 2021, 2020 and 2019, respectively.

Note 8 — MSR Transfers Not Qualifying for Sale Accounting

MSRs transferred or sold in transactions which do not qualify for sale accounting treatment are accounted for as secured financings. Until such time as the transaction qualifies as a sale for accounting purposes, we continue to recognize the MSRs and related financing liability on our consolidated balance sheets, as well as the full amount of servicing fee collected as revenue and the servicing fee remitted as Pledged MSR liability expense in our consolidated statements of operations. In addition, changes in fair value of the transferred MSRs are recognized in MSR valuation adjustments, net in the consolidated statements of operations, while changes in fair value of the related MSR financing liability are reported in Pledged MSR liability expense.

In 2021, PMC entered into agreements to sell MSR portfolios to MAV, on a bulk and flow basis. In each such agreements, PMC has been retained as subservicer for the sold portfolio in accordance with the terms of the subservicing agreement entered into on May 3, 2021. The transactions do not qualify for sale accounting treatment predominantly due to the termination restrictions of the subservicing agreement. See Note 11 — Investment in Equity Method Investee.

Starting in 2012, Ocwen and PMC 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. Due to the length of the non-cancellable term of the subservicing agreements, the transactions did not qualify for sale accounting treatment which resulted in such transactions being accounted for as secured financings. In the case of Rights to MSRs transactions with NRZ, legal title was retained by Ocwen, causing the transactions to be accounted for as secured financings.

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

	Year Ended December 31, 2021		
Pledged MSR Liability	**Original Rights to MSRs Agreements**	**MAV Agreements (2)**	**Total**
Beginning balance	$ 566,952	$ —	$ 566,952
Additions	—	250,016	250,016
Changes in fair value	82,274	(4,329)	77,945
Runoff and settlement	(81,813)	(7,543)	(89,356)
Calls (1)	(8,472)	—	(8,472)
Ending balance	$ 558,940	$ 238,144	$ 797,085

Pledged MSR Liability	Year Ended December 31, 2020 Original Rights to MSRs Agreements	2017 Agreements and New RMSR Agreements	PMC MSR Agreements	Total
Beginning balance	$ 603,046	$ 35,445	$ 312,102	$ 950,593
Additions	—	—	—	—
Sales	—	—	(226)	(226)
Changes in fair value (3)	36,065	903	(40,720)	(3,752)
Runoff and settlement (3)	(70,403)	(35,121)	(7,492)	(113,016)
Derecognition of financing liability due to termination of PMC Agreement (4)	—	—	(263,664)	(263,664)
Calls (1)	(1,756)	(1,227)	—	(2,983)
Ending balance	$ 566,952	$ —	$ —	$ 566,952

Pledged MSR Liability	Year Ended December 31, 2019 Original Rights to MSRs Agreements	2017 Agreements and New RMSR Agreements	PMC MSR Agreements	Total
Beginning balance	$ 436,511	$ 138,854	$ 457,491	$ 1,032,856
Additions	—	—	1,276	1,276
Sales	—	—	44	44
Changes in fair value (3)	222,697	5,866	(82,078)	146,485
Runoff and settlement (3)	(42,229)	(101,003)	(64,631)	(207,863)
Calls (1)	(13,933)	(8,272)	—	(22,205)
Ending balance	$ 603,046	$ 35,445	$ 312,102	$ 950,593

(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 MSRs Agreements (as defined below). Ocwen derecognizes the MSRs and the related financing liability upon collapse of the securitization.

(2) The fair value of the Pledged MSR liability differs from the fair value of the associated transferred MSR asset mostly due to the portion of ancillary income that is retained by PMC (shared between PMC and MAV) and other contractual cash flows under the terms of the subservicing agreement. As the MSR sales to MAV do not achieve sale accounting, the MSR asset transferred remains on the consolidated balance sheet and the proceeds from the sale are initially recognized as a financing liability (Pledged MSR liability), which is recorded at fair value with changes in fair value reported in Pledged MSR liability expense.

(3) Effective January 1, 2021, changes in fair value due to actual vs. model variances are presented as Changes in valuation inputs or assumptions. Activity for the years ended December 31, 2020 and 2019 in the table above have been recast to conform to current year disclosure, resulting in a loss of $14.1 million in 2020 and a gain of $6.5 million in 2019, reclassified from Runoff and settlement to Changes in fair value.

(4) On February 20, 2020, we received a notice of termination from NRZ with respect to the PMC MSR Agreements. While the MSRs and the Rights to MSRs associated with these loans were derecognized from our balance sheet, we continued to service these loans until completing deboarding on October 1, 2020, and accounted for them as a subservicing relationship during that period.

The following table presents assets and liabilities recorded on our consolidated balance sheets in connection with the MSR transfer agreements with NRZ that do not qualify for sale accounting (refer to Note 9 — Receivables and Note 15 — Other Liabilities for receivables and other liabilities, respectively, related to MAV):

	December 31, 2021	December 31, 2020
Balance Sheet		
NRZ - Transferred MSRs, at fair value	$ 558,940	$ 566,952
Other financing liability - Pledged MSR liability, at fair value		
NRZ - Original Rights to MSRs Agreements	558,940	566,952
Due from NRZ (Receivables)		
Advance funding, subservicing fees and reimbursable expenses	3,781	4,611
Due to NRZ (Other liabilities)	$ 76,590	$ 94,691

The following tables present selected items in our consolidated statements of operations in connection with the MSR transfer agreements with NRZ and MAV that do not qualify for sale accounting.

	Year Ended December 31,		
	2021	2020	2019
Statements of Operations			
Servicing fees			
Servicing fees collected on behalf of NRZ	$ 304,248	$ 383,685	$ 577,015
Servicing fees collected on behalf of MAV	14,173	—	—
	$ 318,421	$ 383,685	$ 577,015
Pledged MSR liability expense			
NRZ (see further details below)	$ 205,226	$ 152,334	$ 372,089
MAV (see further details below)	4,675	—	—
	$ 209,901	$ 152,334	$ 372,089

NRZ Pledged MSR liability expense:

	Year Ended December 31,		
	2021	2020	2019
Servicing fees collected on behalf of NRZ	$ 304,248	$ 383,685	$ 577,015
Less: Subservicing fee retained	88,401	104,848	139,343
Net servicing fees remitted to NRZ	215,847	278,837	437,672
Less: Reduction (increase) in financing liability			
Changes in fair value:			
Original Rights to MSRs Agreements (1)	(82,274)	(36,065)	(222,697)
2017 Agreements and New RMSR Agreements	—	(903)	(5,866)
PMC MSR Agreements	—	40,720	82,078
	(82,274)	3,752	(146,485)
Runoff and settlement:			
Original Rights to MSRs Agreements (1)	81,813	70,403	42,228
2017 Agreements and New RMSR Agreements	—	35,121	101,003
PMC MSR Agreements	—	7,492	64,631
	81,813	113,016	207,862
Other	11,082	9,735	4,206
Pledged MSR liability expense	$ 205,226	$ 152,334	$ 372,089

(1) Effective January 1, 2021, changes in fair value due to actual vs. model variances are presented as Changes in valuation inputs or assumptions. Activity for the years ended December 31, 2020 and 2019 in the table above have been recast to conform to current year disclosure, resulting in a loss of $14.1 million in 2020 and a gain of $6.5 million in 2019, reclassified from Runoff and settlement to Changes in fair value.

MAV Pledged MSR liability expense:

	Year Ended December 31, 2021
Servicing fees collected on behalf of MAV	$ 14,173
Less: Subservicing fee retained by Ocwen	1,988
Net servicing fees remitted to MAV	12,186
Less: Reduction (increase) in Pledged MSR liability	
Changes in fair value due to valuation inputs or assumptions	4,329
Runoff and settlement	7,543
	11,872
Other (1)	(4,361)
Pledged MSR liability expense - MAV	$ 4,675

(1) Includes $4.0 million of early payment protection associated with the sale of MSR portfolios by PMC to MAV.

NRZ - 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 MSRs Agreements), Ocwen agreed to service the mortgage loans underlying the MSRs on the economic terms set forth in the Original Rights to MSRs Agreements. After the transfer of legal title as contemplated under the Original Rights to MSRs 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 MSRs 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 MSRs that were subject to the Original Rights to MSRs Agreements and under which Ocwen would subservice mortgage loans underlying the MSRs for an initial term ending in July 2022 (the Initial Term).

On January 18, 2018, the parties entered into new agreements (including a Servicing Addendum) regarding the Rights to MSRs related to MSRs that remained subject to the Original Rights to MSRs 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. Under the new agreements, following receipt of the required consents and transfer of the MSRs, Ocwen subservices the mortgage loans underlying the transferred MSRs pursuant to the 2017 Agreements and the August 2018 subservicing agreement with NewRez LLC dba Shellpoint Mortgage Servicing (Shellpoint) described below.

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 represented the net present value of the difference between the future revenue stream Ocwen would have received under the Original Rights to MSRs Agreements and the future revenue stream Ocwen expected to receive under the 2017 Agreements and the New RMSR Agreements. We recognized the cash received as a financing liability that we accounted for at fair value through the term of the original agreements (April 2020). Changes in fair value were recognized in Pledged MSR liability expense in the consolidated statements of operations.

On August 17, 2018, Ocwen and NRZ entered into certain amendments (i) to the New RMSR Agreements to include Shellpoint, a subsidiary of NRZ, as a party to which legal title to the MSRs 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.

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 180 days' 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 contract term based on certain portfolio run off assumptions. We did not receive any such notice of termination from NRZ 180 days prior to the end of the Initial Terms of the Subservicing Agreements or the Servicing Addendum. Therefore, no termination fee will be payable if NRZ provides a notice of termination during the remaining Initial Term of any of the agreements.

Following the Initial Term in July 2022, NRZ may extend the term of the Subservicing Agreements and Servicing Addendum for additional three-month periods by providing proper notice prior to the end of the Initial Term or the end of any three-month extended term after the Initial Term. Absent any notice of extension, each of the agreements will terminate at the end of its Initial Term in July 2022 or the end of any three-month extended term.

In addition, the Subservicing Agreements and Servicing Addendum may be terminated by Ocwen without cause on an annual basis (in effect a non-renewal) by providing at least 225 days' notice in advance of the last day of the Initial Term or the last day of each one-year extension of the applicable terms after the Initial Term. Ocwen did not exercise its termination option. Therefore, the Subservicing Agreements and Servicing Addendum will automatically renew to July 2023, unless NRZ terminates or does not extend the term per the above discussion.

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 Subservicing Agreement or Servicing Addendum) 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.

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

As of December 31, 2021, the UPB of MSRs subject to the Servicing Agreements and the New RMSR Agreements is $55.8 billion, including $12.1 billion for which title has not transferred to NRZ. As the third-party consents required for title to the MSRs to transfer were not obtained by May 31, 2019, the New RMSR Agreements set forth a process under which NRZ's $12.1 billion Rights to MSRs may (i) be acquired by Ocwen at a price determined in accordance with the terms of the New RMSR Agreements, at the option of Ocwen, or (ii) be sold, together with Ocwen's title to those MSRs, to a third party 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. If the Rights to MSRs are not transferred pursuant to these alternatives, then the Rights to MSRs will remain subject to the New RMSR Agreements.

In addition, during the Initial Term, NRZ has the right to terminate the $12.1 billion New RMSR Agreements for convenience, in whole but not in part, subject to payment of a termination fee and 180 days' notice. As noted above NRZ did not provide us with a notice of termination in January 2022, 180 days prior to the end of the Initial Term, so no termination fee will be payable if NRZ provides a notice of termination before the end of the Initial Term. If NRZ exercises this termination right, NRZ has the option of seeking (i) the transfer of the MSRs through a sale to a third party of its Rights to MSRs (together with a transfer of Ocwen's title to those MSRs) or (ii) a substitute RMSR arrangement that substantially replicates the Rights to MSRs structure (a Substitute RMSR Arrangement) under which we would transfer title to the MSRs to a successor servicer and NRZ would continue to own the economic rights and obligations related to the MSRs. In the case of option (i), we have a purchase option as specified in the New RMSR Agreements. If NRZ is not able to sell the Rights to MSRs or establish a Substitute RMSR Arrangement with another servicer, NRZ has the right to revoke its termination notice and re-instate the Servicing Addendum or to establish a subservicing arrangement whereby the MSRs remaining subject to the New RMSR Agreements would be transferred to up to three subservicers who would subservice under Ocwen's oversight. If such a subservicing arrangement were established, Ocwen would receive an oversight fee and reimbursement of expenses. We may also agree on alternative arrangements that are not contemplated under our existing agreements or that are variations of those contemplated under our existing agreements.

NRZ - PMC Transactions

On December 28, 2016, PMC entered into an agreement to sell substantially all of its MSRs, and the related servicing advances, to NRM (the 2016 PMC Sale Agreement). In connection with this agreement, on December 28, 2016, PMC also entered into a subservicing agreement with NRZ which was subsequently amended and restated as of March 29, 2019 (together with the 2016 PMC Sale Agreement, the PMC MSR Agreements). The PMC subservicing agreement had an initial term of three years from the initial transaction date of June 16, 2017, subject to certain transfer and termination provisions. The MSR sale transaction did not originally achieve sale accounting treatment.

On February 20, 2020, we received a notice of termination from NRZ with respect to the PMC servicing agreement. This termination was for convenience and not for cause, and provided for loan deboarding fees to be paid by NRZ. As the sale accounting criteria were met upon the notice of termination, the MSRs and the Rights to MSRs were derecognized from our balance sheet on February 20, 2020 without any gain or loss on derecognition. We serviced these loans until deboarding in October 2020 representing $34.2 billion of UPB, and accounted for them as a subservicing relationship. Accordingly, we have recognized subservicing fees associated with the subservicing agreement subsequent to February 20, 2020 and have not reported any servicing fees collected on behalf of, and remitted to NRZ, any change in fair value, runoff and settlement in financing liability thereafter. On September 1, 2020, 133,718 loans representing $18.2 billion of UPB were deboarded and the remaining 136,500 loans representing $16.0 billion of UPB were deboarded on October 1, 2020.

Note 9 — Receivables

	December 31, 2021	December 31, 2020
Servicing-related receivables:		
Government-insured loan claims - Forward	$ 90,603	$ 103,058
Government-insured loan claims - Reverse	39,895	32,887
Due from custodial accounts	7,777	19,393
Subservicing fees	6,662	98
Reimbursable expenses	6,056	4,970
Subservicing fees and reimbursable expenses - Due from NRZ	3,781	4,611
Subservicing fees, reimbursable expenses and other - Due from MAV	4,933	—
Other	1,223	989
	160,930	166,006
Income taxes receivable	56,776	57,503
Due from MAV	990	—
Other receivables	3,760	3,200
	222,456	226,709
Allowance for losses	(41,749)	(39,044)
	$ 180,707	$ 187,665

At December 31, 2021 and 2020, the allowance for losses primarily related to receivables of our Servicing business. The allowance for losses related to FHA- or VA-insured loans repurchased from Ginnie Mae guaranteed securitizations (government-insured claims) was $41.5 million and $38.3 million at December 31, 2021 and 2020, respectively. The government-insured claims that do not exceed HUD, VA or FHA insurance limits are guaranteed by the U.S. government.

Allowance for Losses - Government-Insured Loan Claims	Years Ended December 31, 2021	2020	2019
Beginning balance	$ 38,339	$ 56,868	$ 52,497
Provision	14,440	18,145	29,034
Charge-offs and other, net	(11,284)	(36,674)	(24,663)
Ending balance	$ 41,495	$ 38,339	$ 56,868

Note 10 — Premises and Equipment

	December 31,	
	2021	2020
Computer hardware	$ 25,462	$ 33,585
Operating lease ROU assets	22,900	26,930
Computer software	17,002	16,371
Leasehold improvements	13,766	21,272
Office equipment	2,359	6,958
Furniture and fixtures	2,277	3,463
Other	68	123
	83,834	108,702
Less accumulated depreciation and amortization	(70,160)	(91,777)
	$ 13,674	$ 16,925

Note 11 — Investment in Equity Method Investee

On December 21, 2020, Ocwen entered into a transaction agreement (the Transaction Agreement) with Oaktree Capital Management L.P. and certain affiliates (collectively Oaktree) to form a strategic relationship to invest in MSRs subserviced by PMC. The parties have agreed to invest their pro rata portions of up to an aggregate of $250.0 million in an intermediate holding company, MAV Canopy, held 15% by Ocwen and 85% by Oaktree.

On May 3, 2021, pursuant to the Transaction Agreement, Ocwen contributed MAV, which had total member's equity and cash balances of approximately $5.0 million, to MAV Canopy, and received 15% of MAV Canopy and cash consideration. MAV is a licensed mortgage servicing company approved to purchase GSE MSRs. PMC and MAV entered into a number of definitive agreements which govern the terms of their business relationship:

Subservicing Agreement. Effective May 3, 2021, PMC entered into a subservicing agreement with MAV for exclusive rights to service the mortgage loans underlying MSRs owned by MAV in exchange for a per-loan subservicing fee and certain other ancillary fees. The subservicing agreement will continue until terminated by mutual agreement of the parties or for cause, as defined. If either party terminates the agreement for cause, the other party is required to pay certain fees and costs. As of December 31, 2021, PMC subserviced a total $33.0 billion UPB on behalf of MAV, of which $24.0 billion MSR remains reported on the consolidated balance sheet of PMC - see below for information on MSR sales by PMC to MAV.

Joint Marketing Agreement and Recapture Agreement. Effective May 3, 2021, in conjunction with the subservicing agreement, PMC and MAV entered into a joint marketing agreement and a flow MSR sale agreement (MSR recapture), whereby PMC is entitled to the exclusive right to solicit and refinance borrowers with loans underlying the MSR owned by MAV, and is obligated to transfer to MAV the MSR associated with the loans so originated. Under the agreements, the parties share the recapture benefits, whereby PMC realizes gains on loans sold and MAV is delivered the recaptured MSR for no cash consideration. The joint marketing agreement and flow MSR sale agreement will continue until terminated by mutual agreement of the parties or for cause, as defined, or at the option of either party if the subservicing agreement is terminated. As of December 31, 2021, PMC had not transferred any MSRs to MAV under this agreement.

Right of First Offer. Following the execution of the Transaction Agreement and until the parties have contributed their pro rata portions of the $250.0 million aggregate capital contributions, Ocwen and its affiliates may not acquire, without Oaktree's prior written approval, GSE MSRs that meet certain underwriting and other criteria (such criteria are referred to as the "buy-box") unless Ocwen notifies MAV of the opportunity and MAV does not pursue it by submitting a competitive bid to the MSR seller. In addition, until the earlier of (i) the time that MAV has been fully funded and (ii) May 3, 2024 (subject to two annual extensions by mutual agreement), if Ocwen seeks to sell any GSE MSRs that meet the buy-box, Ocwen must first offer such MSRs to MAV before initiating a sale process with a third party. If MAV does not accept Ocwen's offer, Ocwen may sell the MSRs to a third party on terms no more favorable to the purchaser than those offered to MAV. The price at which Ocwen and its affiliates will offer MSRs to MAV will be based on the valuation of an independent third-party. This first offer provision does not apply to MSRs acquired by PMC prior to May 3, 2021.

Forward Bulk Servicing Rights Purchase and Sale Agreement. On September 9, 2021, PMC and MAV entered into an MSR purchase and sale agreement whereby PMC sells MAV on a monthly basis certain Fannie Mae MSRs at the price acquired by PMC, subject to certain adjustments. As of December 31, 2021, PMC sold MSRs with UPB of $4.3 billion to MAV under this agreement.

Bulk Mortgage Servicing Rights Purchase and Sale Agreements. During 2021, PMC sold MAV MSR portfolios in bulk transactions for an aggregate UPB of approximately $20.7 billion. Upon settlement, we recognized an aggregated $1.8 million revaluation gain on the pledged MSR liability, net of standard early payoff (EPO) protection paid to MAV.

The MSR sale transactions between PMC and MAV do not qualify for sale accounting primarily due to the termination restrictions of the subservicing agreement, and are accounted for as secured borrowings. See Note 8 — MSR Transfers Not Qualifying for Sale Accounting for a summary of transactions under this agreement.

Administrative Services Agreement. Pursuant to the Transaction Agreement, Ocwen entered into an agreement to provide certain administrative services to MAV, including accounting, treasury, human resources, management information, MSR transaction management support, and certain licensing, regulatory and risk management support. Ocwen is entitled to a fee for such services, subject to an annual cap of $0.5 million.

Under ASC 323: Investments - Equity Method and Joint Ventures, an investment of less than 20 percent of the voting stock of an investee shall lead to a presumption that an investor does not have the ability to exercise significant influence unless such ability can be demonstrated. Ocwen determined it has significant influence over MAV Canopy based on its representation on the MAV Canopy Board of Directors and certain services it provides, amongst other factors. Accordingly, Ocwen accounts for its investment in MAV Canopy under the equity method.

Our 15% investment in MAV Canopy is comprised of following at and for the year ended December 31, 2021:

Capital contribution	$	27,927
Capital distribution		(8,250)
Earnings of equity method investee		3,620
Investment in equity method investee	$	23,297

MAV Canopy, MAV and Oaktree are deemed related parties to Ocwen. In addition to its investment in MAV Canopy, the subservicing agreement by PMC and the other agreements described above, Ocwen issued common stock, warrants and senior secured notes to Oaktree as described in Note 14 — Borrowings, Note 16 — Stockholders' Equity, and Note 19 — Interest Expense.

Note 12 — Other Assets

	December 31,			
	2021		2020	
Contingent loan repurchase asset	$	403,740	$	480,221
Prepaid expenses		21,498		21,176
Derivatives, at fair value		21,675		23,246
Prepaid representation, warranty and indemnification claims - Agency MSR sale		15,173		15,173
Intangible assets, net		14,335		600
REO		10,075		7,771
Prepaid lender fees, net		7,150		9,556
Deferred tax assets, net		3,329		3,543
Security deposits		1,174		2,222
Other		9,101		7,975
	$	507,250	$	571,483

Intangible assets at December 31, 2021 are primarily comprised of a $13.7 million subservicing contract intangible asset acquired in 2021, net of accumulated amortization of $0.7 million. On October 1, 2021, PMC completed the transaction entered into on June 17, 2021 with MAM (RMS) and its then parent to acquire certain assets related to reverse mortgage subservicing, including subservicing contracts. In addition, PMC extended employment offers to approximately 350 former MAM (RMS) employees. Concurrent with the closing of the transaction, PMC became the subservicer for approximately 57,000 reverse mortgages, or approximately $14.3 billion in UPB pursuant to subservicing agreements with various clients, including MAM (RMS) (five-year term). The reverse mortgages were transferred to our reverse servicing platform concurrent with the closing. Substantially all of the fair value of the assets acquired in the transaction was concentrated in a single asset, specifically the subservicing contract intangible assets; accordingly, we have accounted for this transaction as an asset acquisition.

The aggregate purchase price at closing was approximately $14.3 million, subject to certain holdbacks and adjustments. Upon acquisition, the subservicing contracts were measured at fair value in accordance with ASC 820. We recorded a subservicing intangible asset of $14.5 million upon acquisition based on relative fair value allocation. We are amortizing the intangible asset ratably over the five-year term of the respective subservicing contracts based on portfolio runoff.

Note 13 — Other Financing Liabilities

The following tables presents transferred MSR liabilities recorded in connection with MSR sales and transfers that do not qualify for sale accounting and liabilities of consolidated mortgage-backed securitization trusts.

Borrowing Type	Collateral	Maturity	Outstanding Balance at December 31, 2021	2020
Original Rights to MSRs Agreements, at fair value - NRZ (1)	MSRs	(1)	$ 558,940	$ 566,952
Pledged MSR liability, at fair value - MAV (1)	MSRs	(1)	238,144	—
			797,085	566,952
Financing liability - Owed to securitization investors, at fair value:				
Residential Asset Securitization Trust 2003-A11 (RAST 2003-A11) (2)	Loans held for investment	Oct. 2033	7,879	9,770
Total Other financing liabilities, at fair value			$ 804,963	$ 576,722

(1) See Note 8 — MSR Transfers Not Qualifying for Sale Accounting for additional information.
(2) Consists of securitization debt certificates due to third parties that represent beneficial interests in trusts that we include in our consolidated financial statements. Holders of the debt issued by the consolidated securitization trust entities have recourse only to the assets of the SPE for satisfaction of the debt and have no recourse against the assets of Ocwen. Similarly, the general creditors of Ocwen have no claim on the assets of the trusts. The certificates in the trust pay interest based on fixed rates ranging between 4.25% and 5.75% and a variable rate based on 1ML plus applicable margin, and include principal-only certificates that are not entitled to receive distributions of interest. The maturity of the certificates occurs upon maturity of the loans held by the trust.

Note 14 — Borrowings

Advance Match Funded Liabilities			Borrowing Capacity		Outstanding Balance at December 31,	
Borrowing Type	**Maturity (1)**	**Amort. Date (1)**	**Total**	**Available (2)**	**2021**	**2020**
Advance Receivables Backed Notes - Series 2015-VF5 (3)	Jun. 2052	Jun. 2022	$ 80,000	$ 65,768	$ 14,231	$ 89,396
Advance Receivables Backed Notes, Series 2020-T1 (4)	Aug. 2052	Aug. 2022	475,000	—	475,000	475,000
Total Ocwen Master Advance Receivables Trust (OMART)			555,000	65,768	489,231	564,396
Ocwen Freddie Advance Funding (OFAF) - Advance Receivables Backed Notes, Series 2015-VF1 (5)	Aug. 2052	Aug. 2022	40,000	16,934	23,065	16,892
			$ 595,000	$ 82,702	$ 512,297	$ 581,288
Weighted average interest rate (6)					1.54%	1.96%

(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. After the amortization date for each note, all collections that represent the repayment of advances pledged to the facility must be applied ratably to each outstanding amortizing note to reduce the balance and as such the collection of advances allocated to the amortizing note may not be used to fund new advances.

(2) The committed borrowing capacity under the OMART and OFAF facilities is available to us provided that we have sufficient eligible collateral to pledge. At December 31, 2021, none of the available borrowing capacity of the OMART and OFAF advance financing notes could be used based on the amount of eligible collateral.
(3) Interest is computed based on the lender's cost of funds plus applicable margin. On June 30, 2021, the interest rate margin was reduced by 200 bps and the total borrowing capacity was voluntarily reduced from $250.0 million to $80.0 million.
(4) The interest rates on the individual classes of notes range between 1.28% to 5.42%.
(5) On August 26, 2021, the interest rate was reduced by 100 bps to the lender's cost of funds plus applicable margin and the borrowing capacity was voluntarily reduced from $70.0 million to $40.0 million.. On January 31, 2022, we amended the OFAF advance facility to include Fannie Mae advances as eligible collateral and renamed the facility Ocwen GSE Advance Funding (OGAF).
(6) The weighted average interest rate, excluding the effect of the amortization of prepaid lender fees, is computed using the outstanding balance of each respective note and its interest rate at the financial statement date. At December 31, 2021 and 2020, the balance of unamortized prepaid lender fees was $1.3 million and $4.3 million, respectively, and are included in Other assets in our consolidated balance sheets.

Mortgage Loan Warehouse Facilities			**Available Borrowing Capacity**		**Outstanding Balance at December 31,**	
Borrowing Type	**Collateral**	**Maturity**	**Uncommitted**	**Committed (1)**	**2021**	**2020**
Master repurchase agreement (2)	Loans held for sale (LHFS), Receivables and REO	June 2022	$ 115,000	$ 50,563	$ 109,437	$ 195,773
Master repurchase agreement (3)	LHFS and Loans held for investment (LHFI)	Dec. 2022	250,000	39,118	160,882	80,081
Master repurchase agreement (4)	N/A	N/A	50,000	—	—	—
Participation agreement (5)	LHFS	June 2022	254,814	—	45,186	—
Master repurchase agreement (5)	LHFS	June 2022	—	98,234	1,766	63,281
Master repurchase agreement	LHFS	June 2022	—	1,000	—	—
Mortgage warehouse agreement (6)	LHFS	Jan. 2022	—	38,208	11,792	11,715
Mortgage warehouse agreement (7)	LHFS and LHFI	Dec. 2022	116,187	—	87,813	73,134
Mortgage warehouse agreement (8)	LHFS and Receivables	(9)	7,977	—	192,023	27,729
Master repurchase agreement (9)	LHFS	(10)	—	—	459,344	—
Loan and security agreement (10)	LHFS and Receivables	Apr. 2022	—	13,166	16,834	—
Total Mortgage loan warehouse facilities			$ 793,978	$ 240,289	$ 1,085,076	$ 451,713
Weighted average interest rate (11)					2.61%	3.33%

(1) Of the borrowing capacity on mortgage loan warehouse facilities extended on a committed basis, none of the available borrowing capacity could be used at December 31, 2021 based on the amount of eligible collateral that could be pledged.
(2) The maximum borrowing under this agreement is $275.0 million, of which $160.0 million is available on a committed basis and the remainder is available at the discretion of the lender. At December 31, 2021 and 2020, the interest rate for this facility was 1ML plus applicable margin.
(3) The maximum borrowing under this agreement is $450.0 million, of which $200.0 million is available on a committed basis and the remainder is available on an uncommitted basis. On December 7, 2021, the total borrowing capacity and uncommitted capacity under the facility was increased to $450.0 million and $250.0 million, respectively, and the interest rate margin was reduced by 125 bps for forward and reverse originated loans. At December 31, 2021 and 2020, the interest rate for this facility was 1ML plus applicable margin.
(4) The lender provides financing for up to $50.0 million at the discretion of the lender. The agreement has no stated maturity date. Interest on this facility is based on the Secured Overnight Financing Rate (SOFR). At December 31, 2021 and 2020, the interest rate for this facility was SOFR plus applicable margin, with a SOFR floor of 25 bps.
(5) On June 23, 2021, the $120.0 million uncommitted borrowing capacity under the participation agreement was increased to $150.0 million and the committed borrowing capacity under the repurchase agreement was increased from $90.0 million to $100.0 million. The interest rate on repurchase agreement was revised to the stated interest rate of the mortgage loans, less applicable margin with an interest rate floor of 3.00% for new originations and less applicable margin with an interest rate floor of 3.25% for Ginnie Mae modifications, Ginnie Mae buyouts and RMBS bond clean up loans. The interest rate on the participation agreement was revised to

the stated interest rate of the mortgage loans, less applicable margin with an interest rate floor of 3.00% for new originations. The transactions do not qualify for sale accounting treatment and are accounted for as secured borrowings. On July 23, 2021, we temporarily increased the borrowing capacity under the participation agreement to $300.0 million until September 14, 2021 when the temporary increase in borrowing capacity was extended to November 15, 2021. On November 8, 2021, the $150.0 million temporary increase in borrowing capacity under the participation agreement was extended to January 15, 2022.

(6) Under this agreement, the lender provides financing for up to $50.0 million on a committed basis. At December 31, 2021 and 2020, the interest rate for this facility was 1ML plus applicable margin, with an interest rate floor of 525 bps. On January 14, 2022, the maturity date of this facility was extended to March 16, 2022.

(7) Under this agreement, the lender provides financing for up to $150.0 million on an uncommitted basis. On February 1, 2021, the borrowing capacity all of which is uncommitted, was temporarily increased from $100.0 million to $150.0 million until February 28, 2021 when it was reduced to $100.0 million. On March 30, 2021, the borrowing capacity was temporarily increased to $150.0 million effective April 1, 2021 until April 29, 2021 when the increase was made permanent. On September 27, 2021, the borrowing capacity was increased to $175.0 million until December 21, 2021, when the borrowing capacity was increased to $204.0 million and the interest rate floor was reduced by 37.5 bps. At December 31, 2021 and 2020, the interest rate for this facility was 1ML plus applicable margin, with an interest rate floor of 2.875%.

(8) On May 17, 2021, the total borrowing capacity of this facility, all of which is uncommitted, was increased from $100.0 million to $150.0 million through the addition of a $50.0 million participation interest. The agreement has no stated maturity date, however each transaction has a maximum duration of four years. The cost of this line is set at each transaction date and is based on the interest rate and type of the collateral. On September 1, 2021, the total borrowing capacity of the facility was increased to $200.0 million. On January 5, 2022, the total borrowing capacity of the facility was increased to $250.0 million.

(9) On March 29, 2021, we entered into a repurchase agreement which provides borrowing at our discretion up to a certain maximum amount of capacity on a rolling 30-day committed basis. This facility is structured as a gestation repurchase facility whereby dry Agency mortgage loans are transferred to a trust which trust issues a trust certificate that is pledged as the collateral for the borrowings. See Note 2 — Securitizations and Variable Interest Entities for additional information. On March 31, 2021, the trust issued the first certificate of $50.0 million which was increased to $75.0 million on May 28, 2021 and further increased to $225.0 million on July 29, 2021. The second trust certificate of $50.0 million was issued on April 12, 2021 and increased to $100.0 million on July 13, 2021. Additional trust certificates of $25.0 million and $100.0 million were issued for borrowing on June 25, 2021 and July 23, 2021, respectively, under this agreement. Each certificate is renewed monthly and at December 21, 2021, the interest rate for this facility was 1ML plus applicable margin. On January 27, 2022, we voluntarily reduced the first certificate by $75.0 million.

(10) On April 29, 2021, we entered into a revolving facility agreement which provides up to $30.0 million of committed borrowing capacity secured by eligible HECM loans that are active buyouts (ABO), as defined in the agreement. At December 31, 2021 and 2020, the interest rate for this facility was Prime Rate plus applicable margin, with an interest rate floor of 450 bps.

(11) 1ML was 0.10% and 0.14% at December 31, 2021 and 2020, respectively. Prime Rate was 3.25% at December 31, 2021 and 2020. SOFR was 0.05% and 0.07% at December 31, 2021 and 2020, respectively. The weighted average interest rate at December 31, 2021, excludes the effect of the amortization of prepaid lender fees. At December 31, 2021 and 2020, unamortized prepaid lender fees were $1.2 million and $2.0 million, respectively, and are included in Other assets in our consolidated balance sheets.

MSR Financing Facilities, net			**Available Borrowing Capacity**		**Outstanding Balance at December 31,**	
Borrowing Type	**Collateral**	**Maturity**	**Uncommitted**	**Committed (1)**	**2021**	**2020**
Agency MSR financing facility (2)	MSRs, Advances	June 2022	$ —	$ 32,477	$ 317,523	$ 210,755
Ginnie Mae MSR financing facility (3)	MSRs, Advances	Jan. 2022	18,306	—	131,694	112,022
Ocwen Excess Spread-Collateralized Notes, Series 2019-PLS1 (4)	MSRs	Nov. 2024	—	—	41,663	68,313
Secured Notes, Ocwen Asset Servicing Income Series Notes, Series 2014-1 (5)	MSRs	Feb. 2028	—	—	39,529	47,476
Agency MSR financing facility - revolving loan (6)	MSRs	June 2026	—	7,929	277,071	—
Agency MSR financing facility - term loan (6)	MSRs	June 2023	—	—	94,178	—
Total MSR financing facilities			$ 18,306	$ 40,406	$ 901,658	$ 438,566
Unamortized debt issuance costs - PLS Notes and Agency MSR financing - term loan (7)					(898)	(894)
Total MSR financing facilities, net					$ 900,760	$ 437,672
Weighted average interest rate (8) (9)					3.71%	4.82%

(1) Of the borrowing capacity on MSR financing facilities extended on a committed basis, $0.5 million of the available borrowing capacity could be used at December 31, 2021 based on the amount of eligible collateral that could be pledged.
(2) PMC's obligations under this facility are secured by a lien on the related MSRs. Ocwen guarantees the obligations of PMC under this facility. The maximum amount which we may borrow pursuant to the repurchase agreements is $350.0 million on a committed basis. We also pledged the membership interest of the depositor for our OMART advance financing facility as additional collateral to this facility. See Note 2 — Securitizations and Variable Interest Entities for additional information. We are subject to daily margining requirements under the terms of the facility. Declines in fair value of our MSRs due to declines in market interest rates, assumption updates or other factors require that we provide additional collateral to our lenders under these facilities. Effective April 15, 2021, the facility was upsized to $350.0 million (it was earlier reduced to $250.0 million in May 2020) and the interest rate was reduced to 1ML plus applicable margin. On June 2, 2021, the facility was temporarily upsized to $425.0 million for a period of 90 calendar days ending no later than September 1, 2021. On August 26, 2021 and later on October 25, 2021, the temporary upsize was extended until November 1, 2021. At December 31, 2021 and 2020, the interest rate for this facility was 1ML plus applicable margin.
(3) In connection with this facility, PMC entered into a repurchase agreement pursuant to which PMC has sold a participation certificate representing certain economic interests in the Ginnie Mae MSRs and has agreed to repurchase such participation certificate at a future date at the repurchase price set forth in the repurchase agreement. PMC's obligations under this facility are secured by a lien on the related Ginnie Mae MSRs and advances. Ocwen guarantees the obligations of PMC under the facility. On October 26, 2021, the borrowing capacity was increased from $125.0 million to $150.0 million on an uncommitted basis. See (2) above regarding daily margining requirements. On January 31, 2022, the maturity date of this facility was extended to February 28, 2022. At December 31, 2021 and 2020, the interest rate for this facility was 1ML plus applicable margin, with a 1ML floor of 50 bps.
(4) PLS Issuer's obligations under the facility are secured by a lien on the related PLS MSRs. Ocwen guarantees the obligations of PLS Issuer under the facility. The Class A PLS Notes issued pursuant to the credit agreement had an initial principal amount of $100.0 million and amortize in accordance with a predetermined schedule subject to modification under certain events. These notes have fixed interest rate of 5.07%. See Note 2 — Securitizations and Variable Interest Entities for additional information.
(5) OASIS noteholders are entitled to receive a monthly payment equal to the sum of: (a) 21 basis points of the UPB of the reference pool of Freddie Mac mortgages; (b) any termination payment amounts; (c) any excess refinance amounts; and (d) the note redemption amounts, each as defined in the indenture supplement for the notes. Monthly amortization of the liability is estimated using the proportion of monthly projected service fees on the underlying MSRs as a percentage of lifetime projected fees, adjusted for the term of the notes.
(6) On June 28, 2021, we entered into a facility which includes a $135.0 million term loan and a $285.0 million revolving loan secured by a lien on PMC's Agency MSRs. See (2) above regarding daily margining requirements. At December 31, 2021, the interest rate for this facility was 1-year swap rate plus applicable margin.
(7) At December 31, 2021, unamortized debt issuance costs included $0.4 million and $0.5 million on the PLS Notes and the Agency MSR financing facility - term loan, respectively. At December 31, 2021 and 2020, unamortized prepaid lender fees related to revolving type MSR financing facilities were $4.7 million and $3.3 million, respectively, and are included in Other assets in our consolidated balance sheets.
(8) Weighted average interest rate at December 31, 2021, excluding the effect of the amortization of debt issuance costs and prepaid lender fees.
(9) 1ML was 0.10% and 0.14% at December 31, 2021 and 2020, respectively. The 1-year swap rate was 0.19% and 0.19% at December 31, 2021 and 2020, respectively.

Senior Secured Term Loan, net				**Outstanding Balance at December 31,**	
Borrowing Type	**Collateral**	**Interest Rate**	**Maturity**	**2021**	**2020**
SSTL (1)	(1)	1-Month Eurodollar rate + 600 bps with a Eurodollar floor of 100 bps (1)	May 2022 (1)	$ —	$ 185,000
Unamortized debt issuance costs				—	(4,867)
Discount				—	(357)
				$ —	$ 179,776

(1) On March 4, 2021, we repaid in full the $185.0 million outstanding principal balance. The prepayment resulted in our recognition of an $8.4 million loss on debt extinguishment, including a prepayment premium of 2% of the outstanding principal balance, or $3.7 million.

Senior Notes			Outstanding Balance at December 31,	
	Interest Rate (1)	Maturity	2021	2020
PMC Senior Secured Notes	7.875%	March 2026	$ 400,000	$ —
OFC Senior Secured Notes (due to related parties)	12% paid in cash or 13.25% paid-in-kind (see below)	March 2027	285,000	—
PHH Corporation (PHH) Senior Notes	6.375%	August 2021	—	21,543
PMC Senior Secured Notes	8.375%	November 2022	—	291,509
Principal balance			685,000	313,052
Discount (2)				
PMC Senior Secured Notes			(1,758)	—
OFC Senior Secured Notes (3)			(54,176)	—
			(55,934)	—
Unamortized debt issuance costs (2)				
PMC Senior Secured Notes			(5,687)	(968)
OFC Senior Secured Notes			(8,582)	—
			(14,269)	(968)
Fair value adjustments			—	(186)
			$ 614,797	$ 311,898

(1) Excluding the effect of the amortization of debt issuance costs and discount.
(2) The discount and debt issuance costs are amortized to interest expense through the maturity of the respective notes.
(3) Includes original issue discount (OID) and additional discount related to the concurrent issuance of warrants and common stock. See below for additional information.

Redemption of 6.375% Senior Unsecured Notes due 2021 and 8.375% Senior Secured Notes due 2022

On March 4, 2021, we redeemed all of PHH’s outstanding 6.375% Senior Notes due August 2021 at a price of 100% of the principal amount, plus accrued and unpaid interest, and all of PMC’s 8.375% Senior Secured Notes due November 2022 at a price of 102.094% of the principal amount, plus accrued and unpaid interest. The redemption resulted in our recognition of a $7.1 million loss on debt extinguishment.

Issuance of 7.875% Senior Secured Notes due 2026

On March 4, 2021, PMC completed the issuance and sale of $400.0 million aggregate principal amount of 7.875% senior secured notes due March 15, 2026 (the PMC Senior Secured Notes) at a discount of $2.1 million. The PMC Senior Secured Notes are guaranteed on a senior secured basis by Ocwen and PHH and were sold in an offering exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act).

Interest on the PMC Senior Secured Notes accrues at a rate of 7.875% per annum and is payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2021.

On or after March 15, 2023, PMC may redeem some or all of the PMC Senior Secured Notes at its option at the following redemption prices, plus accrued and unpaid interest, if any, on the notes redeemed to, but excluding, the redemption date if redeemed during the 12-month period beginning on March 15th of the years indicated below:

Redemption Year	Redemption Price
2023	103.938 %
2024	101.969
2025 and thereafter	100.000

Prior to March 15, 2023, PMC may, on any one or more occasions, redeem some or all of the PMC Senior Secured Notes at its option at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus a “make-whole” premium equal to the greater of (i) 1.0% of the then outstanding principal amount of such note and (ii) the excess of (1) the present value at the redemption date of the sum of (A) the redemption price of the note at March 15, 2023 (such redemption price is set forth in the table above) plus (B) all required interest payments due on such notes through March 15, 2023 (excluding accrued but unpaid interest), such present value to be computed using a discount rate equal to the Treasury Rate (as defined in the indenture governing the PMC Senior Secured Notes (Indenture)) as of such redemption date plus 50 basis points; over (2) the then outstanding principal amount of such notes, plus accrued and unpaid interest, if any, on the notes redeemed to, but excluding, the redemption date.

In addition, on or prior to March 15, 2023, PMC may also redeem up to 35.0% of the principal amount of all of the PMC Senior Secured Notes originally issued under the Indenture (including any additional PMC Senior Secured Notes issued under the Indenture) using the net proceeds of certain equity offerings at a redemption price equal to 107.875% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of redemption (subject to the rights of holders of notes on the relevant regular record date to receive interest due on the relevant interest payment date that is on or prior to the applicable date of redemption); provided that: (i) at least 65.0% of the principal amount of all PMC Senior Secured Notes issued under the Indenture remains outstanding immediately after any such redemption; and (ii) PMC makes such redemption not more than 120 days after the consummation of any such equity offering.

The Indenture contains customary covenants for debt securities of this type that limit the ability of PHH and its restricted subsidiaries (including PMC) to, among other things, (i) incur or guarantee additional indebtedness, (ii) incur liens, (iii) pay dividends on or make distributions in respect of PHH's capital stock or make other restricted payments, (iv) make investments, (v) consolidate, merge, sell or otherwise dispose of certain assets, and (vi) enter into transactions with Ocwen's affiliates.

Issuance of OFC Senior Secured Notes

On March 4, 2021, Ocwen completed the private placement of $199.5 million aggregate principal amount of senior secured notes (the OFC Senior Secured Notes) with an OID of $24.5 million to certain entities owned by funds and accounts managed by Oaktree (the Oaktree Investors). Concurrent with the issuance of the OFC Senior Secured Notes, Ocwen issued to the Oaktree Investors warrants to purchase shares of its common stock. The $158.5 million proceeds were allocated to the OFC Senior Secured Notes on a relative fair value basis resulting in an initial discount.

On May 3, 2021, Ocwen issued to Oaktree the second tranche of the OFC Senior Secured Notes in an aggregate principal amount of $85.5 million with an OID of $10.5 million. Concurrent with the issuance of the second tranche of OFC Senior Secured Notes, Ocwen issued to the Oaktree Investors shares and warrants to purchase shares of its common stock. The $68.0 million proceeds were allocated to the OFC Senior Secured Notes on a relative fair value basis resulting in an initial discount. See Note 16 — Stockholders' Equity for additional information regarding the issuance of common stock and warrants.

The OFC Senior Secured Notes mature on March 4, 2027 with no amortization of principal. Interest is payable quarterly in arrears on the last business day of each March, June, September and December and accrues at the rate of 12% per annum to the extent interest is paid in cash or 13.25% per annum to the extent interest is "paid-in-kind" through an increase in the principal amount or the issuance of additional notes (PIK Interest). Prior to March 4, 2022, all of the interest on the OFC Senior Secured Notes may, at our option, be paid as PIK Interest. On or after March 4, 2022, a minimum amount of interest will be required to be paid in cash equal to the lesser of (i) 7% per annum of the outstanding principal amount of the OFC Senior Secured Notes and (ii) the total amount of unrestricted cash of Ocwen and its subsidiaries less the greater of $125.0 million and the minimum liquidity amounts required by any agency.

The OFC Senior Secured Notes are solely the obligation of Ocwen and are secured by a pledge of substantially all of the assets of Ocwen, including a pledge of the equity of Ocwen's directly held subsidiaries. The lien on Ocwen's assets securing the OFC Senior Secured Notes is junior to the lien securing Ocwen's guarantee of the 7.875% PMC Senior Secured Notes described above. The OFC Senior Secured Notes are not guaranteed by any of Ocwen's subsidiaries nor are they secured by a pledge or lien on any assets of Ocwen's subsidiaries.

Prior to March 4, 2026, we are permitted to redeem the OFC Senior Secured Notes in whole or in part at any time at a redemption price equal to par, plus a make-whole premium, plus accrued and unpaid interest. On and after March 4, 2026, we will be permitted to redeem the OFC Senior Secured Notes in whole or in part at any time at a redemption price equal to par plus accrued and unpaid interest.

The OFC Senior Secured Notes have two financial maintenance covenants: (1) a minimum book value of stockholders' equity of not less than $275.0 million and (2) a minimum amount of unrestricted cash of not less than $50.0 million at any time. The OFC Senior Secured Notes also have affirmative and negative covenants and events of default that are customary for debt securities of this type.

Credit Ratings

Credit ratings are intended to be an indicator of the creditworthiness of a company's debt obligations. At December 31, 2021, the S&P issuer credit rating for Ocwen was "B-". On February 24, 2021, concurrent with the launch of the PMC note offering, S&P reaffirmed the ratings at B- and changed the outlook from Negative to Stable. Moody's reaffirmed their ratings of Caa1 and revised their outlook to Stable from Negative on February 24, 2021. On January 24, 2022, S&P raised the assigned rating of the PMC Senior Secured Notes from "B-" to 'B' and maintained a stable outlook citing improved profitability and an increase in assets. It is possible that additional actions by credit rating agencies could have a material adverse impact on our liquidity and funding position, including materially changing the terms on which we may be able to borrow money.

Covenants

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

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

The most restrictive consolidated net worth requirement contained in our debt agreements with borrowings outstanding at December 31, 2021 is a minimum of $275.0 million tangible net worth at Ocwen, as defined in certain of our mortgage warehouse and MSR financing facilities agreements, or, if greater, the minimum requirement at PMC set forth by the Agencies. See Note 24 — Regulatory Requirements. The most restrictive liquidity requirement under our debt agreements with borrowings outstanding at December 31, 2021 is for a minimum of $125.0 million in consolidated liquidity, as defined, under certain of our advance match funded debt and MSR financing facilities 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 and investment activities or raise certain types 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 we were in compliance with all of the covenants in our debt agreements as of the date of these consolidated financial statements.

Collateral

Our assets held as collateral for secured borrowings and other unencumbered assets which may be subject to a lien under various collateralized borrowings are as follows at December 31, 2021:

	Assets	Pledged Assets	Collateralized Borrowings	Unencumbered Assets (1)
Cash	$ 192,792	$ —	$ —	$ 192,792
Restricted cash	70,654	70,654	—	—
Loans held for sale	928,527	887,602	870,411	40,924
Loans held for investment - securitized (2)	6,979,100	6,979,100	6,885,022	—
Loans held for investment - unsecuritized	220,662	197,020	176,807	23,642
MSRs (3)	1,422,546	1,407,949	815,584	14,597
Advances, net	772,433	622,131	598,370	150,302
Receivables, net	180,707	33,672	32,670	147,035
REO	10,075	6,624	5,188	3,451
Total (4)	$ 10,777,497	$ 10,204,753	$ 9,384,052	$ 572,744

(1) Certain assets are pledged as collateral to the $400.0 million PMC Senior Secured Notes and $285.0 million OFC Senior Secured (second lien) Notes.
(2) Reverse mortgage loans and real estate owned are pledged as collateral to the HMBS beneficial interest holders, and are not available to satisfy the claims of our creditors. Ginnie Mae, as guarantor of the HMBS, is obligated to the holders of the HMBS in an instance of PMC's default on its servicing obligations, or if the proceeds realized on HECMs are insufficient to repay all outstanding HMBS related obligations. Ginnie Mae has recourse to PMC in connection with certain claims relating to the performance and obligations of PMC as both issuer of HMBS and servicer of HECMs underlying HMBS.
(3) Excludes MSRs transferred to NRZ and MAV and associated Pledged MSR liability recorded as sale accounting criteria are not met.
(4) The total of selected assets disclosed in the above table does not represent the total consolidated assets of Ocwen. For example, the total excludes premises and equipment and certain other assets.

The OFC Senior Secured Notes due 2027 have a second lien priority on specified assets carried on PMC's balance sheet, as defined under the OFC Senior Secured Note Agreement and listed in the table below, and have a priority lien on the following assets: investments by OFC in subsidiaries not guaranteeing the $400.0 million PMC Senior Secured Notes, including PHH and MAV; cash and investment accounts at OFC; and certain other assets, including receivables.

	As of December 31, 2021
Specified net servicing advances	$ 179,228
Specified deferred servicing fee	24,152
Specified MSR value less borrowings	730,720
Specified unrestricted cash balances	65,468
Specified advance facility reserves	7,687
Specified loan value	101,953
Specified residual value	40,763
Specified fair value of marketable securities	—
Total value - PMC	$ 1,149,969

Maturities of Borrowings and Management's Plans to Address Maturing Borrowings

Certain of our borrowings mature within one year of the date of issuance of these financial statements. Based on management's evaluation, 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.

	Expected Maturity Date (1) (2)							
	2022	2023	2024	2025	2026	Thereafter	Total Balance	Fair Value
Advance match funded liabilities	$ 512,297	$ —	$ —	$ —	$ —	$ —	$ 512,297	$ 511,994
Mortgage loan warehouse facilities	1,085,076	—	—	—	—	—	1,085,076	1,085,076
MSR financing facilities	490,880	94,178	—	—	277,071	39,529	901,658	873,820
Senior notes	—	—	—	—	400,000	285,000	685,000	674,927
	$ 2,088,253	$ 94,178	$ —	$ —	$ 677,071	$ 324,529	$ 3,184,031	$ 3,145,817

(1) Amounts are exclusive of any related discount, unamortized debt issuance costs or fair value adjustment.
(2) For match funded liabilities, the Expected Maturity Date is the date on which the revolving period ends for each advance financing facility note and repayment of the outstanding balance must begin if the note is not renewed or extended.

Our MSR financing facilities provide funding based on an advance rate of MSR value that is subject to periodic mark-to-market valuation adjustments. In the normal course, MSR value is expected to decline over time due to runoff of the loan balances in our servicing portfolio. As a result, we anticipate having to repay a portion of our MSR debt over a given time period. The requirements to repay MSR debt including those due to unfavorable fair value adjustment may require us to allocate a substantial amount of our available liquidity or future cash flows to meet these requirements.

Note 15 — Other Liabilities

	December 31,	
	2021	2020
Contingent loan repurchase liability	$ 403,740	$ 480,221
Other accrued expenses	104,931	87,898
Due to NRZ - Advance collections and servicing fees	76,590	94,691
Liability for indemnification obligations	51,243	41,920
Checks held for escheat	44,866	35,654
Accrued legal fees and settlements	43,990	38,932
MSR purchase price holdback	32,620	20,923
Servicing-related obligations	32,366	35,237
Lease liability	16,842	27,393
Liability for uncertain tax positions	14,730	16,188
Accrued interest payable	11,998	4,915
Liability for unfunded India gratuity plan	6,263	6,051
Liability for unfunded pension obligation	4,183	12,662
Derivatives, at fair value	3,080	4,638
Due to MAV	2,134	—
Other	17,938	16,652
	$ 867,514	$ 923,975

Accrued Legal Fees and Settlements	Years Ended December 31, 2021	2020	2019
Beginning balance	$ 38,932	$ 30,663	$ 62,763
Accrual for probable losses (1)	9,399	26,468	3,011
Payments (2)	(5,533)	(14,826)	(30,356)
Net increase (decrease) in accrued legal fees	1,192	(3,433)	(4,884)
Other	—	60	129
Ending balance	$ 43,990	$ 38,932	$ 30,663

(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 consolidated statements of operations.
(2) Includes cash payments made in connection with resolved legal and regulatory matters.

Note 16 — Stockholders' Equity

Common Stock

On February 3, 2020, Ocwen's Board of Directors authorized a share repurchase program for an aggregate amount of up to $5.0 million of Ocwen's issued and outstanding shares of common stock. During the three months ended March 31, 2020, we completed the repurchase of 377,484 shares of common stock in the open market under this program at prevailing market prices for a total purchase price of $4.5 million for an average price paid per share of $11.90. In addition, Ocwen paid $0.1 million in commissions. The repurchased shares were formally retired as of March 31, 2020. No additional shares were repurchased prior to the program's expiration on February 3, 2021.

Effective August 13, 2020, Ocwen implemented a one-for-15 reverse stock split of all outstanding shares of its common stock and reduced the number of authorized shares of common stock by the same proportion. Shareholders entitled to receive fractional shares of common stock received shares rounded up to the nearest whole share in lieu of such fractional shares, with an aggregate 4,692 additional shares issued. The number of outstanding shares was reduced from 130,013,696 to 8,672,272 and the authorized shares from 200,000,000 to 13,333,333 effective August 13, 2020, with giving effect to the rounding up of fractional shares. The $0.01 par value per share of common stock remained unchanged.

As disclosed in Note 14 — Borrowings, concurrent with the issuance of the OFC Senior Secured Notes on March 4, 2021, Ocwen issued to Oaktree warrants to purchase 1,184,768 shares of its common stock (which amount, upon exercise of the warrants, would be equal to 12% of Ocwen's outstanding common stock as of the date of issuance of such warrants) at an exercise price of $26.82 per share, subject to antidilution adjustments. The warrants may be exercised at any time from the date of issuance through March 4, 2027. While the warrants will not be registered, we entered into a registration rights agreement with Oaktree pursuant to which we will register for resale the shares of common stock issuable upon exercise of the warrants within 18 months after March 4, 2021. On March 4, 2021, the $16.5 million allocated fair value of the warrants was reported as Additional Paid-in Capital in our consolidated balance sheet, net of allocated debt issuance costs of $0.8 million.

On May 3, 2021, concurrent with the issuance of the second tranche of OFC Senior Secured Notes described above, and in connection with the closing of the Transaction Agreement dated December 21, 2020 and disclosed in Note 11 — Investment in Equity Method Investee, we issued to Oaktree 426,705 shares of our common stock, representing 4.9% of our then outstanding common stock, at a price per share of $23.15 for an aggregate purchase price of $9.9 million, and warrants to purchase 261,248 shares of our common stock (which amount was equal to 3% of Ocwen's outstanding common stock as of the date of issuance of such warrants) at a price per share of $24.31 in consideration of the transaction. The warrants may be exercised at any time from the date of issuance through May 3, 2025. The issuance of the shares of common stock, warrants, and the shares of common stock issuable upon exercise of the warrants will not be registered under the Securities Act. These securities were or will be (as applicable) issued in a private placement exempt from the registration requirements of the Securities Act. On May 3, 2021, the $12.6 million allocated fair value of the common stock and $4.3 million allocated fair value of the warrants was reported as Common stock, at par value of the shares issued, and Additional Paid-in Capital in our consolidated balance sheet, net of allocated debt issuance costs of $0.5 million.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss (AOCL), net of income taxes, were as follows:

	December 31,	
	2021	2020
Unfunded pension plan obligation, net	$ 1,880	$ 8,409
Unrealized losses on cash flow hedges, net	559	674
Other	(72)	12
	$ 2,366	$ 9,095

Note 17 — Derivative Financial Instruments and Hedging Activities

The table below summarizes the fair value, notional and maturity of our derivative instruments. The notional amount of our contracts does not represent our exposure to credit loss. None of the derivatives were designated as a hedge for accounting purposes as of or during the years ended December 31, 2021 and 2020:

	December 31, 2021			December 31, 2020		
	Maturities	Notional	Fair Value	Maturities	Notional	Fair Value
Derivative Assets (Other assets)						
Forward sales of Reverse loans	Feb. 2022	$ 175,000	$ 364	Jan. 2021	$ 30,000	$ 34
Forward loans IRLCs	Jan. - Apr. 2022	1,021,978	16,074	Apr. 2021	619,713	22,224
Reverse loans IRLCs	Jan. 2022	63,327	2,011	Jan. 2021	11,692	482
TBA forward Pipeline trades	Jan. - Mar. 2022	587,000	946	N/A	—	—
Interest rate swap futures	Mar. 2022	792,500	1,734	Mar. 2021	593,500	504
Option contracts	Jan. 2022	125,000	547	N/A	—	—
Other	N/A	—	—	N/A	—	2
Total		$ 2,764,805	$ 21,675		$ 1,254,905	$ 23,246
Derivative Liabilities (Other liabilities)						
Forward sales of Reverse loans	N/A	$ —	$ —	Jan. 2021	$ 20,000	$ (84)
TBA forward Pipeline trades	Jan. - Mar. 2022	645,000	(898)	N/A	—	—
TBA forward MBS trades	Feb. 2022	550,000	(287)	Jan. 2021	400,000	(4,554)
Option contracts	Feb. 2022	450,000	(824)	N/A	—	—
Other	N/A	—	(1,070)	N/A	—	—
Total		$ 1,645,000	$ (3,080)		$ 420,000	$ (4,638)

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

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Gain / (Loss)		Gain / (Loss)	
	Amount	Financial Statement Line	Amount	Financial Statement Line
Derivative Instruments				
Forward loans IRLCs	$ (6,150)	Gain on loans held for sale, net	$ 17,479	Gain on loans held for sale, net
Reverse loans IRLCs	1,529	Reverse mortgage revenue, net	349	Reverse mortgage revenue, net
TBA forward pipeline trades	1,483	Gain on loans held for sale, net (Economic Hedge)	—	N/A
Interest rate swap futures and TBA forward MBS trades	—	Gain on loans held for sale, net (Economic hedge)	(10,140)	Gain on loans held for sale, net (Economic hedge)
Interest rate swap futures, TBA forward MBS trades and option contracts	(9,542)	MSR valuation adjustments, net	27,538	MSR valuation adjustments, net
Forward sales of Reverse loans	414	Reverse mortgage revenue, net	(29)	Reverse mortgage revenue, net
Other	(2)	Gain on loans held for sale, net	73	Gain on loans held for sale, net
Other	(1,070)	Other, net	—	N/A
	$ (13,339)		$ 35,270	

Interest Rate Risk

MSR Hedging

MSRs are carried at fair value with changes in fair value being recorded in earnings in the period in which the changes occur. The fair value of MSRs is subject to changes in market interest rates and prepayment speeds.

Through May 2021, management implemented a macro-hedging strategy to reduce the volatility of our MSR portfolio attributable to interest rate changes. As a general matter, the impact of interest rates on the fair value of our MSR portfolio is naturally offset by other exposures, including our loan pipeline and our economic MSR value embedded in our reverse mortgage loan portfolio. Our hedging strategy was targeted at mitigating the residual exposure, which we referred to as our net MSR portfolio exposure. We defined our net MSR portfolio exposure as follows:

- our more interest rate-sensitive Agency MSR portfolio,
- less the Agency MSRs subject to our agreements with NRZ (See Note 8 — MSR Transfers Not Qualifying for Sale Accounting),
- less the unsecuritized reverse mortgage loans and tails classified as held for investment,
- less the asset value for securitized HECM loans, net of the corresponding HMBS-related borrowings, and
- less the net value of our held for sale loan portfolio and interest rate lock commitments (pipeline).

Effective May 2021, management began hedging its MSR portfolio and its pipeline separately (see below for further description of pipeline hedging), effectively ending the macro-hedge strategy previously in place. Under the new MSR hedging strategy, the interest-rate sensitive MSR portfolio exposure is now defined as follows:

- Agency MSR portfolio,
- expected Agency MSR bulk transactions subject to letters of intent (LOI),
- less the Agency MSRs subject to our sale agreements with NRZ and MAV (See Note 8 — MSR Transfers Not Qualifying for Sale Accounting),
- less the asset value for securitized HECM loans, net of the corresponding HMBS-related borrowings.

The objective of our MSR policy is to provide partial hedge coverage of interest-rate sensitive MSR portfolio exposure, considering market and liquidity conditions. The hedge coverage ratio defined as the ratio of hedge and asset rate sensitivity (referred to as DV01) at the time of measurement is subject to lower and upper thresholds, as modeled, of 40% and 60%, respectively. Accordingly, the changes in fair value of our hedging instruments may not fully offset the changes in fair value of our net MSR portfolio exposure attributable to interest rate changes. In addition, while DV01 measures remain within the range of our hedging strategy's objective, actual changes in fair value of the derivatives and MSR portfolio may not offset to the same extent, due to non-parallel changes in the interest rate curve and the basis risk inherent in the MSR profile and hedging instruments. We continuously evaluate the use of hedging instruments to strive to enhance the effectiveness of our interest rate hedging strategy.

Effective October 2021, we refined the scope of the hedge policy to allow for MSRs subject to LOI to be covered under a separate hedge coverage ratio requirement sufficient to preserve the economics of the intended transactions.

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

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

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

In our Originations business, we are exposed to interest rate risk and related price risk during the period from the date of the interest rate lock commitment through (1) the commitment cancellation or expiration date or (ii) through the date of sale of the resulting loan into the secondary mortgage market. Loan commitments for forward loans generally range from 5 to 90 days, with the majority of our commitments to borrowers for 75 days and our commitments to correspondent sellers for 7 days. Loans held for sale are generally funded and sold within 5 to 20 days. This interest rate exposure was not individually hedged until May 2021, but rather used as an offset to our MSR exposure and managed as part of our MSR macro-hedging strategy described above. Effective May 2021, we implemented a new pipeline hedging strategy, whereby the interest rate exposure of loans held for sale and interest rate lock commitments is economically hedged with derivative instruments, including forward sales of Agency TBAs. We report changes in fair value of these derivative instruments as gain or loss on economic hedge instruments within gain on loans held-for-sale in our consolidated statements of operations.

Advance Match Funded Liabilities

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

Foreign Currency Exchange Rate Risk

Our operations in India and the Philippines expose us to foreign currency exchange rate risk to the extent that our foreign exchange positions remain unhedged. Depending on the magnitude and risk of our positions, we may enter into forward exchange contracts to hedge against the effect of changes in the value of the India Rupee or Philippine Peso. We currently do not hedge our foreign currency exposure with derivative instruments. Foreign currency remeasurement exchange gains (losses) were $0.3 million, $(1.0) million and $(0.2) million during the years ended December 31, 2021, 2020 and 2019, respectively, and are reported in Other, net in the consolidated statements of operations.

Note 18 — Interest Income

	Years Ended December 31,		
	2021	2020	2019
Loans held for sale	$ 25,889	$ 13,929	$ 14,669
Interest earning cash deposits and other	485	2,070	2,435
	$ 26,374	$ 15,999	$ 17,104

Note 19 — Interest Expense

	Years Ended December 31,		
	2021	2020	2019
OFC Senior Secured Notes (1)	$ 31,656	$ —	$ —
PHH and PMC senior notes	31,914	26,634	31,804
Mortgage loan warehouse facilities	30,638	15,239	11,100
MSR financing facilities	26,036	15,885	8,112
Advance match funded liabilities	14,238	24,122	26,902
SSTL	2,956	20,465	27,066
Escrow	6,530	7,022	9,145
	$ 143,968	$ 109,367	$ 114,129

(1) Notes issued to Oaktree affiliates, inclusive of $5.0 million of amortization of debt issuance costs and discount.

Note 20 — Income Taxes

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act includes several significant business tax provisions that, among other things, temporarily repealed the taxable income limitation for certain net operating losses (NOL) and allows businesses to carry back NOLs arising in 2018, 2019, and 2020 tax years to the five prior tax years, accelerated refunds of previously generated corporate Alternative Minimum Tax (AMT) credits, and adjusted the business interest expense limitation under section 163(j) from 30% to 50% of Adjusted Taxable Income (ATI) for 2019 and 2020 tax years.

Based on information available at the time, we estimated that modifications to the tax rules for the carryback of NOLs and business interest expense limitations would result in U.S. and USVI federal net tax refunds of approximately $62.6 million and $1.4 million, respectively, and as such we recognized an income tax benefit, net of related uncertain tax positions, of $64.0 million in our consolidated financial statements for the year ended December 31, 2020. We recognized an additional $12.6 million of income tax benefit in our financial statements for the year ended December 31, 2021 as we refined estimates and received resolution on uncertainties related to our CARES Act claims. During the years ended December 31, 2021 and 2020, we collected $24.6 million and $51.4 million, respectively, which represents the tax refunds associated with the NOLs generated in 2018 and 2019 carried back to prior tax years.

The income tax benefit recognized represents the release of valuation allowances against certain NOL and Section 163(j) deferred tax assets that are now more likely than not to be realizable as a result of certain provisions of the CARES Act as well as a permanent income tax benefit related to the carryback of NOLs created in a tax year that was subject to U.S. federal tax at 21% to a tax year subject to tax at 35%.

For income tax purposes, the components of income (loss) from continuing operations before taxes were as follows:

	Years Ended December 31,		
	2021	2020	2019
Domestic	$ (13,901)	$ (118,043)	$ (93,487)
Foreign	9,530	12,359	(33,004)
	$ (4,371)	$ (105,684)	$ (126,491)

The components of income tax expense (benefit) were as follows:

	Years Ended December 31,		
	2021	2020	2019
Current:			
Federal	$ (20,134)	$ (67,080)	$ 873
State	(1,310)	348	4,460
Foreign	1,554	2,600	7,181
	(19,890)	(64,132)	12,514
Deferred:			
Federal	(2,265)	(26,029)	(40,429)
State	(31)	(2,115)	(914)
Foreign	167	(1,445)	11,993
Provision for (reversal of) valuation allowance on deferred tax assets	2,344	28,215	32,470
	215	(1,374)	3,120
Other	(2,774)	—	—
Total	$ (22,449)	$ (65,506)	$ 15,634

Ocwen is a global company with operations in the U.S., USVI, India and the Philippines, among other jurisdictions. In the effective tax rate reconciliation, we first calculate income tax expense attributable to worldwide continuing operations at the U.S. statutory tax rate. The foreign tax rate differential therefore represents the difference in tax expense between jurisdictional income taxed at the U.S. statutory rate and each respective jurisdictional statutory rate.

Income tax expense (benefit) differs from the amounts computed by applying the U.S. Federal corporate income tax rate as follows:

	Years Ended December 31,		
	2021	2020	2019
Expected income tax expense (benefit) at statutory rate	$ (918)	$ (22,194)	$ (26,563)
Differences between expected and actual income tax expense:			
CARES Act	(12,631)	(79,049)	—
Provision for (reversal of) valuation allowance on deferred tax assets	2,344	28,214	32,470
Provision for (reversal of) liability for uncertain tax positions	(8,700)	13,062	4,198
Interest on refund claims due from tax authorities	(2,774)	—	—
Other provision to return differences	(954)	(3,347)	1,242
Foreign tax differential including effectively connected income (1)	1,401	(2,511)	15,979
State tax, after Federal tax benefit	212	(1,396)	(619)
Benefit of state NOL carryback claims and amended return filings	(1,803)	—	—
Executive compensation disallowance	1,384	594	1,344
Excess tax benefits from share-based compensation	(518)	424	381
Other permanent differences	150	382	66
Foreign tax credit (generation) utilization	(49)	(13)	263
Revaluation of deferred tax assets related to legal entity mergers	(5)	(2)	(25,509)
U.S. Tax Reform - Global Intangible Low-Taxed Income (GILTI) inclusion	175	182	11,859
U.S. Tax Reform - BEAT Tax	—	—	(555)
Bargain purchase gain disallowance	—	—	80
Other	237	148	998
Actual income tax expense (benefit)	$ (22,449)	$ (65,506)	$ 15,634

(1) The foreign tax differential includes expense recognized in 2019 for taxable income or losses earned by Ocwen Mortgage Servicing, Inc. (OMS) prior to the merger of OMS into OVIS in 2019, which are taxable in the U.S. as effectively connected income (ECI). The impact of ECI to income tax expense (benefit) for 2019 was $2.6 million.

Net deferred tax assets were comprised of the following:

	December 31, 2021	December 31, 2020
Deferred tax assets		
Net operating loss carryforwards - federal and foreign	$ 54,569	$ 40,557
Net operating loss carryforwards and credits - state and local	70,680	67,293
Interest expense disallowance	39,277	23,112
Reserve for servicing exposure	6,752	10,273
Accrued legal settlements	9,905	9,200
Partnership losses	8,553	7,316
Stock-based compensation expense	9,857	6,486
Accrued incentive compensation	6,698	6,240
Accrued other liabilities	5,900	5,722
Lease liabilities	2,549	4,943
Intangible asset amortization	4,964	4,541
Foreign deferred assets	3,763	3,731
Tax residuals and deferred income on tax residuals	1,460	2,968
Bad debt and allowance for loan losses	4,014	—
Other	5,133	6,035
	234,074	198,417
Deferred tax liabilities		
Mortgage servicing rights amortization	57,324	8,123
Bad debt and allowance for loan losses	—	1,951
Other	1,312	1,151
	58,636	11,225
	175,438	187,192
Valuation allowance	(172,109)	(183,649)
Deferred tax assets, net	$ 3,329	$ 3,543

As of December 31, 2021, we had a deferred tax asset, net of deferred tax liability, of $175.4 million including $171.1 million in the U.S.

Valuation Allowances

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. Both the U.S. and USVI jurisdictions are in a three-year cumulative loss position as of December 31, 2021. Other factors considered in these evaluations are estimates of future taxable income, future reversals of temporary differences, taxable income in prior carryback years, tax character and the impact of tax planning strategies that may be implemented, if warranted.

As a result of these evaluations, we recorded a valuation allowance of $171.1 million and $182.7 million on our U.S. net deferred tax assets at December 31, 2021 and 2020, respectively, and a valuation allowance of $0.4 million on our USVI net deferred tax assets at both December 31, 2021 and 2020. These 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 net 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.

Net Operating Loss Carryforwards

At December 31, 2021, we had U.S. NOL carryforwards of $256.9 million, and state NOL and tax credit carryforwards valued at $70.7 million.

These U.S. federal and state NOL carryforwards will expire beginning 2022 through 2041 with U.S. federal NOLs generated after 2017 never expiring. We believe that it is more likely than not that the benefit from certain U.S. federal and state

NOL carryforwards will not be realized. In recognition of this risk, we have provided a total valuation allowance of $53.9 million and $70.7 million on the deferred tax assets relating to the U.S. federal and state NOL carryforwards, respectively. If our assumptions change and we determine we will be able to realize these NOLs, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets as of December 31, 2021 will be accounted for as a reduction of income tax expense. Additionally, $334.5 million of USVI NOLs have been carried back to offset prior period tax due in the USVI and we have, therefore, reflected the tax-effect of this attribute as a $12.9 million income taxes receivable. We also have U.S. capital loss carryforwards of $7.5 million at December 31, 2021 against which a valuation allowance has been recorded.

Change of Control: Annual Limitations on Utilization of Tax Attributes

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. We periodically evaluate our NOL carryforwards and whether certain changes in ownership have occurred 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 Section 382 (or comparable provisions of foreign or state law).

Ocwen and PHH have both experienced historical ownership changes that have caused the use of certain tax attributes to be limited and have resulted in the write-off of certain of these attributes based on our inability to use them in the carryforward periods defined under the tax laws. Ocwen continues to monitor the ownership in its stock to evaluate whether any additional ownership changes have occurred that would further limit its ability to utilize certain tax attributes. 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.

Uncertain Tax Positions

Our major jurisdiction tax years that remain subject to examination are our U.S. federal tax return for the years ended December 31, 2018 through the present, our USVI corporate tax return for the years ended December 31, 2018 through the present, and our India corporate tax returns for the years ended March 31, 2010 through the present. During 2021, we concluded our audit in the USVI jurisdiction for tax years 2013 - 2016 related to the carryback of losses generated in 2015 and 2016 to tax years 2013 and 2014, respectively, without any adjustment.

A reconciliation of the beginning and ending amounts of the total unrecognized tax benefits for uncertain tax position is as follows:

	Years Ended December 31,		
	2021	**2020**	**2019**
Beginning balance	$ 20,638	$ 10,589	$ 9,622
Additions for tax positions of current year	—	—	207
Additions for tax positions of prior years	178	15,242	3,110
Reductions for tax positions of prior years	(6,361)	(219)	—
Reductions for settlements	(555)	(3,067)	(1,293)
Lapses in statute of limitations	(2,365)	(1,907)	(1,057)
Ending balance (1)	$ 11,535	$ 20,638	$ 10,589

(1) At December 31, 2021 and 2020, $11.3 million and $12.8 million, respectively, of the balance is included in the Liability for uncertain tax positions in Other liabilities, with the remaining $0.2 million and $7.8 million, respectively, included as a reduction of Income taxes receivable in Receivables.

We recognized total interest and penalties of $0.1 million, $(1.6) million and $2.7 million as income tax expense or (benefit) in 2021, 2020 and 2019, respectively. At December 31, 2021 and 2020, accruals for interest and penalties were $3.4 million, and are included in the Liability for uncertain tax positions in Other liabilities. As of December 31, 2021 and 2020, we had unrecognized tax benefits for uncertain tax positions, excluding accrued interest and penalties, of $11.5 million and $20.6 million, respectively, all of which if recognized would affect the effective tax rate.

It is reasonably possible that there could be a change in the amount of our unrecognized tax benefits within the next 12 months due to activities of the Internal Revenue Service or other taxing authorities, including proposed assessments of additional tax, possible settlement of audit issues, or the expiration of applicable statutes of limitations. We believe that it is reasonably possible that a decrease of up to $10.1 million in unrecognized tax benefits may be necessary within the next 12 months.

Undistributed Foreign Earnings and Non-U.S. Jurisdictions

As of December 31, 2021, we have recognized a deferred tax liability of $0.6 million for foreign subsidiary undistributed earnings. We do not consider our foreign subsidiary undistributed earnings to be indefinitely invested outside the U.S.

Note 21 — 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 year. We calculate diluted earnings or loss per share by dividing net income or loss attributable to Ocwen by the weighted average number of common shares outstanding including the potential dilutive common shares related to outstanding restricted stock awards, stock options and warrants as determined using the treasury stock method. For 2020 and 2019, 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.

	Years Ended December 31,		
	2021	2020	2019
Basic earnings (loss) per share			
Net income (loss)	$ 18,078	$ (40,178)	$ (142,125)
Weighted average shares of common stock outstanding	9,021,975	8,748,725	8,962,961
Basic earnings (loss) per share	$ 2.00	$ (4.59)	$ (15.86)
Diluted earnings (loss) per share			
Net income (loss)	$ 18,078	$ (40,178)	$ (142,125)
Weighted average shares of common stock	9,021,975	8,748,725	8,962,961
Effect of dilutive elements			
Contingent issuance of common stock	38,685	—	—
Common stock warrants	152,208	—	—
Stock option awards	60	—	—
Common stock awards	169,539	—	—
Dilutive weighted average shares of common stock	9,382,467	8,748,725	8,962,961
Diluted earnings (loss) per share	$ 1.93	$ (4.59)	$ (15.86)
Stock options and common stock awards excluded from the computation of diluted earnings (loss) per share			
Anti-dilutive (1)	143,593	199,079	211,175
Market-based (2)	87,509	125,395	52,480

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

Note 22 — Employee Compensation and Benefit Plans

We maintain defined contribution plans to provide post-retirement benefits to our eligible employees and two non-contributory defined benefit pension plans which are frozen and cover certain eligible active and former employees. We also maintain additional incentive compensation plans for certain employees. We designed these plans to facilitate a pay-for-performance culture, further align the interests of our officers and key employees with the interests of our shareholders and to assist in attracting and retaining employees vital to our long-term success. These plans are summarized below.

Defined Contribution Savings Plans

We sponsor defined contribution savings plans for eligible employees in the U.S (401(k) plans) and India (Provident Fund).

Contributions of participating employees to the plans are matched on the basis specified by these plans. For the 401(k) plans, we match 50% of the first 6% of each eligible participant's contribution to the 401(k) plans with maximum aggregate matching of $8,700 for 2021. For the Provident Fund, both the employee and the employer are required to make minimum contributions to the fund at a predetermined rate (currently 12%) applied to a portion of the employee's salary. Employers are not required to make contributions beyond this minimum.

Our contributions to these plans were $5.1 million, $5.2 million and $5.9 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Defined Benefit Pension Plans

Ocwen sponsors different non-contributory defined benefit pension plans for which benefits are based on an employee's years of credited service and a percentage of final average compensation, or as otherwise described by each plan. Both defined benefit pension plans were assumed as part of business acquisitions and are frozen, wherein the plans only accrue additional benefits for a limited number of employees and no additional employees are eligible for participation in the plans.

The following table shows the total change in the benefit obligation, plan assets and funded status for the pension plans:

	December 31,	
	2021	2020
Projected benefit obligation	$ 54,262	$ 58,965
Fair value of plan assets	50,078	46,303
Unfunded status recognized in Other liabilities	$ (4,183)	$ (12,662)
Amounts recognized in Accumulated other comprehensive loss	$ 1,955	$ 8,484

The rate used to discount the projected benefit obligation of the PHH pension plan increased from 2.25% in 2020 to 2.75% in 2021, resulting in a decrease of $3.2 million in the plan's benefit obligation. The rate used to discount the projected benefit obligation of the Berkeley plan increased from 2.59% to 2.80%. The net periodic benefit cost related to the defined benefit pension plans, included in Other expenses, was $(0.9) million, $(0.2) million and $(2.0) million for 2021, 2020 and 2019 respectively.

As of December 31, 2021, future expected benefit payments to be made from the assets of the defined benefit pension plans is $2.9 million, for each of the years ending December 31, 2022 and 2023, $2.8 million for year ending December 31, 2024, $3.0 million for each of the years ending December 31, 2025 and 2026. The expected benefit payments to be made for the subsequent five years ending December 31, 2027 through 2031 are $15.6 million.

Ocwen contributes to the defined benefit pension plans amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws as well as additional amounts at their discretion. Our contributions to the defined benefit pension plans were $1.0 million, $2.1 million and $0.8 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Gratuity Plan

In accordance with India law, OFSPL provides for a defined benefit retirement plan (Gratuity Plan) covering all of its employees in India. The Gratuity Plan provides a lump-sum payment to vested employees at retirement or termination of employment based upon the respective employee's salary and years of employment. OFSPL provides for the gratuity benefit through actuarially determined valuations.

The following table shows the total change in the benefit obligation, plan assets and funded status for the Gratuity Plan:

	December 31,	
	2021	2020
Benefit obligation	$ 6,305	$ 6,091
Fair value of plan assets	42	40
Unfunded status recognized in Other liabilities	$ (6,263)	$ (6,051)

During the years ended December 31, 2021, 2020 and 2019, benefits of $0.8 million, $0.8 million, and $0.9 million were paid by OFSPL. As of December 31, 2021, future expected benefit payments to be made from the assets of the Gratuity Plan, which reflect expected future service, is $1.1 million, $1.0 million, $0.9 million, $0.8 million and $0.7 million for the years ending December 31, 2022, 2023, 2024, 2025 and 2026, respectively. The expected benefit payments to be made for the subsequent five years ending December 31, 2027 through 2031 are $2.2 million.

Annual Incentive Plan

The Ocwen Financial Corporation Amended 1998 Annual Incentive Plan and the 2021 Equity Incentive Plan (the 2021 Equity Plan) are our primary incentive compensation plans for executives and other eligible employees. Previously issued equity awards remain outstanding under the 2017 Performance Incentive Plan (the 2017 Equity Plan) and the 2007 Equity Incentive Plan (the 2007 Equity Plan). Under the terms of these plans, participants can earn cash and equity-based awards as determined by the Compensation and Human Capital Committee of the Board of Directors (the Committee). The awards are based on objective and subjective performance criteria established by the Committee. The Committee may at its discretion adjust performance measurements to reflect significant unforeseen events. We recognized $23.6 million, $25.7 million and $16.6 million of compensation expense during 2021, 2020 and 2019, respectively, related to annual incentive compensation awarded in cash.

The 2007 Equity Plan, the 2017 Equity Plan and the 2021 Equity Incentive Plan authorize the grant of stock options, restricted stock, stock units or other equity-based awards, including cash-settled awards, to employees. Effective with the approval of the 2021 Equity Plan by Ocwen shareholders on May 25, 2021, no new awards have been, or will be, granted under the 2017 Equity Plan. The number of remaining shares available for award grants under the 2017 Equity Plan became available for award grants under the 2021 Equity Incentive Plan effective upon shareholder approval. At December 31, 2021, there were 494,585 shares of common stock remaining available for future issuance under these plans.

Equity Awards

Outstanding equity awards granted under the 2007 Equity Plan, the 2017 Equity Plan and 2021 Equity Incentive Plan had the following characteristics in common:

Type of Award	Percent of Total Equity Award	Vesting Period
2012 - 2014 Awards:		
Options:		
Servicing Condition - Time-based	45 %	Ratably over four years (25% on each of the four anniversaries of the grant date)
Market Condition:		
Market performance-based	50	Over three years beginning with 25% vesting on the date that the stock price has at least doubled over the exercise price and the compounded annual gain over the exercise price is at least 20% and then ratably over three years (25% on each of the next three anniversaries of the achievement of the market condition)
Extraordinary market performance-based	5	Over three years beginning with 25% vesting on the date that the stock price has at least tripled over the exercise price and the compounded annual gain over the exercise price is at least 25% and then ratably over three years (25% on each of the next three anniversaries of the achievement of the market condition)
Total Award	100 %	
2015 - 2016 Awards:		

Type of Award	Percent of Total Equity Award	Vesting Period
Options:		
Service Condition - Time-based	100 %	Ratably over four years (25% vesting on each of the first four anniversaries of the grant date.)
2017 - 2021 Awards:		
Options:		
Service Condition - Time-based	6 %	Ratably over three years (1/3 vesting on each of the first three anniversaries of the grant date).
Stock Units:		
Service Condition - Time-based	41	Over three years with 1/3 vesting on each of the first three anniversaries of the grant date.
Market Condition:		
Time-based vesting schedule and Market performance-based vesting date	9	Vest over four years with 25% vesting on each of the four anniversaries of the grant date. However, none are considered vested until the first trading day (if any) on or before the 4th anniversary of the award date on which the average stock price equals or exceeds the price set in the individual award agreement, at which time all units that have met their time-based vesting schedule vest immediately with the remainder vesting in accordance with their time-based schedule.
Time-based vesting schedule and Market performance-based vesting date	44	Cliff-vest 100% after three years. Vesting of units credited based on Total Shareholder Return (TSR) for any performance period is subject to continued service through the third anniversary of the grant. There is no interim or ratable vesting. The number of performance-based awards that will vest is determined by Ocwen's TSR, either absolute or relative to a performance peer group, during each performance period.
Total Award	100 %	

The contractual term of all options granted is ten years from the grant date, except where employment terminates by reason of death, disability or retirement, in which case, the agreement may provide for an earlier termination of the options. The terms of the market-based options do not include a retirement provision. Stock units have a three-year or four-year term. If the market conditions are not met by the third or fourth anniversary of the award of stock units, those units terminate on that date.

	Years Ended December 31,					
Stock Options	**2021**		**2020**		**2019**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding at beginning of year	124,866	$ 274.30	131,962	$ 282.30	139,507	$ 288.30
Granted (1)	—	—	—	—	3,427	31.20
Exercised	—	—	—	—	—	—
Forfeited / Expired (2)	(10,208)	189.00	(7,096)	423.80	(10,972)	280.35
Outstanding at end of year (3)(4)	114,658	$ 281.89	124,866	$ 274.30	131,962	$ 282.30
Exercisable at end of year (3)(4)(5)	108,754	$ 273.97	110,484	$ 283.08	105,384	$ 302.40

(1) Stock options granted in 2019 include 2,212 options awarded to Ocwen's Chief Financial Officer at a strike price of $32.55 equal to the closing price of our common stock on the effective date of her employment.

(2) Includes 10,208, 0, and 4,913 options which expired unexercised in 2021, 2020 and 2019, respectively, because their exercise price was greater than the market price of Ocwen's stock.

(3) At December 31, 2021, 5,167 options with a market condition for vesting based on an average common stock trading price of $484.19, had not met their performance criteria. Outstanding and exercisable stock options at December 31, 2021 have a net aggregate intrinsic value of $0.1 million. A total of 44,500 market-based options were outstanding at December 31, 2021, of which 39,333 were exercisable.

(4) At December 31, 2021, the weighted average remaining contractual term of options outstanding and options exercisable was 2.02 years and 1.98 years, respectively.

(5) The total fair value of stock options that vested and became exercisable during 2021, 2020 and 2019, based on grant-date fair value, was $0.3 million, $0.3 million and $0.6 million, respectively.

In 2019, Ocwen established a Long-Term Incentive (LTI) program in connection with changes made by the Committee to the compensation structure of Ocwen's executives. The LTI program is designed to promote actions and decisions aligned with our strategic objectives and reward our executives and other program participants for long-term value creation for our shareholders in a manner that is consistent with our pay-for-performance philosophy. The awards granted in 2019 and 2020 under the LTI program are cash-settled to avoid share dilution, except that awards granted to Ocwen's Chief Executive Officer will be settled in shares of common stock. The program includes both a time-vesting component for retention purposes and a performance component to align with pay-for-performance objectives, using TSR as the performance metric. In 2019, performance was based on absolute TSR; in 2020 and 2021, performance is measured based on TSR relative to performance peer groups. The LTI awards are granted under the 2017 Equity Plan.

A total of 326,453 awards were granted in 2019 under the LTI, of which 251,076 were cash-settled awards and 75,377 were equity-settled awards granted to Ocwen's CEO as disclosed above. A total of 693,896 awards were granted in 2020 under the LTI, of which 543,896 were cash-settled awards and 150,000 were equity-settled awards granted to Ocwen's CEO.

On September 10, 2020, the Committee granted one-time long-term incentive awards to certain Ocwen executives. A total of 57,891 cash-settled time-based awards were granted with a vesting period of 18 months from the date of grant, subject to continued employment and other conditions.

A total of 465,026 were granted in 2021 under the LTI, of which 115,173 were equity-settled awards granted to Ocwen's CEO, 117,233 were hybrid awards granted to certain Ocwen executives and 232,620 were cash-settled. The CEO's PRSU award contains a provision that will allow Ocwen to settle a portion of the units in cash in the unlikely event of above-target performance levels resulting in a shortfall of shares available in the equity plan. This will only occur if performance is significantly above target, The hybrid awards contain a provision that will allow Ocwen to settle some or all share units in shares rather than cash, subject to the availability of shares for issuance under the 2017 Equity Plan. We determined that in the case of the hybrid awards, Ocwen has sole discretion in the choice of settlement in shares or cash and it has both the intent and the ability to deliver the shares, therefore we accounted the hybrid awards as equity-settled awards, except 436 hybrid awards, which were accounted liability awards.

Of the awards granted under the LTI program in 2021, 2020 and 2019, 50%, 50% and 74%, respectively, were performance-based with a market condition and the remaining 50%, 50% and 26%, respectively, were time-based. The time-based awards vest equally on the first, second and third anniversaries of the award grant date if the continued employment condition is met. The recurring annual performance-based awards cliff-vest 100% after three years subject to meeting the performance conditions and continuing employment. Certain one-time transitional performance-based awards granted in 2019 vest equally on the first, second and third anniversaries of the award grant date subject to meeting the performance conditions and continuing employment. Because the cash-settled awards must be settled in cash, they are classified as liabilities (Other liabilities) in the consolidated balance sheets and remeasured at fair value at each reporting date with adjustments recorded as Compensation expense in the consolidated statements of operations.

	Years Ended December 31,					
Stock Units - Equity Awards	**2021**		**2020**		**2019**	
	Number of Stock Units	**Weighted Average Grant Date Fair Value**	**Number of Stock Units**	**Weighted Average Grant Date Fair Value**	**Number of Stock Units**	**Weighted Average Grant Date Fair Value**
Unvested at beginning of year	261,647	$ 21.74	177,275	$ 39.45	196,453	$ 56.25
Granted (1)	236,593	33.50	150,000	8.78	83,797	30.00
Vested (2)(3)	(71,855)	33.43	(62,954)	42.25	(75,846)	46.20
Forfeited/Cancelled	(10,159)	39.74	(2,674)	26.85	(27,129)	143.70
Unvested at end of year (4)(5)	416,226	$ 25.97	261,647	$ 21.74	177,275	$ 39.45

(1) Stock units granted in 2021, 2020 and 2019 include 115,173, 150,000 and 75,377 units, respectively, granted to Ocwen's CEO under the new long-term incentive (LTI) program described below. Stock units granted in 2021 includes 4,623 units added to Ocwen's CEO for performance factor related to 2020 awards under LTI program.

(2) The total intrinsic value of stock units vested, which is defined as the market value of the stock on the date of vesting, was $2.1 million, $1.0 million and $2.1 million for 2021, 2020 and 2019, respectively.

(3) The total fair value of the stock units that vested during 2021, 2020 and 2019, based on grant-date fair value, was $2.4 million, $2.7 million and $3.5 million, respectively.

(4) Excluding the 236,922 market-based stock awards that have not met their performance criteria (and time-vesting requirements, where applicable), the net aggregate intrinsic value of stock awards outstanding at December 31, 2021 was $7.2 million. At December 31,

2021, 3,840 stock units with a market condition for vesting based on an average common stock trading price of $65.10, as well as 37,688 stock units requiring an average common stock trading price of $38.34 to vest a minimum of 50% of units, had not yet met the market condition (and time-vesting requirements, where applicable). The performance for 195,394 stock units is measured based on TSR relative to Ocwen's compensation peer group TSR over the four performance periods.

(5) At December 31, 2021, the weighted average remaining contractual term of share units outstanding was 2.0 years.

	Years Ended December 31,		
Stock Units - Liability Awards	**2021**	**2020**	**2019**
Unvested units at beginning of year	728,373	243,441	—
Granted	233,056	601,787	251,076
Vested	(105,974)	(21,909)	—
Forfeited/Cancelled (1)	(111,507)	(94,954)	(7,635)
Other (2)	14,678	8	—
Unvested units at end of year	758,626	728,373	243,441

(1) Units forfeited/cancelled in 2021 and 2020 include 35,000 and 36,898 units, respectively, related to 2019 transitional performance-based awards. These units were forfeited as the TSR was below the threshold performance levels.

(2) Includes, 14,681 units added in 2021 as a result of a performance factor related to 2020 performance-based awards, and 8 shares added in 2020 representing the conversion of fractional stock units on the reverse stock split.

The number of performance-based awards that will vest under the LTI program awards for 2021 and 2020 is determined by Ocwen's TSR relative to a performance peer group (18 companies selected by the Committee, unique for each grant year) during each performance period. Median (50^{th} percentile) TSR performance will earn the target number of performance-based awards. The awards use four distinct weighted performance periods to measure overall performance – for 2021, three annual periods ending March 2, 2022, 2023, 2024 and one three-year period ending March 2, 2024; for 2020, three annual periods ending March 30, 2021, 2022, 2023 and one three-year period ending March 30, 2023. Note that the awards do not vest at the end of each performance period. Vesting of units credited based on the TSR for any performance period is subject to continued service through the third anniversary of the grant date. There is no interim or ratable vesting.

The number of performance-based awards that will vest under the 2019 annual LTI program is determined by Ocwen's total TSR over a three-year performance period ending March 29, 2022. The 2019 transitional performance-based awards vest in separate tranches based on the TSR, as defined, over one, two and three-year annual performance periods ending March 29, 2020, 2021 and 2022.

For all performance-based awards, the number of units earned depends on the level of performance achieved (Threshold = 50%; Target = 100%; Maximum = 200%, with results between levels interpolated). No units will be awarded for performance below the Threshold level. TSR is calculated using the average closing stock prices during the 30 trading days up to and including the beginning and end date of each performance period.

Compensation expense related to all stock-based awards is initially measured at fair value on the grant date using an appropriate valuation model based on the vesting conditions of the awards. Awards classified as liabilities are subsequently remeasured at fair value at each reporting date, as described above. The fair value of the time-based option awards was determined using the Black-Scholes options pricing model, while a lattice (binomial) model was used to determine the fair value of the market-based option awards. Lattice (binomial) models incorporate ranges of assumptions for inputs. Stock unit awards with only a service condition are valued at their intrinsic value, which is the market value of the stock on the date of the award. The fair value of Stock unit awards with both a service condition and a market-based vesting condition is based on the output of a Monte Carlo simulation.

The following assumptions were used to value awards:

	Years Ended December 31,			
	2021	2020	2019	
	Monte Carlo	Monte Carlo	Black-Scholes	Monte Carlo
Risk-free interest rate	0.01% - 0.77%	0.08% - 0.29%	2.60%	1.16% – 2.40%
Expected stock price volatility (1)	95% - 96.4%	88.7% - 94.1%	68%	72.5% - 75.9%
Expected dividend yield	—%	—%	—%	—%
Expected life (in years) (2)	(3)	(3)	8.5	(3)
Contractual life (in years)	N/A	N/A	N/A	N/A
Fair value	$36.09 - $62.03	$24.36 - $38.75	$20.55 - $23.25	$26.25 - $33.75

(1) We generally estimate volatility based on the historical volatility of Ocwen's common stock over the most recent period that corresponds with the estimated expected life of the option. For awards valued using a Monte Carlo simulation, volatility is computed as a blend of historical volatility based on daily stock price returns and implied volatility based on traded options on Ocwen's common stock.

(2) For the options valued using the Black-Scholes model we determined the expected life based on historical experience with similar awards, giving consideration to the contractual term, exercise patterns and post vesting forfeitures. The expected term of the options valued using the lattice (binomial) model is derived from the output of the model. The lattice (binomial) model incorporates exercise assumptions based on analysis of historical data. For all options, the expected life represents the period of time that options granted were expected to be outstanding at the date of the award. No option awards were granted during the years ended December 31, 2021 or 2020.

(3) The stock units that contain both a service condition and a market-based condition are valued using the Monte Carlo simulation. The expected term is derived from the output of the simulation and represents the expected time to meet the market-based vesting condition. For equity awards with both service and market conditions, the requisite service period is the longer of the derived or explicit service period. In this case, the explicit service condition (vesting period) is the requisite service period, and the graded vesting method is used for expense recognition.

The following table summarizes Ocwen's stock-based compensation expense included as a component of Compensation and benefits expense in the consolidated statements of operations:

	Years Ended December 31,		
	2021	2020	2019
Compensation expense - Equity awards			
Stock option awards	$ 254	$ (431)	$ (121)
Stock awards	4,465	2,832	2,818
	$ 4,719	$ 2,401	$ 2,697
Compensation expense - Liability awards	$ 15,108	$ 5,642	$ 1,082
Excess tax benefit (tax deficiency) related to share-based awards	$ 518	$ (424)	$ (381)

As of December 31, 2021, unrecognized compensation costs related to non-vested stock options amounted to $2.9 thousand, which will be recognized over a weighted-average remaining requisite service period of 0.17 years. Unrecognized compensation costs related to non-vested stock units as of December 31, 2021 amounted to $6.5 million, which will be recognized over a weighted-average remaining life of 2.02 years. Unrecognized compensation costs related to unvested liability awards as of December 31, 2021 amounted to $15.5 million, which will be recognized over a weighted-average remaining life of 1.00 years.

Note 23 — 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 residential mortgage servicing business and accounted for 78% of our total revenues in 2021. We provide residential and commercial forward mortgage loan servicing, reverse mortgage 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 MSRs from the owner of the mortgage, retained the MSRs on the sale or securitization 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 both forward and reverse conventional, government-insured and non-Agency mortgage loans, including the reverse mortgage loans classified as loans held for investment on our balance sheet. Non-Agency loans include subprime loans, which represent residential loans that generally did not qualify under GSE guidelines or have subsequently become delinquent.

Originations. The Originations segment (previously Lending) purchases and originates conventional and government-insured residential forward and reverse mortgage loans through multiple channels. The loans are typically sold shortly after origination on a servicing retained basis. We originate forward mortgage loans directly with customers (recapture channel) as well as through correspondent lending arrangements since the second quarter of 2019. We originate reverse mortgage loans in all three channels through our correspondent lending arrangements, broker relationships (wholesale) and retail channels. In addition to our originated MSRs, we acquire MSRs through multiple channels, including flow purchase agreements, the Agency Cash Window programs and bulk MSR purchases.

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, 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, gain or loss on extinguishment of debt, interest expense on unallocated corporate debt and foreign currency exchange gains or losses. Corporate Items and Other also includes severance, retention, facility-related and other expenses incurred in 2019 and 2020 related to our cost re-engineering initiatives. 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.

Revenues and expenses directly associated with each respective business segments are included in determining its results of operations. We allocate certain expenses incurred by corporate support services to each business segment using various methodologies intended to approximate the utilization of such services. Beginning in 2020, we updated our methodology to allocate overhead costs incurred by corporate support services to the Servicing and Originations segments, which now incorporates the utilization of various measurements primarily based on time studies, personnel volumes and service consumption levels. In prior periods, corporate support services costs were primarily allocated based on relative segment size. Support services costs not allocated to the Servicing and Originations segments are retained in the Corporate Items and Other segment along with certain other costs including certain litigation and settlement related expenses or recoveries, costs related to our re-engineering initiatives, and other costs related to operating as a public company. We allocate a portion of interest income to each business segment, including interest earned on cash balances. Interest expense on direct asset-backed financings are recorded in the respective Servicing and Originations segments. We allocate interest expense on corporate debt from Corporate Items and Other to the Servicing segment and the Originations segment (starting in the fourth quarter of 2021) based on relative financing requirements.

As a result of our risk management strategy to hedge the interest rate risk of our net MSR portfolio, the fair value changes of third-party derivative instruments were reported within MSR valuation adjustments, net. For management segment reporting purposes, we established inter-segment derivative instruments to transfer the risks and allocate the associated fair value changes of derivatives between Servicing and Originations, and specifically between MSR valuation adjustments, net and Gain on loans held for sale, net (Gain/loss on economic hedge instruments). In the second quarter of 2021, we began separately hedging our MSR portfolio and pipeline. We may, from time to time, establish intersegment derivative instruments between our MSR and pipeline hedging strategies to optimize the use of third-party derivatives. The inter-segment derivative fair value changes are eliminated in the consolidated financial statements in the Corporate Eliminations column in the table below.

Financial information for our segments is as follows:

Results of Operations	Servicing	Originations	Corporate Items and Other	Corporate Eliminations (1)	Business Segments Consolidated
Year Ended December 31, 2021					
Servicing and subservicing fees	$ 773,459	$ 8,482	$ —	$ —	$ 781,941
Reverse mortgage revenue, net	(2,335)	82,011	—	—	79,676
Gain on loans held for sale, net (1)	46,596	124,489	—	(25,330)	145,755
Other revenue, net	1,660	34,909	6,158	—	42,727
Revenue	819,380	249,891	6,158	(25,330)	1,050,099
MSR valuation adjustments, net (1)	(160,396)	25,166	—	25,330	(109,900)
Operating expenses	342,424	172,797	94,106	—	609,327
Other income (expense):					
Interest income	8,245	17,678	451	—	26,374
Interest expense	(104,578)	(22,972)	(16,418)	—	(143,968)
Pledged MSR liability expense	(209,121)	(834)	54	—	(209,901)
Loss on extinguishment of debt	—	—	(15,458)	—	(15,458)
Equity in earnings of unconsolidated entity	3,620	—	—	—	3,620
Other, net	5,190	(2,282)	1,182	—	4,090
Other expense, net	(296,644)	(8,410)	(30,189)	—	(335,243)
Income (loss) before income taxes	$ 19,916	$ 93,850	$ (118,137)	$ —	$ (4,371)
Year Ended December 31, 2020					
Servicing and subservicing fees	$ 731,221	$ 6,041	$ 58	$ —	$ 737,320
Reverse mortgage revenue, net	7,579	53,147	—	—	60,726
Gain on loans held for sale, net (1)	14,704	105,164	—	17,368	137,236
Other revenue, net	4,160	14,946	6,524	—	25,630
Revenue	757,664	179,298	6,582	17,368	960,912
MSR valuation adjustments, net (1)	(276,252)	41,699	—	(17,368)	(251,921)
Operating expenses (2)	331,885	114,357	129,462	—	575,704
Other income (expense):					
Interest income	7,061	7,008	1,930	—	15,999
Interest expense	(90,671)	(9,837)	(8,859)	—	(109,367)
Pledged MSR liability expense	(152,454)	—	120	—	(152,334)
Other, net	10,752	351	(4,372)	—	6,731
Other expense, net	(225,312)	(2,478)	(11,181)	—	(238,971)
Income (loss) before income taxes	$ (75,785)	$ 104,162	$ (134,061)	$ —	$ (105,684)

Results of Operations	Servicing	Originations	Corporate Items and Other	Corporate Eliminations (1)	Business Segments Consolidated
Year Ended December 31, 2019					
Servicing and subservicing fees	$ 974,160	$ 1,254	$ 93	$ —	$ 975,507
Reverse mortgage revenue, net	63,459	22,850	—	—	86,309
Gain on loans held for sale, net	5,426	32,865	9	—	38,300
Other revenue, net	5,445	4,729	13,085	—	23,259
Revenue	1,048,490	61,698	13,187	—	1,123,375
MSR valuation adjustments, net	(120,864)	(12)	—	—	(120,876)
Operating expenses (2) (3)	547,976	72,457	53,506	—	673,939
Other income (expense):					
Interest income	10,085	5,243	1,776	—	17,104
Interest expense	(102,525)	(7,590)	(4,014)	—	(114,129)
Pledged MSR liability expense	(372,172)	—	—	—	(372,172)
Gain on extinguishment of debt	—	—	5,099	—	5,099
Other, net	12,294	892	(4,139)	—	9,047
Other income (expense), net	(452,318)	(1,455)	(1,278)	—	(455,051)
Loss before income taxes	$ (72,668)	$ (12,226)	$ (41,597)	$ —	$ (126,491)

(1) Corporate Eliminations for 2021 and 2020 includes inter-segment derivative eliminations of $25.3 million and $17.4 million reported as gain on loans held for sale, net, respectively, with a corresponding offset in MSR valuation adjustments, net.

(2) In 2020, we executed certain cost re-engineering initiatives to generate further cost savings, some of which qualify as restructuring charges under GAAP, including the partial abandonment of certain leased properties and additional severance costs. As a result of these initiatives, we accelerated the depreciation of facility lease ROU assets and leasehold improvements by $3.3 million, recorded $6.3 million of facility and other related exit costs, and accrued $3.4 million of employee severance costs. In 2019, we executed cost re-engineering opportunities that extended beyond eliminating redundant costs through the PHH integration process. Costs for this plan totaled $65.0 million, including $35.7 million of employee-related costs, $10.1 million facilities-related and $19.1 million of other costs. Employee-related costs and facility-related costs are reported in Compensation and benefits expense and Occupancy and equipment expense, respectively, in the consolidated statements of operations. Other costs are primarily reported in Professional services expense and Other expenses. The expenses were all incurred within the Corporate Items and Other segment. The remaining liability of $2.0 million at December 31, 2020 is included in Other accrued expenses, a component of Other liabilities in the consolidated balance sheet and was settled in 2021.

(3) Included in the Corporate Items and Other segment for 2019, we recorded in Professional services expense a recovery from a service provider of $30.7 million during the first quarter of amounts previously recognized as expense.

Total Assets	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
December 31, 2021	$ 10,999,204	$ 823,530	$ 324,389	$ 12,147,123
December 31, 2020	9,847,603	379,233	424,291	10,651,127
December 31, 2019	9,580,466	257,416	568,317	10,406,199

Depreciation and Amortization Expense	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
Year Ended December 31, 2021:				
Depreciation expense	$ 674	$ 244	$ 9,347	$ 10,265
Amortization of debt discount and issuance costs	687	—	7,105	7,792
Year Ended December 31, 2020:				
Depreciation expense	$ 857	$ 128	$ 18,136	$ 19,121
Amortization of debt discount and issuance costs	470	—	6,522	6,992
Year Ended December 31, 2019:				
Depreciation expense	$ 1,925	$ 93	$ 29,893	$ 31,911
Amortization of debt discount and issuance costs	71	—	4,441	4,512

Note 24 — Regulatory Requirements

Our business is subject to extensive regulation and supervision by federal, state, local and foreign governmental authorities, including the Consumer Financial Protection Bureau (CFPB), HUD, the SEC and various state agencies that license 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.

We must comply with a large number of federal, state and local consumer protection and other laws and regulations, including, among others, the CARES Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the Telephone Consumer Protection Act (TCPA), the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act (FDCPA), the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA), the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, as well as individual state and local laws, and federal and local bankruptcy rules. These laws and regulations apply to all facets of our business, including, but not limited to, licensing, loan originations, consumer disclosures, default servicing and collections, foreclosure, filing of claims, registration of vacant or foreclosed properties, handling of escrow accounts, payment application, interest rate adjustments, assessment of fees, loss mitigation, use of credit reports, handling of unclaimed property, safeguarding of non-public personally identifiable information about our customers, and the ability of our employees to work remotely. These complex requirements can and do change as laws and regulations are enacted, promulgated, amended, interpreted and enforced, and the requirements applicable to our business have been changing especially rapidly in response to the COVID-19 pandemic. Most recently, the CFPB promulgated certain amendments to Regulation X (which implements RESPA) that became effective on August 31, 2021 and that impose certain additional COVID-19-related requirements with respect to loss mitigation, early intervention call requirements, and initiating new foreclosures before January 1, 2022. The CFPB also promulgated two sets of amendments to Regulation F (which implements the FDCPA), that each became effective on November 30, 2021 and that impose additional requirements regarding contacting borrowers and debt validation communications, among other things. 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. 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.

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

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

We are also subject to seller/servicer obligations under agreements with the GSEs, HUD, FHA, VA and Ginnie Mae, including capital requirements related to tangible net worth, as defined by the applicable agency, an obligation to provide audited financial statements within 90 days of the applicable entity's fiscal year end as well as extensive requirements regarding servicing, selling and other matters. We believe our licensed entities were in compliance with all of their minimum net worth requirements at December 31, 2021. Our non-Agency servicing agreements also contain requirements regarding servicing practices and other matters, and a failure to comply with these requirements could have a material adverse impact on our business.

The most restrictive of the various net worth requirements for licensing and seller/servicer obligations referenced above is based on the UPB of assets serviced by PMC. Under the applicable formula, the required minimum net worth was $372.1 million at December 31, 2021. PMC's adjusted net worth was $568.2 million at December 31, 2021. The most restrictive of the various liquidity requirements for licensing and seller/servicer obligations referenced above pertains to PMC and was $40.8 million at December 31, 2021. PMC's liquid assets were $169.6 million at December 31, 2021.

We face regulatory and public scrutiny as an organization and have entered into a number of significant settlements with federal and state regulators and state attorneys general that have imposed additional requirements on our business. Our failure to comply with our settlement obligations to our regulators or with applicable federal, state, local and foreign laws, regulations, licensing requirements and agency guidelines could lead to (i) administrative fines, penalties, sanctions or 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) additional costs to address these matters and comply with the terms of any resulting resolutions, (vii) suspension or termination of our approved agency seller/servicer status, (viii) inability to raise capital or otherwise fund our operations and (ix) inability to execute on our business strategy, which could have a material adverse impact on our business, reputation, results of operations, liquidity and financial condition.

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

California Department of Financial Protection and Innovation (CA DFPI). In January 2015 and February 2017, Ocwen Loan Servicing, LLC (OLS) entered into consent orders with the CA DFPI (formerly known as the California Department of Business Oversight) relating to our alleged failure to produce certain information and documents during a routine licensing examination and relating to alleged servicing practices. We have completed all of our obligations under each of these consent orders. In October 2020, we entered into a consent order with the CA DFPI in order to resolve a legacy PHH examination finding and, in conjunction therewith, agreed to pay $62,000 (sixty-two thousand dollars) in penalties. We continue to work with the CA DFPI to address matters they raise with us as well as to fulfill our commitments under the consent order.

Note 25 — Commitments

Servicer Advance Obligations

In the normal course of business as servicer or master servicer, we are required to advance loan principal and interest payments (P&I), property taxes and insurance premiums (T&I) on behalf of the borrower, if delinquent or delinquent and under a forbearance plan. We also advance legal fees, inspection, maintenance, and preservation costs (Corporate advances) on properties that are in default or have been foreclosed. Our obligations to make these advances are governed by servicing agreements or guides, depending on investors or guarantor.

For PLS loans, generally, we may stop advancing for P&I once future advances are deemed non-recoverable from the net proceeds of the property, although we are generally obligated to continue T&I and Corporate advances until the loan is brought current or until completion of a foreclosure and sale of the REO, in which case, we generally recover our advances from the net proceeds of the property or the pool level proceeds, i.e., generally after the completion of the foreclosure and sale of the REO. For loans in forbearance, Ocwen provides monthly payment deferrals throughout the forbearance period which advance the due date and move the resulting missed payments to or near the loan's maturity as a non-interest bearing balance. As such, Ocwen does not expect to be out of pocket cash for P&I and T&I advances for any more than one month for eligible PLS loans in forbearance that were not significantly delinquent at the time forbearance was applied to the account.

For Ginnie Mae loans, we are required to make advances for the life of the loan without regard to whether we will be able to recover those payments from cure, liquidation proceeds, insurance proceeds, or late payments. We may stop advancing P&I by purchasing loans out of the pool when they are more than 90 days delinquent. To the extent there are excess funds in the custodial accounts, we are permitted to borrow from these amounts if P&I advances are required for our P&I remittance. We are also required to advance both T&I and Corporate advances until cure or liquidation. For loans in forbearance, we advance P&I while the forbearance plan is active. Reimbursement of such P&I advance is expected after the forbearance period ends, through loan resolution, cure or liquidation.

For GSE loans, we are required to advance interest payments until the borrower is 120 days delinquent for Fannie Mae loans and P&I until borrower resolution or liquidation for Freddie Mac loans. For Freddie Mac loans, servicers may submit claims for T&I and Corporate advances upon borrower resolution or liquidation. For Fannie Mae loans, we can submit reimbursement claims for certain T&I and Corporate advances after incurring the expense. T&I and Corporate advancing on GSE loans continues until the completion of the foreclosure sale. For GSE loans in forbearance, once we have advanced four months of missed payments on a loan, we have no further obligation to advance scheduled payments as the loan will be moved into an "Actual/Actual" remittance status. Reimbursement of such P&I advance is expected after the forbearance period ends, through loan resolution, cure or liquidation. We are required to make T&I and Corporate advances for loans in forbearance until the loan is brought current or until completion of a foreclosure, but we can submit reimbursement claims for certain T&I and Corporate advances after incurring the expense on Fannie Mae loans. Freddie Mac requires servicers to wait until borrower resolution or liquidation to submit claims for T&I and Corporate advances.

As subservicer, we are required to make P&I, T&I and Corporate advances on behalf of servicers following the servicing agreements or guides. Servicers are generally required to reimburse us within 30 days of our advancing under the terms of the subservicing agreements. We are generally reimbursed by NRZ the same day we fund P&I advances, or within no more than three days for servicing advances and certain P&I advances under the Ocwen agreements.

NRZ is obligated to fund new servicing advances with respect to the MSRs underlying the Rights to MSRs (RMSR), pursuant to the 2017 Agreements and New RMSR Agreements. NRZ has the responsibility to fund advances for loans where they own the MSR, i.e., are the servicer of record. We are dependent upon NRZ for funding the servicing advance obligations for Rights to MSRs where we are the servicer of record. As the servicer of record, 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. 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. If NRZ were unable to meet its advance funding obligations, we would remain obligated to meet any future advance financing obligations with respect to the loans underlying these Rights to MSRs, which could materially and adversely affect our liquidity, financial condition, results of operations and servicing business.

Unfunded Lending Commitments

We have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of $1.5 billion and $2.0 billion at December 31, 2021 and 2020, respectively. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. In 2021, we funded $226.6 million out of the $2.0 billion borrowing capacity as of December 31, 2020. We also had short-term commitments to lend $1.0 billion and $63.3 million in connection with our forward and reverse mortgage loan IRLCs, respectively, outstanding at December 31, 2021. We finance originated and purchased forward and reverse mortgage loans with repurchase and participation agreements, referred to as warehouse lines.

HMBS Issuer Obligations

As an HMBS issuer, we assume certain obligations related to each security issued. The most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of 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:

	Year Ended December 31, 2021					
	Active		Inactive		Total	
	Number	Amount	Number	Amount	Number	Amount
Beginning balance	141	$ 29,852	317	$ 56,449	458	$ 86,301
Additions	321	86,114	293	61,177	614	147,291
Recoveries, net (1)	(310)	(75,584)	(176)	(25,089)	(486)	(100,673)
Transfers	(14)	(5,068)	14	5,068	—	—
Changes in value	—	8	—	(3,792)	—	(3,784)
Ending balance	138	$ 35,322	448	$ 93,813	586	$ 129,135

(1) 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 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. Receivables are valued at net realizable value. REO is valued at the estimated value of the underlying property less cost to sell.

Lease Commitments

We lease certain of our premises and equipment under non-cancelable operating leases with terms expiring through 2025 exclusive of renewal option periods. At December 31, 2021, the weighted average remaining term of our leases was 1.9 years. A maturity analysis of our lease liability as of December 31, 2021 is summarized as follows:

2022	$ 12,513
2023	3,029
2024	1,385
2025	654
2026	—
Thereafter	—
	17,581
Less: Adjustment to present value (1)	(739)
Total lease payments, net	$ 16,842

(1) At December 31, 2021, the weighted average of the discount rate used to estimate the present value was 7.6% based on our incremental borrowing rate.

Operating lease cost for 2021, 2020 and 2019 was $8.8 million, $14.6 million and $26.1 million, respectively. The operating lease cost for 2021, 2020 and 2019 includes $1.6 million, $1.6 million and $5.4 million, respectively, of variable lease expense.

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, and extends through the lease expiration on December 31, 2022.

NRZ Relationship

Our Servicing segment has exposure to concentration risk and client retention risk. As of December 31, 2021, our servicing portfolio included significant client relationships with NRZ which represented 21% and 31% of our servicing portfolio UPB and loan count, respectively, and approximately 66% of all delinquent loans that Ocwen services. Our Subservicing Agreements and the Servicing Addendum with NRZ are in their Initial Terms that end in July 2022. Each of the agreements will automatically renew to July 2023, unless NRZ terminates or does not extend the terms as described below. At any time during the Initial Term, subject to proper notice (generally 180 days' notice), the payment of termination fees and certain other provisions, NRZ has the rights to terminate the Subservicing Agreements and Servicing Addendum for convenience. Since NRZ did not provide a notice of termination in January 2022, 180 days' prior to the end of the Initial Term, termination fees are no longer payable if NRZ provides a notice of termination before the end of the Initial Term. Following the Initial Term ending July 2022, NRZ may extend the term of the Subservicing Agreements and Servicing Addendum for additional three-month periods by providing proper notice. Absent any notice of extension, each of the agreements will terminate at the end of its Initial Term in July 2022 or the end of any three-month extended term. If NRZ exercised all or a significant portion of these termination rights, we might need to right-size certain aspects of our servicing business as well as the related corporate support functions. Receivables and Other liabilities recorded on our consolidated balance sheets as well as the impacts to our consolidated statements of operations in connection with our NRZ agreements are disclosed in Note 8 — MSR Transfers Not Qualifying for Sale Accounting.

Note 26 — 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, and those brought derivatively on behalf of Ocwen against certain current or former officers and directors or others, and those brought under the False Claims Act by private citizens on behalf of the U.S.. In addition, we may be a party or potential party to threatened or pending legal proceedings brought by fair-housing advocates, commercial counterparties, including claims by counterparties in sales and purchases of loans, MSRs or other assets, parties on whose behalf we service or serviced mortgage loans, parties who provide ancillary services including property preservation and other post-foreclosure related services, and parties who provide or provided consulting or other services to Ocwen.

The majority of these proceedings are based on alleged violations of federal, state and local laws and regulations governing our mortgage servicing and lending activities, including, among others, the Dodd-Frank Act, the Gramm-Leach-Bliley Act, the FDCPA, the RESPA, the TILA, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the TCPA, the Equal Credit Opportunity Act, as well as individual state licensing and foreclosure laws and federal and local bankruptcy rules. Such proceedings include wrongful foreclosure and eviction actions, bankruptcy violation actions, payment misapplication actions, allegations of wrongdoing in connection with lender-placed insurance and mortgage reinsurance arrangements, claims relating to our property preservation activities, claims related to REO management, claims relating to our written and telephonic communications with our borrowers such as claims under the TCPA and individual state laws, claims related to our payment, escrow and other processing operations, claims relating to fees imposed on borrowers relating to inspection fees, foreclosure attorneys' fees, reinstatement fees, foreclosure registration fees, payment processing, payment facilitation or payment convenience fees, claims related to ancillary products marketed and sold to borrowers, claims related to call recordings, claims regarding certifications of our legal compliance related to our participation in certain government programs, claims related to improper occupancy inspections, and claims related to untimely recording of mortgage satisfactions. In some of these proceedings, claims for substantial monetary damages are asserted against us. For example, we are currently a defendant in various matters alleging that (1) certain fees imposed on borrowers relating to payment processing, payment facilitation or payment convenience violate the FDCPA and similar state laws, (2) certain fees we assess on borrowers are improperly assessed and/or marked up improperly in violation of applicable state and federal law, (3) we breached fiduciary duties we purportedly owe to benefit plans due to the discretion we exercise in servicing certain securitized mortgage loans, and (4) 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, including punitive damages, or where the matters present novel legal theories or involve a large number of parties, we generally cannot predict what the eventual outcome of such proceedings will be, what the timing of the ultimate resolution will be, or what the eventual loss, if any, will be. Any material adverse resolution could materially and adversely affect our business, reputation, financial condition, liquidity and results of operations.

Where we determine that a loss contingency is probable in connection with a pending or threatened legal proceeding and the amount of our loss can be reasonably estimated, we record an accrual for the loss. We have accrued for losses relating to threatened and pending litigation that we believe are probable and reasonably estimable based on current information regarding these matters. Where we determine that a loss is not probable but is reasonably possible or where a loss in excess of the amount accrued is reasonably possible, we disclose an estimate of the amount of the loss or range of possible losses for the claim if a reasonable estimate can be made, unless the amount of such reasonably possible loss is not material to our financial position, results of operations or cash flows. It is possible that we will incur losses relating to threatened and pending litigation that materially exceed the amount accrued. Our accrual for probable and estimable legal and regulatory matters, including accrued legal fees, was $44.0 million at December 31, 2021. We cannot currently estimate the amount, if any, of reasonably possible losses above amounts that have been recorded at December 31, 2021.

As previously disclosed, we are subject to individual lawsuits relating to our FDCPA compliance and putative state law class actions based on the FDCPA and state statutes similar to the FDCPA. Ocwen agreed to a settlement in principle of a putative class action, *Morris v. PHH Mortgage Corp.*, filed in March 2020 in the United States District Court for the Southern District of Florida, alleging that PMC's and legacy Ocwen's practices of charging a fee to borrowers who voluntarily use certain optional expedited payment options violates the FDCPA and its state law analogs. Several similar putative class actions have been filed against PMC and Ocwen since July 2019. Following mediation, PMC agreed to the terms of a settlement agreement to resolve all claims in the *Morris* matter. During the preliminary approval process, several third parties, including a group of State Attorneys General, expressed opposition to the proposed settlement. As a result of this opposition, we also received requests for information from various states regarding our practices, to which we have responded in due course. On November 8, 2021, in a similar lawsuit also challenging our convenience fees practices in California, *Torliatt v. PHH Mortgage Corp.* (pending in the Northern District of California), the Court granted the plaintiff's motion for class certification and certified a class of California borrowers. Because the certified *Torliatt* class that overlaps with the putative class certified in *Morris*, the *Morris* settlement cannot move forward in its current form. We have filed a petition with the Ninth Circuit Court of Appeals seeking an appeal of the *Torliatt* class certification decision and we also filed a motion to stay the *Morris* proceedings pending resolution of the *Torliatt* class certification appeal. Ocwen cannot guarantee that the proposed settlement in the Morris matter will receive final approval and in the absence of such approval, Ocwen cannot predict the eventual outcome of the *Torliatt* or *Morris* proceedings or similar putative class actions filed against us.

In addition, we continue to be involved in legacy matters arising prior to Ocwen's October 2018 acquisition of PHH, including a putative class action filed in 2008 in the United States District Court for the Eastern District of California against PHH and related entities alleging that PHH's legacy mortgage reinsurance arrangements between its captive reinsurer, Atrium Insurance Corporation, and certain mortgage insurance providers violated RESPA. See *Munoz v. PHH Mortgage Corp. et al*. (Eastern District of California). In June 2015, the court certified a class of borrowers who obtained loans with private mortgage insurance through PHH's captive reinsurance arrangement between June 2007 and December 2009. PHH asserted numerous defenses to the merits of the case. Following pre-trial developments in August 2020, the only issues remaining for trial were whether the plaintiffs had standing to bring their claims and whether the reinsurance services provided by PHH's captive reinsurance subsidiary, Atrium, were actually provided in order for the safe harbor provision of RESPA to apply. On January 31, 2022, the Court denied a motion by the plaintiffs to enter new evidence and a motion by PHH to decertify the class, which motion PHH may renew if the case ultimately goes to trial. Following the entry of this order, at the request of the parties, the Court dismissed all of the plaintiffs' claims for lack of standing and entered judgment in favor of PHH. The plaintiffs have the right to appeal. If plaintiffs appeal the judgment or challenge the Court's January 31, 2022, order, Ocwen will vigorously defend itself. Our current accrual with respect to this matter is included in the $44.0 million legal and regulatory accrual referenced above. At this time, Ocwen is unable to predict the outcome of this lawsuit or the possible loss or range of loss, if any, associated with the resolution of such lawsuit. If our efforts to defend this lawsuit are not successful, our business, reputation, financial condition, liquidity and results of operations could be materially and adversely affected.

The same plaintiffs who filed a TCPA class action against Ocwen subsequently filed a similar class action against trustees of RMBS trusts based on vicarious liability for Ocwen's alleged non-compliance with the TCPA. This class action filed against the trustees has settled, and while the trustees previously have indicated their intent to seek indemnification from Ocwen based on the vicarious liability claims, they have yet to take any formal action. Additional lawsuits have been and may be filed against us in relation to our TCPA compliance. However, a recent Supreme Court decision significantly undercuts the predominant theory of liability under the TCPA, and should provide even greater defenses on which Ocwen can rely when defending existing lawsuits or any additional lawsuits that may be filed. Nevertheless, given the recency of this Supreme Court decision, and the lack of opportunity for lower courts to interpret and apply it, it remains difficult to predict the possible loss or range of loss, if any, above the amount accrued 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, reputation, financial condition, liquidity and results of operations could be materially and adversely affected.

Ocwen is a defendant in a certified class action in the U.S. District Court in the Eastern District of California where the plaintiffs claim Ocwen marked up fees for property valuations and title searches in violation of California state law. *See Weiner v. Ocwen Financial Corp., et al*. Ocwen's motion for summary judgment, filed in June 2019, was denied in May 2020; however, the court ruled that plaintiff's recoverable damages are limited to out-of-pocket costs, *i.e.*, the amount of marked-up fees actually paid, rather than the entire cost of the valuation that plaintiffs sought. Ocwen has moved to decertify the class. A jury trial was scheduled to commence March 7, 2022, but on December 22, 2021, the Court vacated the trial setting and associated pretrial conference due to a conflict with the Court's trial schedule and indicated it would reset the dates after it issues a ruling on the decertification motion and a motion to compel testimony filed by the plaintiffs. At this time, Ocwen is unable to predict the outcome of this lawsuit or any additional lawsuits that may be filed, the possible loss or range of loss, if any, associated with the resolution of such lawsuits or the potential impact such lawsuits may have on us or our operations. Ocwen intends to vigorously defend against this lawsuit. If our efforts to defend this lawsuit are not successful, our business, financial condition liquidity and results of operations could be materially and adversely affected. Ocwen may have affirmative indemnification rights and/or other claims against third parties related to the allegations in the lawsuit. Although we may pursue these claims, we cannot currently estimate the amount, if any, of recoveries from these third parties.

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

We are also currently involved in three lawsuits pending in the Supreme Court of the State of New York with a purchaser of MSRs, Mr. Cooper (formerly Nationstar Mortgage Holdings Inc.), who alleges breaches of representations and warranties made by PHH in the MSR sale agreements. The Court dismissed Mr. Cooper's claims without prejudice in two of the lawsuits; PHH's motion to dismiss the third lawsuit remains pending. On November 15, 2021 we reached an agreement with Mr. Cooper to resolve the three lawsuits and the settlement amount is included in the $44.0 million legal and regulatory accrual referenced above.

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

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

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

Regulatory

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

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

CFPB

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

On March 4, 2021, the court issued an order granting in part and reserving ruling in part on Ocwen's motion for summary judgment. In that order, the court granted Ocwen summary judgment on 9 of 10 counts in the CFPB's amended complaint, finding that the CFPB's allegations were barred under the principles of claim preclusion or *res judicata* to the extent those claims are premised on servicing activity occurring prior to February 26, 2017 and are covered by a 2014 Consent Judgment entered by the United States District Court for the District of Columbia. The CFPB subsequently filed its Second Amended Complaint to remove count 10 as well as allegations in counts 1-9 concerning servicing activity that occurred after February 26, 2017. On April 21, 2021, the court entered final judgment in our favor, denied all pending motions as moot, and closed the case. The CFPB thereafter filed a notice of appeal. Appellate briefing concluded August 26, 2021, and oral argument before the Eleventh Circuit occurred on February 10, 2022.

Our current accrual with respect to this matter is included in the $44.0 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 potentially involve monetary fines or penalties or additional restrictions on our business and 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 administrative 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. These administrative actions were applicable to OLS, but additional Ocwen entities were named in some actions, including Ocwen Financial Corporation, OMS, Homeward, Liberty, OFSPL and Ocwen Business Solutions, Inc. (OBS).

We have now resolved all of the state regulatory matters arising in April 2017. In resolving these matters, we entered into agreements containing restrictions and commitments with respect to the operation of our business and our regulatory compliance activities, including restrictions and conditions relating to acquisitions of MSRs, a transition to an alternate loan servicing system from the REALServicing system, engagement of third-party auditors, escrow and data testing, error remediation, and financial condition reporting. We also provided certain borrower financial remediation and made payments to state regulators.

We have taken substantial steps toward fulfilling our commitments under these agreements, including completing the transfer of loans to Black Knight MSP, completing pre-transfer and post-transfer data integrity audits, developing and implementing enhancements to our consumer complaint process, completing a third-party escrow review and ongoing reporting and information sharing.

We have also incurred, and will continue to incur, costs to comply with the terms of the settlements we have entered into, including the costs of conducting an escrow review, Maryland organizational assessments and Massachusetts data integrity audits, and costs relating to the transition to Black Knight MSP. With respect to the escrow review, the third-party auditor has issued its final report and we have completed all related remediation measures. It is possible that legal or other actions could be taken against us with respect to the identified escrow errors, which could result in additional costs or other adverse impacts. If we fail to comply with the terms of our settlements, additional legal or other 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) and six states relating to a servicing examination from 2013 to 2015. Among other things, the MOU prohibited us from repurchasing stock during the development of a going forward plan and, thereafter, except as permitted by the plan. We submitted a plan in 2016 that contained no stock repurchase restrictions and, therefore, we do not believe we are currently restricted from repurchasing stock. We requested confirmation from the signatories of the MOU that they agree with this interpretation, and received affirmative responses from the MMC and five states, and a response declining to take a legal position from the remaining state.

On occasion, we engage with agencies of the federal government on various matters. For example, Ocwen was named as a defendant in a HUD administrative complaint filed by a non-profit organization alleging discrimination in the manner in which Ocwen 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 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 in the Treasury Department's Making Home Affordable Program. Ocwen has also received subpoenas that appear to relate to federal government agency initiatives relating to our industry generally, since we understand other lenders and servicers have received similar subpoenas. These include subpoenas in 2016 and 2017 from the Office of Inspector General of HUD requesting documentation related to HECM loans and lender-placed insurance arrangements with a mortgage insurer and a 2019 subpoena from the VA Office of the Inspector

General requesting documentation related to the origination and underwriting of loans guaranteed by the Veterans Benefits Administration. In each instance, we have provided documents and information in response to these 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 generally 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 Originations business, we have exposure to indemnification risks and repurchase requests. In our Servicing business, claims alleging that we did not comply with our servicing obligations may require us to repurchase mortgage loans, make whole or otherwise indemnify investors or other parties. If home values were to decrease, our realized 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 representation, warranty and indemnification obligations relating to our Originations business, including lending, sales and securitization activities. 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 loan sale or collateral liquidation as well as current market conditions. We have exposure to servicing representation, warranty and indemnification obligations relating to our servicing practices. We record an accrual for a loss contingency if the loss contingency is probable and the amount can be reasonably estimated. We monitor the adequacy of the overall liability and make adjustments, as necessary, after consideration of our historical losses and other qualitative factors including ongoing dialogue and experience with our counterparties.

At December 31, 2021 and 2020, we had outstanding representation and warranty repurchase demands of $52.5 million UPB (288 loans) and $41.2 million UPB (250 loans), respectively. We review each demand and monitor through resolution, primarily through rescission, loan repurchase or make-whole payment.

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

	Years Ended December 31,		
	2021	2020	2019
Beginning balance (1)	$ 40,374	$ 50,838	$ 49,267
Provision (reversal) for representation and warranty obligations	3,173	(7,783)	(11,701)
New production liability	4,733	2,596	304
Charge-offs and other (2) (3)	1,150	(5,277)	12,968
Ending balance (1)	$ 49,430	$ 40,374	$ 50,838

(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 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.
(3) The year ended December 31, 2019 includes $18.0 million liability for representation and warranty obligations related to sold advances previously presented as allowance for losses. See Note 6 — Advances.

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 December 31, 2021.

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 five 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 service providers and parties from whom we purchased MSRs 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 MSRs or other assets or by parties on whose behalf we service mortgage loans. We cannot currently estimate the amount, if any, of reasonably possible loss above amounts recorded.

EX-10.5 7 ex10_5.htm EXHIBIT 10.5

EXHIBIT 10.5

SERVICES AGREEMENT, dated as of August 10, 2009, between OCWEN FINANCIAL CORPORATION, a Florida corporation ("OCWEN" or together with its Affiliates "OCWEN Group"), and ALTISOURCE SOLUTIONS S.à r.l., a private limited liability company organized under the laws of the Grand Duchy of Luxembourg and an indirect, wholly-owned subsidiary of OCWEN ("ALTISOURCE" or together with its Affiliates "ALTISOURCE Group").

RECITALS

WHEREAS, OCWEN and Altisource Portfolio Solutions S.A. (formerly known as Altisource Portfolio Solutions S.à r.l., formerly known as Ocwen Luxembourg S.à r.l.), the sole parent of ALTISOURCE ("ALTISOURCE Parent"), are parties to a Separation Agreement dated as of August 10, 2009 (the "Separation Agreement"), pursuant to which OCWEN will (i) separate the ALTISOURCE Business (as defined in the Separation Agreement) and (ii) distribute (the "Separation") to the holders of shares of OCWEN's outstanding capital stock all of the outstanding capital stock of ALTISOURCE Parent;

WHEREAS, following the Separation, ALTISOURCE will operate the ALTISOURCE Business, and OCWEN will operate the OCWEN Business (as defined in the Separation Agreement); and

WHEREAS, following the Separation, OCWEN desires to receive, and ALTISOURCE is willing to provide, or cause to be provided, certain services in connection with the OCWEN Business, in each case subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the parties agree as follows:

1. Definitions.

(a) Capitalized terms used herein and not otherwise defined have the meanings given to such terms in the Separation Agreement.

(b) For the purposes of this Agreement, the following terms shall have the following meanings:

"Affiliate" means with respect to any Person (a "Principal") (a) any directly or indirectly wholly-owned subsidiary of such Principal, (b) any Person that directly or indirectly owns 100% of the voting stock of such Principal or (c) a Person that controls, is controlled by or is under common control with such Principal. As used herein, "control" of any entity means the possession, directly or indirectly, through one or more intermediaries, of the power to direct or cause the direction of the management or policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise. Furthermore, with respect to any Person that is partially owned by such Principal and does not otherwise constitute an Affiliate (a "Partially-Owned Person"), such Partially-Owned Person shall be considered an Affiliate of such Principal for purposes of this Agreement if such Principal can, after making a good faith effort to do so, legally bind such Partially-Owned Person to this Agreement.

"Agreement" means this Services Agreement, including the Schedules hereto, any Services Letter, any Fee Letter and any SOWs entered into pursuant to Section 2(b).

"Applicable Services" means business process outsourcing services of the type provided in the ordinary course of business of the Providing Party as of the date of this Agreement.

"Customer Party" means a party in its capacity of receiving a Service hereunder, including OCWEN.

"Fee Letter" has the meaning set forth in Section 4(a).

"Fixed Price Project" means any Service designated as such on Schedule I, in the Services Letter or the applicable SOW.

"Providing Party" means a party in its capacity of providing a Service hereunder, including ALTISOURCE.

"Services" means the services set forth on Schedule I (as further described in the Services Letter) and/or in any SOWs, as the context requires.

"SOW" means a statement of work entered into between the parties on an as-needed basis to describe a particular service that is not covered specifically in a schedule hereto or in the Services Letter, but has been agreed to be provided pursuant to the terms of this Agreement except as otherwise set forth in such SOW.

2. Provision of Services.

(a) *Generally*. Subject to the terms and conditions of this Agreement, ALTISOURCE shall provide, or cause to be provided, to OCWEN and the OCWEN Group, the services set forth on Schedule I, in each case (i) as further described in a letter between the Providing Party and the Customer Party dated as of the date hereof (the "Services Letter") and (ii) for the periods commencing on the date hereof through the respective period specified on Schedule I (the "Service Period"), unless such period is earlier terminated in accordance with Section 5.

(b) *Statements of Work*. In addition to the services set forth on Schedule I, from time to time during the term of this Agreement the parties shall have the right to enter into SOWs to set forth the terms of any related or additional services to be performed hereunder. Any SOW shall be agreed to by each party, shall be in writing and (I) shall contain, to the extent applicable: (i) the identity of each of the Providing Party and the Customer Party; (ii) a description of the Services to be performed thereunder; (iii) the applicable Performance Standard for the provision of such Service, if different from the Performance Standard; (iv) a description of the penalties of nonperformance and the incentives for performance in accordance with the applicable Performance Standard; (v) a description of the Customer Party's criteria for evaluating the acceptance of deliverables; (vi) the amount, schedule and method of compensation for provision of such Service; and (vii) the Customer Party's standard operating procedures for receipt of services similar to such Service, including operations, compliance requirements and related training schedules; and (II) may contain (i) a description of the renewal option for such SOW; (ii) information technology support requirements of the Customer Party with respect to such Service; (iii) training and support commitments with respect to such Service; (iv) the number of full-time employees required for such Service; and (v) any other terms the parties desired by. For the avoidance of doubt, the terms and conditions of this Agreement shall apply to any SOW.

(c) The Services shall be performed on Business Days during hours that constitute regular business hours for each of OCWEN and ALTISOURCE, unless otherwise agreed or as provided on Schedule I, in the Services Letter or an applicable SOW. No Customer Party, nor any member of its respective Group, shall resell, subcontract, license, sublicense or otherwise transfer any of the Services to any Person whatsoever or permit use of any of the Services by any Person other than by the Customer Party and its Affiliates directly in connection with the conduct of the Customer Party's respective business in the ordinary course of business.

(d) Notwithstanding anything to the contrary in this Section 2 (but subject to the second succeeding sentence), the Providing Party shall have the exclusive right to select, employ, pay, supervise, administer, direct and discharge any of its employees who will perform Services. The Providing Party shall be responsible for paying such employees' compensation and providing to such employees any benefits. With respect to each Service, the Providing Party shall use commercially reasonable efforts to have qualified individuals participate in the provision of such Service; provided, however, that (i) the Providing Party shall not be obligated to have any individual participate in the provision of any Service if the Providing Party determines that such participation would adversely affect the Providing Party or its Affiliates; and (ii) none of the Providing Party or its Affiliates shall be required to continue to employ any particular individual during the applicable Service Period.

3. Standard of Performance. The Providing Party shall use commercially reasonable efforts to provide, or cause to be provided, to the Customer Party and its Group, each Service with such quality standards, service level requirements, specifications and acceptance criteria identified in the Services Letter or the respective SOW (including any "Critical Performance Standards" as identified in any therein) (the "Performance Standard"), unless otherwise specified in this Agreement. Notwithstanding the foregoing, no Providing Party shall have any obligation hereunder to provide to any Customer Party any improvements, upgrades, updates, substitutions, modifications or enhancements to any of the Services unless otherwise specified in the Services Letter or applicable SOW. The Customer Party acknowledges and agrees that the Providing Party may be providing services similar to the Services provided hereunder and/or services that involve the same resources as those used to provide the Services to its and its Affiliates' business units and other third parties.

4. Fees for Services.

(a) As compensation for a particular Service, the Customer Party agrees to pay to the Providing Party, for each of the first two (2) successive years during which such Service is provided (the "Initial Fee Period"), the respective amount set forth in (i) the Services Letter (or, if applicable, in a separate fee letter to be delivered by the Providing Party to the Customer Party dated as of the date hereof (the "Fee Letter")) or (ii) with respect to any Service performed pursuant to an SOW, in such SOW. The parties intend that any such fees reflect the market rate for comparable services. In the event the Services provided are increased or decreased during the Service Period, the fees associated therewith shall be increased or decreased, as applicable, on a pro rata basis.

(b) The fees for the Services other than Fixed Price Projects shall be adjusted in each year subsequent to the Initial Fee Period as negotiated between the parties in good faith based on prevailing market conditions and inflation.

(c) The Customer Party shall not be obligated to pay fees for (i) new Services, other than Additional Services or Services requested pursuant to a SOW, which the Providing Party performs without the authorization of the Customer Party or of any member of its Group or (ii) Services not provided due to a Force Majeure Event (as defined below).

(d) The parties will adhere to the business practices regarding invoicing and payment in place at the time of execution of this Agreement for all Services initially provided by the Providing Party for a maximum period of one year from the date of this Agreement. After one year or in the case of any SOW and unless otherwise specified in the applicable SOW, the Providing Party shall submit statements of account to the Customer Party (including any Sales Tax, as defined in Section 16) on a monthly basis with respect to all amounts payable by the Customer Party to the Providing Party hereunder (the "Invoiced Amount"), setting out the Services provided (by reference to the particular SOW, if applicable), and the amount billed in United States Dollars to the Customer Party as a result of providing such Services. The Customer Party shall pay the Invoiced Amount to the Providing Party by wire transfer of immediately available funds to an account or accounts specified by the Providing Party, or in such other manner as specified by the Providing Party in writing, or otherwise reasonably agreed to by the Parties, within 30 days of the date of delivery to the Customer Party of the applicable statement of account; provided, that, in the event of any dispute as to an Invoiced Amount, the Customer Party shall pay the undisputed portion, if any, of such Invoiced Amount in accordance with the foregoing, and shall pay the remaining amount, if any, promptly upon resolution of such dispute.

(e) The Providing Party shall maintain books and records adequate for the provision of the Services. At its own expense, the Customer Party may request an audit of the books and records of the Providing Party to determine performance in accordance with Section 4(d). If such audit reveals an underpayment of fees, the Customer Party shall promptly pay the underpayment amount in accordance with the terms of this Agreement. If such audit reveals an overpayment of fees, the Providing Party shall promptly refund the overpayment amount in accordance with Section 4(d).

(f) The Providing Party may, in its discretion and without any liability, suspend any performance under this Agreement upon failure of the Customer Party to make timely any payments required under this Agreement beyond the applicable cure date specified in Section 6(b)(1) of this Agreement.

(g) In the event that the Customer Party does not make any payment required under the provisions of this Agreement (including, for the avoidance of doubt, the Services Letter and/or the Fee Letter) to the Providing Party when due in accordance with the terms hereof, the Providing Party may, at its option, charge the Customer Party interest on the unpaid amount at the rate of 2% per annum above the prime rate charged by JPMorgan Chase Bank, N.A. (or its successor). In addition, the Customer Party shall reimburse the Providing Party for all costs of collection of overdue amounts, including any reasonable attorneys' fees.

(h) In the event that (i) Providing Party agrees to provide services that are the same or substantially similar to the Services and Additional Services provided hereunder to a third party ("Relevant Services"), (ii) such Relevant Services are delivered and priced in a manner substantially similar to the delivery and pricing structure provided for by this Agreement, the Services Letter and the Fee Letter (if any) and are of a similar volume, (iii) the fees to be received by Providing Party from each of Customer Party and such third party are reasonably expected to exceed $1,000,000 per year, (iv) the fee rates in the aggregate to be charged by the Providing Party for any particular Relevant Service (a "Reduced Cost Service") are less than the fee rates in the aggregate for the corresponding Service or Additional Service charged under this Agreement, the Services Letter and the Fee Letter (if any), and (v) after giving good faith consideration to any higher fee rates charged by Providing Party for any other Relevant Services other than the Reduced Cost Service being provided to such third party, the aggregate economic benefit received by Providing Party for providing all such Relevant Services is less than the aggregate economic benefit received by Providing Party for providing the Services and Additional Services, then within thirty Business Days of entering into a binding agreement to provide the Relevant Services to such third party, Providing Party shall offer to provide to Customer Party the Service and/or Additional Service corresponding to the Reduced Cost Service at the same rate as Providing Party provides the Reduced Cost Service to such third party. The fees provided for under this Agreement, the Services Letter and the Fee Letter (if any) shall be reduced to an amount equal to the fees charged for the Reduced Cost Service effective as of the later of (x) the first day of the immediately succeeding calendar quarter after the date on which Providing Party notifies Customer Party of the Reduced Cost Service or (y) thirty days after the date on which Providing Party notifies Customer Party of the Reduced Cost Service. For purposes of clarification only, this Section 4(h) shall not apply to situations where Providing Party agrees to provide test or trial services to a third party.

5. Term.

(a) *Initial Term*. This Agreement shall commence on the Distribution Date and shall continue in full force and effect, subject to Section 5(b), until the date that is eight (8) years from the Distribution Date (the "Initial Term"), or the earlier date upon which this Agreement has been otherwise terminated in accordance with the terms hereof.

(b) *Renewal Term*. This Agreement may be renewed for successive two (2) year terms (each, a "Renewal Term) by mutual written agreement of the parties hereto, executed not less than six (6) months prior to the expiration of the Initial Term or any Renewal Term, as applicable.

(c) In the event either party decides that it does not wish to renew this Agreement or any particular Service or SOW hereunder before the expiration of the Initial Term or any Renewal Term, as applicable, such party shall so notify the other party at least nine (9) months before the completion of the Initial Term or Renewal Term, as applicable.

6. Termination.

(a) *Termination by Customer Party*. During the term of this Agreement, the Customer Party may terminate this Agreement (or, with respect to all items except items (2) and (7) below, the particular Service or SOW only):

(1) if the Customer Party is prohibited by law from receiving such Services from the Providing Party;

(2) in the event of a material breach of any covenant or representation and warranty contained herein or otherwise directly relating to or affecting the Services to be provided hereunder of the Providing Party that cannot be or has not been cured by the 30th day from the Customer Party's giving of written notice of such breach to the Providing Party, which notice shall be given within 45 days of the later of the occurrence of such breach or Customer Party's discovery of such breach;

(3) if the Providing Party fails to comply with all applicable regulations to which the Providing Party is subject directly relating to or affecting the Services to be performed hereunder, which failure cannot be or has not been cured by the 30th day from the Customer Party's giving of written notice of such failure to the Providing Party, which such notice shall be given within 45 days of the later of the occurrence of such failure or Customer Party's discovery of such failure;

(4) if the Providing Party or any member of its Group providing Services hereunder is cited by a Governmental Authority for materially violating any law governing the performance of a Service, which violation cannot be or has not been cured by the 30th day from the Customer Party's giving of written notice of such citation to the Providing Party, which such notice shall be given within 45 days of the later of the occurrence of such citation or Customer Party's discovery of such citation;

(5) if the Providing Party fails to meet any Critical Performance Standard for a period of two consecutive months or three nonconsecutive months in any rolling 12-month period, which failure cannot be or has not been cured by the 30th day from the Customer Party's giving of written notice of such failure to the Providing Party, which such notice shall be given within 45 days of the later of the occurrence of such failure or Customer Party's discovery of such failure;

(6) if the Providing Party fails to meet any Performance Standard for a period of two consecutive months or four nonconsecutive months in any rolling 12-month period, which failure cannot be or has not been cured by the 30th day from the Customer Party's giving of written notice of such failure to the Providing Party, which such notice shall be given within 45 days of the later of the occurrence of such failure or Customer Party's discovery of such failure; and

(7) if the Providing Party (A) becomes insolvent, (B) files a petition in bankruptcy or insolvency, is adjudicated bankrupt or insolvent or files any petition or answer seeking reorganization, readjustment or arrangement of its business under any law relating to bankruptcy or insolvency, or if a receiver, trustee or liquidator is appointed for any of the property of the other party and within 60 days thereof such party fails to secure a dismissal thereof or (C) makes any assignment for the benefit of creditors, which bankruptcy, insolvency or assignment cannot be or has not been cured by the 30th day from the Customer Party's giving of written notice of such event to the Providing Party, which such notice shall be given within 45 days of the later of the occurrence of such event or Customer Party's discovery of such event, and

(8) in the event of any material infringement of such Customer Party's Intellectual Property (as defined in the Intellectual Property Agreement), including intellectual property developed hereunder pursuant to Section 10 below, by the Providing Party, which infringement cannot be or has not been cured by the 30th day from the Customer Party's giving of written notice of such event to the Providing Party, which such notice shall be given within 45 days of the later of occurrence of such event or Customer Party's discovery of such event.

For the avoidance of doubt, with respect to all items except item (1) above, if the Providing Party has cured the underlying event or circumstance giving rise to written notice of the same, within the time period specified above, the Customer Party may not terminate this Agreement or the applicable Service or SOW; provided, however, that the Customer Party may, if it so states in the written notice required to be provided to the Providing Party pursuant to the above, cause the Providing Party to suspend the Service performed under this Agreement or the applicable SOW until the Providing Party has cured such breach, failure, insolvency, bankruptcy or assignment, as the case may be. Furthermore, if the Providing Party is unable to effect a cure of the event or circumstance occurring under this Section 6(a) within the time period specified, despite a good faith effort to effect such cure, the Customer Party shall allow the Providing Party such additional time as reasonably required to effect such cure without termination of this Agreement or the applicable Service or SOW, but in no event shall such additional time exceed 90 days unless otherwise agreed by the parties.

(b) *Termination by Providing Party*. During the term of this Agreement, the Providing Party may terminate this Agreement or the particular Service or SOW only:

(1) if the Customer Party fails to make any payment for any portion of Services the payment of which is not being disputed in good faith by the Customer Party, which payment remains unmade by the 90th day from the Providing Party's giving of written notice of such failure to the Customer Party;

(2) if the Customer Party, or any member of its Group providing Services hereunder, or the Providing Party receives an order from a Governmental Authority prohibiting the performance of the Services;

(3) if the Providing Party or any member of its Group providing Services hereunder is notified by a Governmental Authority, due to the actions of the Customer Party, for materially violating any law governing the performance of a Service, which violation cannot be or has not been cured by the Customer Party by the 60th day from the receipt of notice of such violation;

(4) if the Customer Party or any member of its Group (A) becomes insolvent, (B) files a petition in bankruptcy or insolvency, is adjudicated bankrupt or insolvent or files any petition or answer seeking reorganization, readjustment or arrangement of its business under any law relating to bankruptcy or insolvency, or if a receiver, trustee or liquidator is appointed for any of the property of the other party and within 60 days thereof such party fails to secure a dismissal thereof or (C) makes any assignment for the benefit of creditors;

(5) in the event of any material infringement of such Providing Party's Intellectual Property (as defined in the Intellectual Property Agreement), including intellectual property developed hereunder pursuant to Section 10 below, by the Customer Party or any member of its Group; and

(6) in the event of a material breach of any covenant or representation and warranty contained herein or otherwise directly relating to or affecting the Services to be provided hereunder of the Customer Party or any member of its Group that cannot be or has not been cured by the 60th day from the Providing Party's giving of written notice of such breach to the Customer Party.

For the avoidance of doubt, with respect to items (3) and (6) above, if the Customer Party has cured the underlying event or circumstance giving rise to written notice of the same, within the time period specified above, the Providing Party may not terminate this Agreement or the applicable Service or SOW; provided, however, that the Providing Party may, if it so states in the written notice required to be provided to the Customer Party pursuant to the above, suspend the Service performed hereunder or under the applicable SOW until the Customer Party has cured such violation or breach, as the case may be. Furthermore, if the Customer Party is unable to effect a cure of the event or circumstance occurring under this Section 6(b) within the time period specified, despite a good faith effort to effect such cure, Providing Party shall allow Customer Party such additional time as reasonably required to effect such cure without termination of this Agreement or the applicable Service or SOW, but in no event shall such additional time exceed 90 days unless otherwise agreed by the parties.

(c) *Termination for Convenience*. Any Service or SOW may be terminated in whole or in part by the Customer Party on not less than 90 days' written notice of such termination to the Providing Party in the event the Customer Party and the members of its Group discontinue the line of business receiving such Services. In the event the Customer Party terminates such Service or SOW in accordance with this Section 6(c) unless otherwise set forth herein or in the applicable SOW, such party shall be responsible for payment of the following costs and expenses which are directly related to or resulting from the early termination of such Service or SOW: (i) costs and expenses relating to the re-employment or termination of a Providing Party's employee who had been previously engaged in providing the Services governed by the terminated Service or SOW, (ii) costs and expenses relating to existing contracts with third parties that had been entered into by the Providing Party or any member of its Group solely for the provision of Services under such terminated Service or SOW and (iii) costs and expenses relating to facilities, hardware and equipment (including depreciation) used solely for the purpose of providing such Services or SOW.

(d) *Wind-Down Period*. During the period that is six (6) months prior to the date of termination of this Agreement, the Providing Party shall have no obligation to (i) expand the scope of its Services under this Agreement or any SOW, (ii) perform any new or additional Services under this Agreement or any SOW, or (iii) invest in hardware, software or equipment for performance against a Service or SOW.

(e) *Post-Termination Services*. Upon termination of this Agreement, any SOW or any Services, for any reason whatsoever, the Customer Party or any member of its Group may elect to purchase post-termination services from the Providing Party for a period of 270 days from the date on which this Agreement terminates on the current terms hereunder or in place under the applicable SOW(s).

(f) *Effects of Termination*.

(1) Upon the early termination of any Service pursuant to this Section 6 or upon the expiration of the applicable Service Period, following the effective time of the termination, the Providing Party shall no longer be obligated to provide such Service; provided that the Customer Party shall be obligated to reimburse the Providing Party for any reasonable out-of-pocket expenses or costs attributable to such termination unless otherwise provided herein or in the applicable SOW(s).

(2) No termination, cancelation or expiration of this Agreement shall prejudice the right of either party hereto to recover any payment due at the time of termination, cancelation or expiration (or any payment accruing as a result thereof), nor shall it prejudice any cause of action or claim of either party hereto accrued or to accrue by reason of any breach or default by the other party hereto.

(3) Notwithstanding any provision herein to the contrary, Sections 4, 9 and 12 through 22 of this Agreement shall survive the termination of this Agreement.

7. Change Order Procedures; Temporary Emergency Changes.

(a) The parties hereto may change the nature and scope of Services provided hereunder or under any SOW by mutual agreement. The party seeking the change shall submit a request containing: (i) the identity of the party requesting such change; (ii) the reason(s) for the change; (iii) a description of the requested change; and (iv) a timetable for the implementation of the change. The non-requesting Party shall have 30 Business Days to consider the suggested change and either approve or decline such change. For the avoidance of doubt, no change to any Service or SOW will become part of the Performance Standard for such Service or SOW without the Providing Party's prior approval.

(b) The parties hereto agree to cooperate in good faith to determine and implement additional procedures for change orders as needed.

(c) Notwithstanding the foregoing, in the event the Providing Party is unable to contact the Customer Group's designated contact for a specific Service or SOW after reasonable effort, the Providing Party may make temporary changes to any SOW or Services, which the Providing Party shall document and report to the Customer Party the next Business Day. Such changes shall become permanent only if the Providing Party subsequently follows the procedures in Section 7(a) hereof for permanent change order procedures. The Customer Party shall not be obligated to pay for any changed Services performed without its prior approval.

(d) The Customer Party may, in an emergency, request additional Services to be performed as promptly as practicable, and the Providing Party shall use its reasonable best efforts to perform such Services as promptly as practicable. While the Providing Party will continue to provide services in line with the request from the Customer Party, in the event that the Providing Party plans to incur materially additional costs in providing this service, the Providing Party may submit a financial proposal to make the Providing Party financially whole. In such a case, the Customer Party and Providing Party may agree for the one-time increase in payment for the emergency. Such emergency request shall last no longer than 30 Business Days, and the Providing Party shall have no obligation to continue performing such Services unless the Customer Party follows the procedures in Section 7(a) hereof for permanent change order procedures.

8. Right of First Opportunity.

(a) If the Customer Party or any member of its Group elects to receive any Additional Service (as defined below), it shall first request a proposal for the provision of such Additional Service from the Providing Party. The Providing Party shall have 30 Business Days (the "Exclusive Tender Period") to respond to such request for Additional Service and to provide a proposed SOW to the Customer Party. During the Exclusive Tender Period, the Customer Party shall not solicit proposals or negotiate with any other third party with respect to such request for Additional Service. Upon receipt of the Providing Party's proposal for the Additional Service, the Customer Party shall consider such proposal and shall negotiate with the Providing Party in good faith with respect to the possible provision by the Providing Party of such Additional Services.

(b) If, at the end of the Exclusive Tender Period, the Providing Party and the Customer Party do not agree on the proposed SOW, the Customer Party may solicit proposals from third parties with respect to the Additional Service; provided, however, that the Customer Party shall not disclose any information received from the Providing Party, whether verbal or written, in the proposed SOW or during the Exclusive Tender Period negotiations, and such information shall be subject to the terms of Section 12 (Confidentiality) hereof.

(c) As an alternative to the procedures set forth in Sections 8(a) and 8(b), Customer Party may solicit proposals or negotiate with third parties with respect to an Additional Service (such third parties, "Third Party Additional Service Providers") during the Exclusive Tender Period so long as:

i) at least fifteen Business Days prior to engaging any Third Party Additional Service Provider, Customer Party shall disclose to Providing Party a description of the Additional Services to be provided by such Third Party Additional Service Provider and all fees, costs and other expenses to be charged by such Third Party Additional Service Provider (such description, a "Third Party Additional Service Offer"),

ii) within ten Business Days of receipt of any Third Party Additional Service Offer, Providing Party shall have the right to make an offer (a "Matching Offer") to provide the same or substantially the same Additional Services as set forth in the Third Party Additional Service Offer, and

iii) if the fees set forth in the Matching Offer do not exceed the fees set forth in the Third Party Additional Services Offer, Customer Party may not accept the Third Party Additional Services Offer. Conversely, if the fees set forth in the Matching Offer exceed the fees set forth in the Third Party Additional Services Offer, Customer Party may accept the Third Party Additional Services Offer.

(d) For purposes of this Agreement, "Additional Service" means: a service that (i) is reasonably similar to the Services provided hereunder or under any SOW, (ii) reasonably could be performed in facilities located in India, the United States, Canada, Uruguay or other facilities similar to the Providing Party's facilities in these locations; (iii) reasonably would be expected to involve a purchase volume greater than $200,000 on an annual basis; and (iv) is not an Applicable Service.

(e) For the avoidance of doubt, the Providing Party shall not be restricted from providing services to a third party that are similar or identical to the Services.

9. Miscellaneous.

(a) This Agreement may be executed in one or more counterparts, including by facsimile, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each party hereto or thereto and delivered to the other parties hereto or thereto.

(b) This Agreement, the schedules hereto, the Services Letter and any Fee Letter, contain the entire agreement between the parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter and there are no agreements or understandings between the parties with respect to the subject matter hereof other than those set forth or referred to herein or therein.

(c) OCWEN represents on behalf of itself and each other member of the OCWEN Group, and ALTISOURCE represents on behalf of itself and each other member of the ALTISOURCE Group, as follows:

i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and

ii) this Agreement has been duly executed and delivered by it and constitutes, or will constitute, a valid and binding agreement of it enforceable in accordance with the terms hereof.

(d) This Agreement shall be governed by and construed and interpreted in accordance with the internal laws of the State of New York applicable to contracts made and to be performed wholly in such State and irrespective of the choice of law principles of the State of New York, as to all matters.

(e) Except for the indemnification rights under this Agreement (a) the provisions of this Agreement are solely for the benefit of the parties hereto and are not intended to confer upon any Person except the parties hereto any rights or remedies hereunder and (b) there are no third party beneficiaries of this Agreement, and this Agreement shall not provide any third person with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

(f) All notices or other communications under this Agreement hall be in writing and shall be deemed to be duly given when (a) delivered in person, (b) sent by telecopier (except that, if not sent during normal business hours for the recipient, then at the opening of business on the next business day for the recipient) to the fax numbers set forth below or (c) deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

If to OCWEN, to:

Ocwen Financial Corporation

1661 Worthington Road, Suite 100

West Palm Beach, Florida 33409

Attn: Corporate Secretary

Fax No.: (561) 682-8177

If to ALTISOURCE to:

Altisource Solutions S.à r.l.

2-8 Avenue Charles De Gaulle

L-1653 Luxembourg

Attn: Corporate Secretary

Fax No.: 352-2744-9499

Either Party may, by notice to the other party, change the address to which such notices are to be given.

(g) If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon any such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable provision to effect the original intent of the parties.

(h) The article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(i) Waiver by any Party hereto of any default by any other party hereto of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default.

(j) In the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the party or parties who are to be hereby aggrieved shall have the right to seek specific performance and injunctive or other equitable relief of its rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The other party or parties shall not oppose the granting of such relief. The parties to this Agreement agree that the remedies at law for any breach or threatened breach hereof, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived.

(k) No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by any Party hereto, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification.

(l) Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires. The terms "hereof," "herein, "and "herewith" and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement as a whole (including all of the schedules hereto) and not to any particular provision of this Agreement. Article, Section, Exhibit, Schedule and Appendix references are to the articles, sections, exhibits, schedules and appendices of or to this Agreement unless otherwise specified. Any reference herein to this Agreement, unless otherwise stated, shall be construed to refer to this Agreement as amended, supplemented or otherwise modified from time to time, as permitted by Section 9(k). The word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified. The word "or" shall not be exclusive. There shall be no presumption of interpreting this Agreement or any provision hereof against the draftsperson of this Agreement or any such provision.

(m) Any action or proceeding arising out of or relating to this Agreement shall be brought in the courts of the State of New York located in the County of New York or in the United States District Court for the Southern District of New York (if any Party to such action or proceeding has or can acquire jurisdiction), and each of the parties hereto irrevocably submits to the exclusive jurisdiction of each such court in any such action or proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the action or proceeding shall be heard and determined only in any such court and agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. The parties to this Agreement agree that any of them may file a copy of this paragraph with any court as written evidence of the knowing, voluntary and bargained agreement between the parties hereto and thereto irrevocably to waive any objections to venue or to convenience of forum. Process in any action or proceeding referred to in the first sentence of this Section 9(m) may be served on any Party to this Agreement anywhere in the world.

10. Intellectual Property. The Providing Party or a member of its Group shall retain all rights to all technology and intellectual property owned or licensed by the Providing Party or a member of its Group prior to the provision of Services hereunder or developed by the Providing Party and any member of its Group during the course of and in association with the provision of Services under this Agreement by the Providing Party and any member of its Group, including all derivative works. The Customer Party and any member of its Group shall retain all rights to all intellectual property owned or licensed by the Customer Party or a member of its Group prior to the provision of Services hereunder or developed by the Customer Party or a member of its Group during the course of and in association with the provision of Services by the Providing Party under this Agreement, including all derivative works. To the extent any technology or intellectual property is jointly developed by the Providing Party or a member of its Group on the one hand and the Customer Party or a member of its Group on the other, it shall be deemed OCWEN IP, if it relates to the OCWEN Business, or ALTISOURCE Licensed Intellectual Property, if it relates to the ALTISOURCE Business, as these terms are defined in the Intellectual Property Agreement. Any intellectual property not already part of the ALTISOURCE IP, the ALTISOURCE Licensed Intellectual Property, or the OCWEN IP, as those terms are defined in the Intellectual Property Agreement, shall become ALTISOURCE Licensed Intellectual Property, if owned by ALTISOURCE, or OCWEN IP, if owned by OCWEN. All intellectual property that is involved in the provision of Services hereunder, therefore, shall be subject to the terms and conditions of the Intellectual Property Agreement.

11. Cooperation; Access; Steering Committee.

(a) The Customer Party shall, and shall cause its Group to, permit the Providing Party and its employees and representatives access, on Business Days during hours that constitute regular business hours for the Customer Party and upon reasonable prior request, to the premises of the Customer Party and its Group and such data, books, records and personnel designated by the Customer Party and its Group as involved in receiving or overseeing the Services as the Providing Party may reasonably request for the purposes of providing the Services. The Providing Party shall provide the Customer Party, upon reasonable prior written notice, such documentation relating to the provision of the Services as the Customer Party may reasonably request for the purposes of confirming any Invoiced Amount pursuant to this Agreement. Any documentation so provided to the Providing Party pursuant to this Section 11 will be subject to the confidentiality obligations set forth in Section 12 of this Agreement.

(b) Each party hereto shall designate a relationship manager (each, a "Relationship Executive") to report and discuss issues with respect to the provision of the Services and successor relationship executives in the event that a designated Relationship Executive is not available to perform such role hereunder. The initial Relationship Executive designated by OCWEN shall be Ronald M. Faris and the initial Relationship Executive designated by

ALTISOURCE shall be William B. Shepro. Either party may replace its Relationship Executive at any time by providing written notice thereof to the other party hereto.

12. Confidentiality.

(a) Subject to Section 12(b), each of OCWEN and ALTISOURCE, on behalf of itself and each other member of its Group, agrees to hold, and to cause its directors, officers, employees, agents, accountants, counsel and other advisors and representatives to hold, in strict confidence, with at least the same degree of care that applies to confidential and proprietary information of OCWEN pursuant to policies in effect as of the Distribution Date, all Information concerning the other Group that is either in its possession (including Information in its possession prior to the Distribution Date) or furnished by the other Group or its directors, officers, employees, agents, accountants, counsel and other advisors and representatives at any time pursuant to this Agreement, and shall not use any such Information other than for such purposes as shall be expressly permitted hereunder, except to the extent that such Information has been (i) in the public domain through no fault of such party or any other member of such Group or any of their respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives, (ii) later lawfully acquired from other sources by such party (or any other member of such party's Group), which sources are not known by such party to be themselves bound by a confidentiality obligation, or (iii) independently generated without reference to any proprietary or confidential Information of any member of the other Group.

(b) Each party agrees not to release or disclose, or permit to be released or disclosed, any such Information (excluding Information described in clauses (i), (ii) and (iii) of Section 12(a)) to any other Person, except its directors, officers, employees, agents, accountants, counsel and other advisors and representatives who need to know such Information (who shall be advised of their obligations hereunder with respect to such Information), except in compliance with Section 12(c). Without limiting the foregoing, when any Information is no longer needed for the purposes contemplated by this Agreement, each party will promptly, after request of the other party, either return the Information to the other party in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other party that any Information not returned in a tangible form (including any such Information that exists in an electronic form) has been destroyed (and such copies thereof and such notes, extracts or summaries based thereon).

(c) In the event that either party or any other member of its Group either determines on the advice of its counsel that it is required to disclose any Information pursuant to applicable law or receives any demand under lawful process or from any Governmental Authority to disclose or provide Information of the other party (or any other member of the other party's Group) that is subject to the confidentiality provisions hereof, such party shall, to the extent permitted by law, notify the other party prior to disclosing or providing such Information and shall cooperate, at the expense of the requesting Party, in seeking any reasonable protective arrangements requested by such other party. Subject to the foregoing, the Person that received such request may thereafter disclose or provide Information to the extent required by such law (as so advised by counsel) or by lawful process or such Governmental Authority.

13. Dispute Resolution.

(a) It is the intent of the parties to use reasonable best efforts to resolve expeditiously any dispute, controversy or claim between or among them with respect to the matters covered hereby that may arise from time to time on a mutually acceptable negotiated basis. In furtherance of the foregoing, a Party involved in a dispute, controversy or claim may deliver a notice (an "Escalation Notice") demanding an in-person meeting involving representatives of the parties at a senior level of management (or if the parties agree, of the appropriate strategic business unit or division within such entity). A copy of any such Escalation Notice shall be given to the General Counsel, or like officer or official, of the party involved in the dispute, controversy or claim (which copy shall state that it is an Escalation Notice pursuant to this Agreement). Any agenda, location or procedures for such discussions or negotiations between the parties may be established by the parties from time to time; provided, however, that the parties shall use reasonable best efforts to meet within 30 days of the Escalation Notice.

14. Warranties; Limitation of Liability; Indemnity.

(a) Other than the statements expressly made by the Providing Party in this Agreement or in any SOW, the Providing Party makes no representation or warranty, express or implied, with respect to the Services and, except as provided in Section 14(b) hereof, the Customer Party hereby waives, releases and renounces all other representations, warranties, obligations and liabilities of the Providing Party, and any other rights, claims and remedies of the Customer Party against the Providing Party, express or implied, arising by law or otherwise, with respect to any nonconformance, durability, error, omission or defect in any of the Services, including (i) any implied warranty of merchantability, fitness for a particular purpose or non-infringement, (ii) any implied warranty arising from course of performance, course of dealing or usage of trade and (iii) any obligation, liability, right, claim or remedy in tort, whether or not arising from the negligence of the Providing Party.

(b) None of the Providing Party or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors or other representatives shall be liable for any action taken or omitted to be taken by the Providing Party or such person under or in connection with this Agreement, except that the Providing Party shall be liable for direct damages or losses incurred by the Customer Party or the Customer Party's Group arising out of the gross negligence or willful misconduct of the Providing Party or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors or other representatives in the performance or nonperformance of the Services or Ancillary Services.

(c) In no event shall (i) the amount of damages or losses for which the Providing Party and the Customer Party may be liable under this Agreement exceed the fees due to the Providing Party for the most recent 6 month period under the applicable Service or SOW(s), provided that if Services have been performed for less than 6 months, then the damages or losses will be limited to the value of the actual Services performed during such period; or (ii) the aggregate amount of all such damages or losses for which the Providing Party may be liable under this Agreement exceed $1,000,000; provided, that, no such cap shall apply to liability for damages or losses arising from or relating to breaches of Section 12 (relating to confidentiality), infringement of Intellectual Property or fraud or criminal acts. Except as provided in Section 14(b) hereof, none of the Providing Party or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors or other representatives shall be liable for any action taken or omitted to be taken by, or the negligence, gross negligence or willful misconduct of, any third party.

(d) Notwithstanding anything to the contrary herein, none of the Providing Party or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors or other representatives shall be liable for damages or losses incurred by the Customer Party or any of the Customer Party's Affiliates for any action taken or omitted to be taken by the Providing Party or such other person under or in connection with this Agreement to the extent such action or omission arises from actions taken or omitted to be taken by, or the negligence, gross negligence or willful misconduct of, the Customer Party or any of the Customer Party's Affiliates.

(e) Without limiting Section 14(b) hereof, no Party hereto or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors or other representatives shall in any event have any obligation or liability to the other party hereto or any such other person whether arising in contract (including warranty), tort (including active, passive or imputed negligence) or otherwise for consequential, incidental, indirect, special or punitive damages, whether foreseeable or not, arising out of the performance of the Services or this Agreement, including any loss of revenue or profits, even if a Party hereto has been notified about the possibility of such damages; provided, however, that the provisions of this Section 14(e) shall not limit the indemnification obligations hereunder of either party hereto with respect to any liability that the other party hereto may have to any third party not affiliated with any member of the Providing Party's Group or the Customer Party's Group for any incidental, consequential, indirect, special or punitive damages.

(f) The Customer Party shall indemnify and hold the Providing Party and its Affiliates and any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors or other representatives harmless from and against any and all damages, claims or losses that the Providing Party or any such other person may at any time suffer or incur, or become subject to, as a result of or in connection with this Agreement or the Services provided hereunder, except those damages, claims or losses incurred by the Providing Party or such other person arising out of the gross negligence or willful misconduct by the Providing Party or such other person.

15. Additional Agreements. The Providing Party shall:

(a) maintain data backup and document storage and retrieval systems adequate for the provision of the Services;

(b) maintain a business continuity plan adequate for the provision of the Services and shall provide a copy of such plan upon the Customer Party's request;

(c) provide the Services under this Agreement and any SOW in compliance with (i) all obligations and applicable laws, including, but not limited to, privacy and data protection laws, labor and overtime laws, tax laws, the U.S. Foreign Corrupt Practices Act and environmental protection laws and (ii) all requirements from any Governmental Authority to maintain necessary licenses and permits;

16. Taxes. Unless otherwise provided herein or in an applicable SOW, each party hereto shall be responsible for the cost of any sales, use, privilege and other transfer or similar taxes imposed upon that Party as a result of the transactions contemplated hereby. Any amounts payable under this Agreement are exclusive of any goods and services taxes, value added taxes, sales taxes or similar taxes ("Sales Taxes") now or hereinafter imposed on the performance or delivery of Services, and an amount equal to such taxes so chargeable shall, subject to receipt of a valid receipt or invoice as required below in this Section 16, be paid by the Customer Party to the Providing Party in addition to the amounts otherwise payable under this Agreement. In each case where an amount in respect of Sales Tax is payable by the Customer Party in respect of a Service provided by the Providing Party, the Providing Party shall furnish in a timely manner a valid Sales Tax receipt or invoice to the Customer Party in the form and manner required by applicable law to allow the Customer Party to recover such tax to the extent allowable under such law.

17. Public Announcements. No Party to this Agreement shall make, or cause to be made, any press release or public announcement or otherwise communicate with any news media in respect of this Agreement or the transactions contemplated by this Agreement without the prior written consent of the other party hereto unless otherwise required by law, in which case the party making the press release, public announcement or communication shall give the other party reasonable opportunity to review and comment on such and the parties shall cooperate as to the timing and contents of any such press release, public announcement or communication.

18. Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. No Party hereto may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other party hereto; provided, however, that either party may assign this Agreement without the consent of the other party to any third party that acquires, by any means, including by merger or consolidation, all or substantially all the consolidated assets of such party. Any purported assignment in violation of this Section 18 shall be void and shall constitute a material breach of this Agreement.

19. Relationship of the Parties. The parties hereto are independent contractors and none of the parties hereto is an employee, partner or joint venturer of the other. Under no circumstances shall any of the employees of a Party hereto be deemed to be employees of the other party hereto for any purpose. Except as expressly provided herein, none of the parties hereto shall have the right to bind the others to any agreement with a third party or to represent itself as a partner or joint venturer of the other by reason of this Agreement.

20. Force Majeure. Neither party hereto shall be in default of this Agreement by reason of its delay in the performance of, or failure to perform, any of its obligations hereunder if such delay or failure is caused by strikes, acts of God, acts of the public enemy, acts of terrorism, riots or other events that arise from circumstances beyond the reasonable control of that Party (each, a "Force Majeure Event"). During the pendency of such Force Majeure Event, each of the parties hereto shall take all reasonable steps to fulfill its obligations hereunder by other means and, in any event, shall upon termination of such intervening event, promptly resume its obligations under this Agreement.

21. Non-Solicitation. The Customer Party acknowledges that the value to the Providing Party of its business and the transactions contemplated by this Agreement would be substantially diminished if such Customer Party or any of its Affiliates were to solicit the employment of or hire any employee of the Providing Party or any member of its Group performing Services or who has performed Services hereunder. Accordingly, the Customer Party agrees that neither it nor any of its Affiliates shall, directly or indirectly and without the prior consent of the other party, solicit the employment of, or hire, employ or retain, or otherwise encourage or cause to leave employment with the Providing Party, or cause any other Person to hire, employ or retain, or otherwise encourage or cause to leave employment with the Providing Party or any of its Affiliates, any Person who is or was employed by the Providing Party or any of its Affiliates with respect to the provision of Services at any time within twelve (12) months preceding the time of such solicitation or hiring, employment, retention or encouragement.

22. Waiver of Jury Trial. EACH PARTY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, WAIVES (TO THE EXTENT PERMITTED BY APPLICABLE LAW) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

* * * * *

IN WITNESS WHEREOF, the parties have caused this Services Agreement to be executed as of the date first written above by their duly authorized representatives.

OCWEN FINANCIAL CORPORATION

By /s/ Ronald M. Faris

Name: Ronald M. Faris

Title: President

ALTISOURCE SOLUTIONS S.À R.L.

By /s/ William B. Shepro

Name: William B. Shepro

Title: Manager

SCHEDULE I

SERVICES

Service	**Service Period (months)**
Valuation Services	96
Property Preservation and Inspection	96
REO Sales	96
Trustee Services	96
Title Services	96
Due Diligence Services	96
Mortgage Charge off Collection	96
Mortgage Fulfillment and Underwriting Services	96

EX-10.6 8 ex10_6.htm EXHIBIT 10.6

Exhibit 10.6

FIRST AMENDMENT TO SERVICES AGREEMENT

This **First Amendment to Services Agreement** (the “First Amendment”) is entered into as of October 1, 2012, and amends that certain Services Agreement dated August 10, 2009 (the “Agreement”) by and between **OCWEN FINANCIAL CORPORATION**, a Florida corporation ("Ocwen," or together with its Affiliates, "Ocwen Group") and **ALTISOURCE SOLUTIONS S.À R.L.**, a limited liability company organized under the laws of the Grand Duchy of Luxembourg ("Altisource," or together with its Affiliates, "Altisource Group").

Recitals

WHEREAS, pursuant to the Agreement, Altisource was to provide certain services to Ocwen for an initial term of eight (8) years, as set forth in Section 5(a) of the Agreement; and

WHEREAS, Altisource and Ocwen now desire to extend the initial term of the Agreement through August 31, 2020.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants made herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Amendment to Section 5, *Term*, subparagraph (a) to the Agreement**. Section 5, *Term*, subparagraph (a) to the Agreement is hereby deleted in its entirety and replaced with the following:

(a) The initial term shall commence on the date of the Agreement and shall continue in full force and effect, subject to Section 5(b), until August 31, 2020 (the "Initial Term"), or the earlier date upon which this Agreement has been otherwise terminated in accordance with the terms hereof.

2. **Amendment to Section 9, *Miscellaneous*, subparagraph (f) to the Agreement**. The notice address for Altisource specified in Section 9, *Miscellaneous*, subparagraph (f) is hereby deleted and replaced with the following:

Altisource Solutions S.à r.l.

291 route d'Arlon

L-1150 Luxembourg

Attn: Corporate Secretary

Fax No.: 352-2744-9499

With a copy to: contractmanagement@altisource.com

3. **Amendment to Schedule I to the Agreement**. Schedule I to the Agreement is hereby deleted in its entirety and replaced with the version of Schedule I to this First Amendment and incorporated herein by this reference.

4. **Amendment to Definitions of "Services Letter" and "Fee Letter"**. The definitions of "Services Letter" and "Fee Letter," as set forth in Sections 2(a) and 4(a), respectively, are hereby modified to include the original letters, as defined therein, and all subsequent amendments and modifications thereto and restatements thereof.

5. **Counterparts**. This First Amendment may be signed in counterparts with the same effect as if both parties had signed one and the same document.

6. **Agreement in Full Force and Effect as Amended**. The terms and conditions of this First Amendment shall prevail over any conflicting terms and conditions in the Agreement. Capitalized terms that are used in this First Amendment not otherwise defined herein shall have the meanings ascribed to them in the Separation Agreement or the Agreement. Except as specifically amended or waived hereby, all of the terms and conditions of the Agreement shall remain in full force and effect. All references to the Agreement in any other document or instrument shall be deemed to mean the Agreement as amended by this First Amendment. The parties

hereto agree to be bound by the terms and obligations of the Agreement, as amended by this First Amendment, as though the terms and obligations of the Agreement were set forth herein.

IN WITNESS WHEREOF, the parties have caused this First Amendment to be executed as of the date first written above by their duly authorized representatives.

OCWEN FINANCIAL CORPORATION

By /s/ Ronald M. Faris

Name: Ronald M. Faris

Title: President and Chief Executive Officer

ALTISOURCE SOLUTIONS S.À R.L.

By /s/ William B. Shepro

Name: William B. Shepro

Title: Manager

SCHEDULE I

Services Provided	**Service Period**
Valuation Services	August 10, 2009 – August 31, 2020
Property Preservation and Inspection	August 10, 2009 – August 31, 2020
REO Sales	August 10, 2009 – August 31, 2020
Trustee Sales	August 10, 2009 – August 31, 2020
Title Services	August 10, 2009 – August 31, 2020
Due Diligence Services	August 10, 2009 – August 31, 2020
Mortgage Charge off Collection	August 10, 2009 – August 31, 2020
Mortgage Fulfillment and Underwriting Services	August 10, 2009 – August 31, 2020

Schedule I to the Services Agreement (as amended by the "First Amendment to Services Agreement" dated as of October 1, 2012).

Replaces original **Schedule I** to "Services Agreement" dated August 10, 2009.

EX-10.1 3 a13-9549_1ex10d1.htm EX-10.1

Exhibit 10.1

SECOND AMENDMENT TO SERVICES AGREEMENT

This **Second Amendment to the Services Agreement** (the "Second Amendment") is entered into as of March 29, 2012, and amends that certain Services Agreement dated August 10, 2009 (as subsequently amended, the "Agreement") by and between **OCWEN FINANCIAL CORPORATION**, a corporation organized under the laws of the State of Florida ("OCWEN" or together with its Affiliates "OCWEN Group"), and **ALTISOURCE SOLUTIONS S.À R.L.**, a limited liability company organized under the laws of the Grand Duchy of Luxembourg ("ALTISOURCE" or together with its Affiliates "ALTISOURCE Group").

Recitals

WHEREAS, pursuant to the Agreement, Ocwen engaged Altisource to provide, certain Services, subject to the terms and conditions therein established;

WHEREAS, pursuant to Section 5(a) of the Agreement, ALTISOURCE was to provide certain services to OCWEN, for an initial term commencing on August 10, 2009, through August 31, 2020;

WHEREAS, on March 29, 2013, Altisource acquired certain fee-based businesses and assets related to Ocwen's acquisition of Homeward Residential Holdings, Inc. mortgage servicing and origination business platform (the "Homeward Platform"); and

WHEREAS, now the parties desire to amend the term of the Agreement along with other provisions related to the Services.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants made herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Amendment to Section 3, *Standard of Performance*, to the Agreement**. Section 3, *Standard of Performance*, of the Agreement is hereby deleted in its entirety and restated as follows:

"3. Standard of Performance; Marketing and Promotion; and Noncompete.

(a) Standard of Performance. The Providing Party shall use commercially reasonable efforts to provide, or cause to be provided, to the Customer Party and its Group, each Service with such quality standards, service level requirements, specifications, and acceptance criteria identified in the Services Letter or the respective SOW (including any "Critical Performance Standards," as identified in any therein) (the "Performance Standard"), unless otherwise specified in this Agreement, in the Services Letter or in any SOW. Notwithstanding the foregoing, no Providing Party shall have any obligation hereunder to provide to any Customer Party any improvements, upgrades, updates, substitutions, modifications, or enhancements to any of the Services unless otherwise specified in the Services Letter or applicable SOW. The Customer Party acknowledges and agrees that the Providing Party may be providing services similar to the Services provided hereunder and/or services that involve the same resources as those used to provide the Services to it and its Affiliates' business units and other third parties.

(b) Marketing and Promotion. Unless expressly stated otherwise in this Agreement, the Services Letter or any applicable SOW, the Providing Party will be the provider of Services, to Customer Party, to the extent Providing Party currently is, or in the future becomes, capable of providing such Services, and Customer Party shall promote Providing Party's Services and encourage its third party relationships, which shall include, but not be limited to, mortgage retail originators, correspondent lenders, and secondary market sellers, to engage Providing Party for the provision of Services offered by Providing Party. To the extent that the Customer Party directs or has control over the selection of the service provider of Services as it relates to the Homeward Platform, Customer Party shall require its third party relationships to use Providing Party for those Services that Providing Party provides to the Homeward Platform. To the extent that the Customer Party does not direct or have control over the selection of the service provider of Services, Customer Party shall encourage its third party relationships to use Providing Party for those Services that Providing Party provides.

(c) Noncompete. During the term of the Services Agreement, Providing Party shall be the exclusive provider of Services to Customer Party with respect to the Services that Providing Party provides to the Homeward Platform, which Services shall include, but not be limited to, default management, mortgage charged-off and deficiency collection services, technology-related services, valuation services, property preservation and inspection services, real estate owned sales services, trustee services, title services, due diligence services, mortgage fulfillment services, and underwriting services. In furtherance of the foregoing, during the term of the Services Agreement, Customer Party agrees not to establish, on its own or with the assistance of third parties, fee-based businesses that would directly or indirectly compete with the provision of Services by Providing Party to Customer Party with respect to the Homeward Platform."

2. **Amendment to Section 5, *Term*, to the Agreement**. Section 5, *Term*, of the Agreement is hereby deleted in its entirety and restated as follows:

"5. Term.

(a) Initial Term. The initial term shall commence on the date of the Agreement and shall continue in full force and effect, subject to Section 5(b), until August 31, 2025 (the "Initial Term"), or the earlier date upon which this Agreement has been otherwise terminated in accordance with the terms hereof.

(b) Renewal Term. At the end of the Initial Term, this Agreement shall automatically renew for successive two (2) year terms (each a "Renewal Term"), executed not less than six (9) months prior to the expiration of the Initial Term or any Renewal Term, as applicable.

(c) In the event either party decides that it does not wish to renew this Agreement or any particular Service or SOW hereunder before the expiration of the Term or any Renewal Term, as applicable, such party shall so notify the other party in writing of its intent to terminate this Agreement, at least nine (9) months before the completion of the Initial Term any or Renewal Term, as applicable."

3. **Amendment to Schedule I to the Agreement**. Schedule I to the Agreement is hereby deleted in its entirety and replaced with the version of Schedule I attached to this Second Amendment and incorporated herein by this reference.

4. **Counterparts**. This Second Amendment may be signed in counterparts with the same effect as if both parties had signed one and the same document. This Second Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all of which shall together constitute one and the same agreement. Counterparts shall become effective when counterparts have been signed by each of the parties and delivered to the other parties; it being understood that all parties need not sign the same counterpart. This Second Amendment and its counterparts may be executed by providing an electronic signature under the terms of the Electronic Signatures Act, 15 U.S.C. § 7001 et seq., and may not be denied legal effect solely because it is in electronic form or permits the completion of the business transaction referenced herein electronically instead of in person.

5. **Agreement in Full Force and Effect as Amended**. The terms and conditions of this Second Amendment shall prevail over any conflicting terms and conditions in the Agreement. Capitalized terms that are used in this Second Amendment not otherwise defined herein shall have the meanings ascribed to them in the Agreement. Except as specifically amended or waived hereby, all of the terms and conditions of the Agreement shall remain in full force and effect. All references to the Agreement in any other document or instrument shall be deemed to mean the Agreement as amended by this Second Amendment. The parties hereto agree to be bound by the terms and obligations of the Agreement, as amended by this Second Amendment, as though the terms and obligations of the Agreement were set forth herein.

[The Remainder of this Page has been Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this Second Amendment to be executed as of the date first written above by their duly authorized representatives.

OCWEN FINANCIAL CORPORATION

By /s/ Ronald M. Faris
Name: Ronald M. Faris
Title: President and Chief Executive Officer

ALTISOURCE SOLUTIONS S.À R.L.

By /s/ William B. Shepro
Name: William B. Shepro
Title: Manager

SCHEDULE I

Services Provided	Service Period
Valuation Services	August 10, 2009— August 31, 2025
Property Preservation and Inspection	August 10, 2009— August 31, 2025
REO Sales	August 10, 2009— August 31, 2025
Trustee Sales	August 10, 2009— August 31, 2025
Title Services	August 10, 2009— August 31, 2025
Due Diligence Services	August 10, 2009— August 31, 2025
Mortgage Charge off Collection	August 10, 2009— August 31, 2025
Mortgage Fulfillment and Underwriting Services	August 10, 2009— August 31, 2025

EX-10.31 5 a20131231ex1031.htm EXHIBIT 10.31

EXHIBIT 10.31

THIRD AMENDMENT TO SERVICES AGREEMENT

This **Third Amendment to the Services Agreement** (the “Third Amendment”) is dated as of July 24, 2013, and is made by and between **OCWEN FINANCIAL CORPORATION**, a corporation organized under the laws of the State of Florida (“OCWEN” or together with its Affiliates “OCWEN Group”), and **ALTISOURCE SOLUTIONS S.À R.L.**, a limited liability company organized under the laws of the Grand Duchy of Luxembourg ("ALTISOURCE" or together with its Affiliates "ALTISOURCE Group").

Recitals

WHEREAS, OCWEN and ALTISOURCE entered in that certain Services Agreement dated August 10, 2009 (as subsequently amended, the "Services Agreement") and that certain Services Letter dated August 10, 2009 (as subsequently amended, the "Services Letter");

WHEREAS, pursuant to the Services Agreement, the OCWEN Group receives, and ALTISOURCE provides or causes to be provided to the OCWEN Group, certain services described in Schedule A to the Services Letter; and

WHEREAS, now the parties desire to amend the Agreement to clarify certain cooperation and access rights, privacy and security provisions designed to protect non-public personal, consumer information, and add certain insurance requirements.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants made herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Amendment to Section 11, *Cooperation; Access; Steering Committee*, subparagraph (a) of the Services Agreement.** Subparagraph (a) of Section 11, *Cooperation; Access; Steering Committee,* is hereby deleted in its entirety and restated it as follows:

(a) Each Party shall, and shall cause its Group ("Audited Party" for purposes of this Section) to, permit the other Party and its employees and representatives ("Auditing Party"), at the Auditing Party's own expense, access, on Business Days during hours that constitute regular business hours for the Audited Party and upon reasonable prior request, to the premises of the Audited Party and its Group and such data, books, records and personnel designated by the Audited Party and its Group as the Auditing Party may reasonably request for the purposes of determining compliance with this Agreement and with laws applicable to the Services. If Providing Party undergoes an independent, third party assessment, substantially similar to a Statement on Standards for Attestation Engagements (SSAEs) Number 16 reporting on controls at a service organization, as such may be amended from time to time and conducted by an independent external audit agency in accordance with the attestation standards established by the American Institute of Certified Public Accountants, then upon reasonable prior request by Customer Party, Providing Party will make such assessment available to Customer Party. Any such inspection shall not unreasonably interfere with the Party's normal business operations.

Any documentation so provided pursuant to this Section 11 will be subject to the confidentiality obligations set forth in Section 12 of this Agreement.

2. **Amendment to Section 14(c), *Warranties; Limitation of Liability; Indemnity*.** Section 14(c), is hereby deleted in its entirety and restated as follows:

(c) In no event shall: (i) the amount of damages or losses for which the Providing Party and the Customer Party may be liable under this Agreement exceed the fees due to the Providing Party for the most recent six (6) month period under the applicable Service or SOW(s); provided that if Services have been performed for less than six (6) months, then the damages or losses will be limited to the value of the actual Services performed during such period; or (ii) the aggregate amount of all such damages or losses for which the Providing Party may be liable under this Agreement exceed one million dollars ($1,000,000); provided that no such cap shall apply to liability for damages or losses arising from or relating to breaches of Section 12 (Confidentiality), Section 15(d) (Protection of Consumer Information), infringement of Intellectual Property, or fraud or criminal acts. Except as provided in Section 14(b) hereof, none of the Providing Party or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors, or other representatives shall be liable for any action taken or omitted to be taken by, or the negligence, gross negligence, or willful misconduct of, any third party.

3. **Amendment to Section 15, *Additional Agreements*.** Section 15, *Additional Agreements,* is hereby deleted in its entirety and restated as follows:

15. Additional Agreements.

(a) *Data Backup and Storage.* The Providing Party shall maintain data backup and document storage and retrieval systems adequate for the provision of the Services.

(b) *Business Continuity Plan*. The Providing Party shall maintain a business continuity plan adequate for the provision of the Services and shall provide a copy of such plan upon the Customer Party's request.

(c) *Compliance with Legal Authority.* The Providing Party shall provide the Services under this Agreement and any SOW in compliance with (i) all obligations and applicable laws, regulations, rules, and guidelines, as amended or changed from time to time, including, but not limited to, privacy and data protection laws pursuant to Section 15(d) below, labor and overtime laws, tax laws, the U.S. Foreign Corrupt Practices Act and environmental protection laws; and (ii) all requirements from any Governmental Authority to maintain necessary licenses and permits.

(d) *Protection of Consumer Information*.

(1) Providing Party shall comply with applicable privacy and data laws and regulations including, without limitation, the GLB Act and only use Consumer Information to perform its obligations under this Agreement and/or as otherwise permitted under the applicable laws and regulations and will not disclose the Consumer Information contrary to the provisions of this Agreement or any other applicable laws and regulations.

(2) Providing Party shall develop written company policies and procedures, as well as implement appropriate physical and other security measures and controls reasonably designed to: (i) ensure the security, integrity, and confidentiality of the Consumer Information; (ii) protect against any reasonably foreseeable threats or hazards to the security and integrity of

the Consumer Information; and (iii) protect against any unauthorized access to or use of the Consumer Information that could result in substantial harm or inconvenience to any consumer or customer.

(3) Providing Party shall, at a minimum, establish and maintain such data security program reasonably designed to meet the objectives of the Interagency Guidelines Establishing Standards for Safeguarding Customer Information as set forth in the Code of Federal Regulations at 12 C.F.R. Parts 30, 208, 211, 225, 263, 308, 364, 568 and 570.

(4) Within a reasonable time following Providing Party's discovery of Consumer Information Breach, Providing Party shall take appropriate actions to address the Consumer Information Breach, including using its best efforts stop such Consumer Information Breach and notifying Customer Party.

(5) For purposes of this Section 15(d):

a. "Consumer Information" means "non-public personal information" of "consumers" or "customers" - as those terms are defined by the GLB Act - which Providing Party may receive, maintain, process or otherwise access from time to time in providing services to Customer Party pursuant to the terms of this Agreement.

b. "GLB Act" means, collectively, the Gramm-Leach-Bliley Act (15 U.S.C. §6801, *et seq*.) and its implementing regulations.

c. "Consumer Information Breach" means any confirmed breach or compromise of the security, confidentiality or integrity of Consumer Information.

(e) *Third Party Vendor Management*. The Providing Party shall maintain and, upon written, reasonable request, submit to the Customer Party information regarding its vendor management program and any of its applicable vendor management reviews of the third party vendors designated and used by Providing Party in connection with the performance of any of the obligations under this Agreement. Providing Party shall perform periodic reviews designed to confirm that the performance of its designated third party vendors is in compliance with the terms of the Agreement. Providing Party shall be responsible for the provision of the Services set forth in this Agreement regardless of which third party vendor it designates and uses to conduct the Services. Customer Party may request the revocation of the designation and use of a third party vendor in connection with the performance of any of the obligations under this Agreement by providing Providing Party with written notice describing a reasonable business necessity for the revocation.

(f) *Insurance*. The Providing Party shall at all times while performing Services hereunder, carry with an insurance agency with a Best's Insurance Reports rating of "A-VIII" or better: (i) worker's compensation insurance in accordance with the laws of the governmental bodies having jurisdiction; (ii) general liability insurance in amounts not less than Three Million Dollars ($3,000,000.00) per occurrence for bodily injury, personal injury and property damage liability combined; (iii) automobile insurance in amounts not less than One Million Dollars ($1,000,000.00) combined single limit for bodily injury and property damage for each occurrence, covering all hired and non-owned vehicles; (iv)

Commercial Crime Insurance/Fidelity in the amount of Five Million Dollars ($5,000,000.00) per occurrence, including coverage for theft or loss of Customer Party and Customer Party property; and (v) professional liability insurance to cover errors and omissions in amounts not less than Five Million Dollars ($5,000,000.00) per occurrence. Providing Party shall provide a certificate of insurance indicating such coverage upon request by Customer Party. The insurance required under this Section may be in a policy or policies of insurance, primary and excess, including so-called umbrella or catastrophe form, which may also include comprehensive automobile insurance and employer's liability insurance. Customer Party may elect to accept lesser or alternative forms of insurance.

4. **Counterparts**. This Third Amendment may be signed in counterparts with the same effect as if both parties had signed one and the same document. This Third Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all of which shall together constitute one and the same agreement. Counterparts shall become effective when counterparts have been signed by each of the parties and delivered to the other parties; it being understood that all parties need not sign the same counterpart. This Third Amendment and its counterparts may be executed by providing an electronic signature under the terms of the Electronic Signatures Act, 15 U.S.C. § 7001 et seq., and may not be denied legal effect solely because it is in electronic form or permits the completion of the business transaction referenced herein electronically instead of in person.

5. **Agreement in Full Force and Effect as Amended**. The terms and conditions of this Third Amendment shall prevail over any conflicting terms and conditions in the Agreement. Capitalized terms that are used in this Third Amendment not otherwise defined herein shall have the meanings ascribed to them in the Agreement. Except as specifically amended or waived hereby, all of the terms and conditions of the Agreement shall remain in full force and effect. All references to the Agreement in any other document or instrument shall be deemed to mean the Agreement as amended by this Third Amendment. The parties hereto agree to be bound by the terms and obligations of the Agreement, as amended by this Third Amendment, as though the terms and obligations of the Agreement were set forth herein.

{The remainder of this page intentionally left blank}

IN WITNESS WHEREOF, the Parties have caused this Third Amendment to be executed by their respective authorized representatives, effective as of the date first written above.

OCWEN

Ocwen Financial Corporation

By: /s/ Ronald M. Faris

Name: Ronald M. Faris

Title: President & CEO

Date: September 3, 2013

ALTISOURCE

Altisource Solutions S.à r.l.

By: /s/ William B. Shepro

Name: William B. Shepro

Title: Manager

Date: September 4, 2013

EX-10.1 2 ex10_1.htm EXHIBIT 10.1

Exhibit 10.1

SERVICES AGREEMENT

This services agreement (this “Agreement”), dated as of October 1, 2012, between Ocwen Mortgage Servicing, Inc., a corporation organized under the laws of the United States Virgin Islands (“Ocwen,” or together with its subsidiaries, the “Ocwen Group”), and Altisource Solutions S.à r.l., a private limited liability company organized under the laws of the Grand Duchy of Luxembourg (“Altisource,” or together with its Affiliates, the “Altisource Group”).

RECITALS

WHEREAS, Ocwen desires to receive, and Altisource is willing to provide, or cause to be provided, certain services, in each case subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the parties agree as follows:

1. Definitions. For the purposes of this Agreement, the following terms shall have the following meanings:

“Affiliate” or “Affiliates” means with respect to any Person: (a) any directly or indirectly wholly owned subsidiary of such Person; (b) any Person that directly or indirectly owns 100% of the voting stock of such Person; or (c) a Person that controls, is controlled by, or is under common control with such Person. As used herein, “control” of any entity means the possession, directly or indirectly, through one or more intermediaries, of the power to direct or cause the direction of the management or policies of such entity, whether through ownership of voting securities or other interests, by contract, or otherwise. Furthermore, with respect to any Person that is partially owned by such Person and does not otherwise constitute an Affiliate (a “Partially Owned Person”), such Partially Owned Person shall be considered an Affiliate of such Person for purposes of this Agreement if such Person can, after making a good faith effort to do so, legally bind such Partially Owned Person to this Agreement.

“Agreement” means this Agreement, including the Schedules hereto, any Services Letter, any Fee Letter, and any SOW entered into pursuant to Section 2(b).

“Altisource Business” means the knowledge process outsourcing business, consisting of the mortgage servicing business, the financial servicing business, and the technology products business.

“Applicable Services” means business process outsourcing services of the type provided in the ordinary course of business of the Providing Party as of the date of this Agreement.

“Customer Party” means a party in its capacity of receiving a Service hereunder, including Ocwen.

“Fee Letter” has the meaning set forth in Section 4(a).

“Fixed Price Project” means any Service designated as such on Schedule I, in the Services Letter, or the applicable SOW.

“Group” means, collectively, either party’s Subsidiaries and Affiliates.

“Governmental Authority” shall mean any federal, state, local, foreign, or international court, government, department, commission, board, bureau, agency, official, or other legislative, judicial, regulatory, administrative, or governmental authority.

“Information” means information, whether or not patentable or copyrightable, in written, oral, electronic, or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, algorithms, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

"Intellectual Property" means all domestic and foreign patents, copyrights, trade names, domain names, trademarks, service marks, registrations and applications for any of the foregoing, databases, mask works, Confidential Information, inventions (whether or not patentable or patented), processes, know-how, procedures, computer applications, programs and other software, including operating software, network software, firmware, middleware, design software, design tools, systems documentation, manuals, and instructions, other proprietary information, and licenses from third parties granting the right to use any of the foregoing.

"Ocwen Business" means (a) the business and operations of Ocwen and its Subsidiaries and other Affiliates immediately after the Effective Date and (b) except as otherwise expressly provided herein, any terminated, divested, or discontinued businesses or operations of Ocwen and its Subsidiaries and other Affiliates.

"Person" means an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity, and any Governmental Authority.

"Providing Party" means a party in its capacity of providing a Service hereunder, including Altisource.

"Services" means the services set forth on Schedule I, as further described in the Services Letter, and/or in any SOW, as the context requires.

"SOW" means a statement of work entered into between the parties on an as-needed basis to describe a particular service that is not covered specifically in a schedule hereto or in the Services Letter, but has been agreed to be provided pursuant to the terms of this Agreement except as otherwise may be set forth in such SOW.

"Subsidiary" or "Subsidiaries" of any Person means any corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; provided, however, that any Person that is not wholly owned by any other Person shall not be a Subsidiary of such other Person unless such other Person controls, or has the right, power, or ability to control that Person.

2. Provision of Services.

(a) *Generally*. Subject to the terms and conditions of this Agreement, Altisource shall provide, or cause to be provided, to Ocwen and the Ocwen Group, the services set forth on Schedule I, in each case (i) as further described in a letter between the Providing Party and the Customer Party dated as of the date hereof (the "Services Letter") and (ii) for the periods commencing on the date hereof through the respective period specified on Schedule I (the "Service Period"), unless such period is earlier terminated in accordance with Section 5.

(b) *Statements of Work*. In addition to the services set forth on Schedule I, from time to time during the term of this Agreement the parties shall have the right to enter into SOWs to set forth the terms of any related or additional services to be performed hereunder. Any SOW shall be agreed to by each party, shall be in writing, and shall contain, to the extent applicable: (i) the identity of each of the Providing Party and the Customer Party; (ii) a description of the Services to be performed thereunder; (iii) the applicable Performance Standard, as defined in Section 3 below, for the provision of such Service, if different from the Performance Standard; (iv) a description of the penalties of nonperformance and the incentives for performance in accordance with the applicable Performance Standard; (v) a description of the Customer Party's criteria for evaluating the acceptance of deliverables; (vi) the amount, schedule, and method of compensation for provision of such Service; and (vii) the Customer Party's standard operating procedures for receipt of services similar to such Service, including operations, compliance requirements, and related training schedules. Any SOW may contain: (i) a description of the renewal option for such SOW; (ii) information technology support requirements of the Customer Party with respect to such Service; (iii) training and support commitments with respect to such Service; (iv) the number of full-time employees required for such Service; and (v) any other terms the parties desire. For the avoidance of doubt, the terms and conditions of this Agreement shall apply to any SOW.

(c) The Services shall be performed on Business Days during hours that constitute regular business hours for each of Ocwen and Altisource, unless otherwise agreed or as provided on Schedule I, in the Services Letter, or an applicable SOW. No Customer Party, nor any member of its respective Group, shall resell, subcontract, license, sublicense, or otherwise transfer any of the Services to any Person whatsoever or permit use of any of the Services by any Person other than by the Customer Party and its Affiliates directly in connection with the conduct of the Customer Party's respective business in the ordinary course of business.

(d) Notwithstanding anything to the contrary in this Section 2 (but subject to the following), the Providing Party shall have the exclusive right to select, employ, pay, supervise, administer, direct, and discharge any of its employees who will perform Services. The Providing Party shall be responsible for paying such employees' compensation and providing to such employees any benefits. With respect to each Service, the Providing Party shall use commercially reasonable efforts to have qualified individuals participate in the provision of such Service; provided, however, that: (i) the Providing Party shall not be obligated to have any individual participate in the provision of any Service if the Providing Party determines that such participation would adversely affect the Providing Party or its Affiliates; and (ii) none of the Providing Party or its Affiliates shall be required to continue to employ any particular individual during the applicable Service Period.

3. Standard of Performance. The Providing Party shall use commercially reasonable efforts to provide, or cause to be provided, to the Customer Party and its Group, each Service with such quality standards, service level requirements, specifications, and acceptance criteria identified in the Services Letter or the respective SOW (including any "Critical Performance Standards," as identified in any therein) (the "Performance Standard"), unless otherwise specified in this Agreement. Notwithstanding the foregoing, no Providing Party shall have any obligation hereunder to provide to any Customer Party any improvements, upgrades, updates, substitutions, modifications, or enhancements to any of the Services unless otherwise specified in the Services Letter or applicable SOW. The Customer Party acknowledges and agrees that the Providing Party may be providing services similar to the Services provided hereunder and/or services that involve the same resources as those used to provide the Services to it and its Affiliates' business units and other third parties.

4. Fees for Services.

(a) As compensation for a particular Service, the Customer Party agrees to pay to the Providing Party, for each of the first two (2) successive years during which such Service is provided (the "Initial Fee Period"), the respective amount set forth in (i) the Services Letter (or, if applicable, in a separate fee letter to be delivered by the Providing Party to the Customer Party dated as of the date hereof (the "Fee Letter")) or (ii) with respect to any Service performed pursuant to an SOW, in such SOW. The parties intend that any such fees reflect the market rate for comparable services. In the event the Services provided are increased or decreased during the Service Period, the fees associated therewith shall be increased or decreased, as applicable, on a pro rata basis.

(b) The fees for the Services other than Fixed Price Projects shall be adjusted in each year subsequent to the Initial Fee Period as negotiated between the parties in good faith based on prevailing market conditions and inflation.

(c) The Customer Party shall not be obligated to pay fees for (i) new Services, other than Additional Services or Services requested pursuant to a SOW that the Providing Party performs without the authorization of the Customer Party or of any member of its Group or (ii) Services not provided due to a Force Majeure Event (as defined below).

(d) The parties will adhere to the business practices regarding invoicing and payment in place at the time of execution of this Agreement for all Services initially provided by the Providing Party for a maximum period of one year from the date of this Agreement. After one year, or in the case of any SOW and unless otherwise specified in the applicable SOW, the Providing Party shall submit statements of account to the Customer Party (including any Sales Tax, as defined in Section 16) on a monthly basis with respect to all amounts payable by the Customer Party to the Providing Party hereunder (the "Invoiced Amount"), setting out the Services provided (by reference to the particular SOW, if applicable), and the amount billed in United States Dollars to the Customer Party as a result of providing such Services. The Customer Party shall pay the Invoiced Amount to the Providing Party by wire transfer of immediately available funds to an account or accounts specified by the Providing Party, or in such other manner as specified by the Providing Party in writing, or otherwise reasonably agreed to by the Parties, within thirty (30) days of the date of delivery to the Customer Party of the applicable statement of account; provided, that, in the event of any dispute as to an Invoiced Amount, the Customer Party shall pay the undisputed portion, if any, of such

Invoiced Amount in accordance with the foregoing, and shall pay the remaining amount, if any, promptly upon resolution of such dispute.

(e) The Providing Party shall maintain books and records adequate for the provision of the Services. At its own expense, the Customer Party may request an audit of the books and records of the Providing Party to determine performance in accordance with Section 4(d). If such audit reveals an underpayment of fees, the Customer Party shall promptly pay the underpayment amount in accordance with the terms of this Agreement. If such audit reveals an overpayment of fees, the Providing Party shall promptly refund the overpayment amount in accordance with Section 4(d).

(f) The Providing Party may, in its discretion and without any liability, suspend any performance under this Agreement upon failure of the Customer Party to timely make any payments required under this Agreement beyond the applicable cure date specified in Section 6(b)(1) of this Agreement.

(g) In the event that the Customer Party does not make any payment required under the provisions of this Agreement (including, for the avoidance of doubt, the Services Letter and/or the Fee Letter) to the Providing Party when due in accordance with the terms hereof, the Providing Party may, at its option, charge the Customer Party interest on the unpaid amount at the rate of 2% per annum above the prime rate charged by JPMorgan Chase Bank, N.A. (or its successor). In addition, the Customer Party shall reimburse the Providing Party for all costs of collection of overdue amounts, including any reasonable attorneys' fees.

(h) In the event that: (i) Providing Party agrees to provide services that are the same or substantially similar to the Services and Additional Services provided hereunder to a third party ("Relevant Services"), (ii) such Relevant Services are delivered and priced in a manner substantially similar to the delivery and pricing structure provided for by this Agreement, the Services Letter, and the Fee Letter, if any, and are of a similar volume, (iii) the fees to be received by Providing Party from each of Customer Party and such third party are reasonably expected to exceed $1,000,000 per year, (iv) the fee rates in the aggregate to be charged by the Providing Party for any particular Relevant Service (a "Reduced Cost Service") are less than the fee rates in the aggregate for the corresponding Service or Additional Service charged under this Agreement, the Services Letter, and the Fee Letter, if any, and (v) after giving good faith consideration to any higher fee rates charged by Providing Party for any other Relevant Services other than the Reduced Cost Service being provided to such third party, the aggregate economic benefit received by Providing Party for providing all such Relevant Services is less than the aggregate economic benefit received by Providing Party for providing the Services and Additional Services, then within thirty (30) Business Days of entering into a binding agreement to provide the Relevant Services to such third party, Providing Party shall offer to provide to Customer Party the Service and/or Additional Service corresponding to the Reduced Cost Service at the same rate as Providing Party provides the Reduced Cost Service to such third party. The fees provided for under this Agreement, the Services Letter, and the Fee Letter, if any, shall be reduced to an amount equal to the fees charged for the Reduced Cost Service effective as of the later of (x) the first day of the immediately succeeding calendar quarter after the date on which Providing Party notifies Customer Party of the Reduced Cost Service or (y) thirty days after the date on which Providing Party notifies Customer Party of the Reduced Cost Service. For purposes of clarification only, this Section 4(h) shall not apply to situations where Providing Party agrees to provide test or trial services to a third party.

5. Term.

(a) *Initial Term*. This Agreement shall commence on October 1, 2012 (the "Effective Date") and shall continue in full force and effect, subject to Section 5(b), until August 31, 2020 (the "Initial Term"), or the earlier date upon which this Agreement has been otherwise terminated in accordance with the terms hereof.

(b) *Renewal Term*. This Agreement may be renewed for successive two (2) year terms (each, a "Renewal Term") by mutual written agreement of the parties hereto, executed not less than six (6) months prior to the expiration of the Initial Term or any Renewal Term, as applicable.

(c) In the event either party decides that it does not wish to renew this Agreement or any particular Service or SOW before the expiration of the Initial Term or any Renewal Term, as applicable, such party shall so notify the other party at least nine (9) months before the completion of the Initial Term or Renewal Term, as applicable.

6. Termination.

(a) *Termination by Customer Party*. During the term of this Agreement, the Customer Party may terminate this Agreement (or, with respect to all items except items (2) and (7) below, the particular Service or SOW only):

(1) if the Customer Party is prohibited by law from receiving such Services from the Providing Party;

(2) in the event of a material breach of any covenant or representation and warranty contained herein or otherwise directly relating to or affecting the Services to be provided hereunder of the Providing Party that cannot be or has not been cured by the thirtieth (30^{th}) day from the Customer Party's giving of written notice of such breach to the Providing Party, which notice shall be given within forty-five (45) days of the later of the occurrence of such breach or Customer Party's discovery of such breach;

(3) if the Providing Party fails to comply with all applicable regulations to which the Providing Party is subject directly relating to or affecting the Services to be performed hereunder, which failure cannot be or has not been cured by the thirtieth (30^{th}) day from the Customer Party's giving of written notice of such failure to the Providing Party, which such notice shall be given within forty-five (45) days of the later of the occurrence of such failure or Customer Party's discovery of such failure;

(4) if the Providing Party or any member of its Group providing Services hereunder is cited by a Governmental Authority for materially violating any law governing the performance of a Service, which violation cannot be or has not been cured by the thirtieth (30^{th}) day from the Customer Party's giving of written notice of such citation to the Providing Party, which such notice shall be given within forty-five (45) days of the later of the occurrence of such citation or Customer Party's discovery of such citation;

(5) if the Providing Party fails to meet any Critical Performance Standard for a period of two consecutive months or three nonconsecutive months in any rolling twelve (12)-month period, which failure cannot be or has not been cured by the thirtieth (30^{th}) day from the Customer Party's giving of written notice of such failure to the Providing Party, which such notice shall be given within forty-five (45) days of the later of the occurrence of such failure or Customer Party's discovery of such failure;

(6) if the Providing Party fails to meet any Performance Standard for a period of two consecutive months or four nonconsecutive months in any rolling twelve (12)-month period, which failure cannot be or has not been cured by the thirtieth (30^{th}) day from the Customer Party's giving of written notice of such failure to the Providing Party, which such notice shall be given within forty-five (45) days of the later of the occurrence of such failure or Customer Party's discovery of such failure;

(7) if the Providing Party (A) becomes insolvent, (B) files a petition in bankruptcy or insolvency, is adjudicated bankrupt or insolvent or files any petition or answer seeking reorganization, readjustment, or arrangement of its business under any law relating to bankruptcy or insolvency, or if a receiver, trustee, or liquidator is appointed for any of the property of the other party and within sixty (60) days thereof such party fails to secure a dismissal thereof, or (C) makes any assignment for the benefit of creditors, which bankruptcy, insolvency, or assignment cannot be or has not been cured by the thirtieth (30^{th}) day from the Customer Party's giving of written notice of such event to the Providing Party, which such notice shall be given within forty-five (45) days of the later of the occurrence of such event or Customer Party's discovery of such event, and

(8) in the event of any material infringement of such Customer Party's Intellectual Property(as defined in the Intellectual Property Agreement between Ocwen and Altisource, dated October 1, 2012, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof (the "Intellectual Property Agreement")), including Intellectual Property developed hereunder pursuant to Section 10 below, by the Providing Party, which infringement cannot be or has not been cured by the thirtieth (30^{th}) day from the Customer Party's giving of written notice of such event to the Providing Party, which such notice shall be given within forty-five (45) days of the later of occurrence of such event or Customer Party's discovery of such event.

For the avoidance of doubt, with respect to all items except item (1) above, if the Providing Party has cured the underlying event or circumstance giving rise to written notice of the same, within the time period specified above, the Customer Party may not terminate this Agreement or the applicable Service or SOW; provided, however, that the Customer Party may, if it so states in the written notice required to be provided to the Providing Party pursuant to the above, cause the Providing Party to suspend the Service performed under this Agreement or the applicable

SOW until the Providing Party has cured such breach, failure, insolvency, bankruptcy, or assignment, as the case may be. Furthermore, if the Providing Party is unable to effect a cure of the event or circumstance occurring under this Section 6(a) within the time period specified, despite a good faith effort to effect such cure, the Customer Party shall allow the Providing Party such additional time as is reasonably required to effect such cure without termination of this Agreement or the applicable Service or SOW, but in no event shall such additional time exceed ninety (90) days unless otherwise agreed by the parties.

(b) *Termination by Providing Party*. During the term of this Agreement, the Providing Party may terminate this Agreement or the particular Service or SOW only:

(1) if the Customer Party fails to make any payment for any portion of Services the payment of which is not being disputed in good faith by the Customer Party, which payment remains unmade by the ninetieth (90^{th}) day from the Providing Party's giving of written notice of such failure to the Customer Party;

(2) if the Customer Party, or any member of its Group providing Services hereunder, or the Providing Party receives an order from a Governmental Authority prohibiting the performance of the Services;

(3) if the Providing Party or any member of its Group providing Services hereunder is notified by a Governmental Authority, due to the actions of the Customer Party, for materially violating any law governing the performance of a Service, which violation cannot be or has not been cured by the Customer Party by the sixtieth (60^{th}) day from the receipt of notice of such violation;

(4) if the Customer Party or any member of its Group (A) becomes insolvent, (B) files a petition in bankruptcy or insolvency, is adjudicated bankrupt or insolvent or files any petition or answer seeking reorganization, readjustment, or arrangement of its business under any law relating to bankruptcy or insolvency, or if a receiver, trustee, or liquidator is appointed for any of the property of the other party and within sixty (60) days thereof such party fails to secure a dismissal thereof, or (C) makes any assignment for the benefit of creditors;

(5) in the event of any material infringement of such Providing Party's Intellectual Property, (as defined in the Intellectual Property Agreement between Ocwen and Altisource, dated October 1, 2012, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof (the "Intellectual Property Agreement")) including Intellectual Property developed hereunder pursuant to Section 10 below, by the Customer Party or any member of its Group; and

(6) in the event of a material breach of any covenant or representation and warranty contained herein or otherwise directly relating to or affecting the Services to be provided hereunder of the Customer Party or any member of its Group that cannot be or has not been cured by the sixtieth (60^{th}) day from the Providing Party's giving of written notice of such breach to the Customer Party.

For the avoidance of doubt, with respect to items (3) and (6) above, if the Customer Party has cured the underlying event or circumstance giving rise to written notice of the same, within the time period specified above, the Providing Party may not terminate this Agreement or the applicable Service or SOW; provided, however, that the Providing Party may, if it so states in the written notice required to be provided to the Customer Party pursuant to the above, suspend the Service performed hereunder or under the applicable SOW until the Customer Party has cured such violation or breach, as the case may be. Furthermore, if the Customer Party is unable to effect a cure of the event or circumstance occurring under this Section 6(b) within the time period specified, despite a good faith effort to effect such cure, Providing Party shall allow Customer Party such additional time as reasonably required to effect such cure without termination of this Agreement or the applicable Service or SOW, but in no event shall such additional time exceed 90 days unless otherwise agreed by the parties.

(c) *Termination for Convenience*. Any Service or SOW may be terminated in whole or in part by the Customer Party with not less than ninety (90) days' written notice of such termination to the Providing Party in the event the Customer Party and the members of its Group discontinue the line of business receiving such Services. In the event the Customer Party terminates such Service or SOW in accordance with this Section 6(c), unless otherwise set forth herein or in the applicable SOW, such party shall be responsible for payment of the following costs and expenses that are directly related to or resulting from the early termination of such Service or SOW: (i) costs and expenses relating to the re-employment or termination of a Providing Party's employee who had been previously engaged in providing the Services governed by the terminated Service or SOW; (ii) costs and expenses relating to existing contracts with third parties that had been entered into by the Providing Party or any member of its Group solely for the provision of Services under such terminated Service or SOW; and (iii) costs and expenses relating to facilities, hardware, and equipment (including depreciation) used solely for the purpose of providing such Services or SOW.

(d) *Wind-Down Period*. During the period six (6) months prior to the date of termination of this Agreement, the Providing Party shall have no obligation to (i) expand the scope of its Services under this Agreement or any SOW, (ii) perform any new or additional Services under this Agreement or any SOW, or (iii) invest in hardware, software, or equipment for performance of a Service or SOW.

(e) *Post-Termination Services*. Upon termination of this Agreement, any SOW, or any Services, for any reason whatsoever, the Customer Party or any member of its Group may elect to purchase post-termination services from the Providing Party for a period of two hundred and seventy (270) days from the date on which this Agreement terminates on the current terms hereunder or in place under the applicable SOW(s).

(f) *Effects of Termination*.

(1) Upon the early termination of any Service pursuant to this Section 6, or upon the expiration of the applicable Service Period, following the effective time of the termination, the Providing Party shall no longer be obligated to provide such Service; provided that the Customer Party shall be obligated to reimburse the Providing Party for any reasonable out-of-pocket expenses or costs attributable to such termination unless otherwise provided herein or in the applicable SOW(s).

(2) No termination, cancelation, or expiration of this Agreement shall prejudice the right of either party hereto to recover any payment due at the time of termination, cancelation, or expiration (or any payment accruing as a result thereof), nor shall it prejudice any cause of action or claim of either party hereto accrued or to accrue by reason of any breach or default by the other party hereto.

(3) Notwithstanding any provision herein to the contrary, Sections 4, 9, and 12 through 22 of this Agreement shall survive the termination of this Agreement.

7. <u>Change Order Procedures; Temporary Emergency Changes</u>.

(a) The parties hereto may change the nature and scope of Services provided hereunder or under any SOW by mutual agreement. The party seeking the change shall submit a request containing: (i) the identity of the party requesting such change; (ii) the reason(s) for the change; (iii) a description of the requested change; and (iv) a timetable for the implementation of the change. The non-requesting Party shall have thirty (30) Business Days to consider the suggested change and either approve or decline such change. For the avoidance of doubt, no change to any Service or SOW will become part of the Performance Standard for such Service or SOW without the Providing Party's prior approval.

(b) The parties hereto agree to cooperate in good faith to determine and implement additional procedures for change orders as needed.

(c) Notwithstanding the foregoing, in the event the Providing Party is unable to contact the Customer Party's designated contact for a specific Service or SOW after reasonable effort, the Providing Party may make temporary changes to any SOW or Services, which the Providing Party shall document and report to the Customer Party the next Business Day. Such changes shall become permanent only if the Providing Party subsequently follows the procedures in Section 7(a) hereof for permanent change order procedures. The Customer Party shall not be obligated to pay for any changed Services performed without its prior approval.

(d) The Customer Party may, in an emergency, request additional Services to be performed as promptly as practicable, and the Providing Party shall use its reasonable best efforts to perform such Services as promptly as practicable. While the Providing Party will continue to provide services in line with the request from the Customer Party, in the event that the Providing Party plans to incur materially additional costs in providing this service, the Providing Party may submit a financial proposal to make the Providing Party financially whole. In such a case, the Customer Party and Providing Party may agree for the one-time increase in payment for the emergency. Such emergency request shall last no longer than thirty (30) Business Days, and the Providing Party shall have no obligation to continue performing such Services unless the Customer Party follows the procedures in Section 7(a) hereof for permanent change order procedures.

8. Right of First Opportunity.

(a) If the Customer Party or any member of its Group elects to receive any Additional Service (as defined below), it shall first request a proposal for the provision of such Additional Service from the Providing Party. The Providing Party shall have thirty (30) Business Days (the "Exclusive Tender Period") to respond to such request for Additional Service and to provide a proposed SOW to the Customer Party. During the Exclusive Tender Period, the Customer Party shall not solicit proposals or negotiate with any other third party with respect to such request for Additional Service. Upon receipt of the Providing Party's proposal for the Additional Service, the Customer Party shall consider such proposal and shall negotiate with the Providing Party in good faith with respect to the possible provision by the Providing Party of such Additional Services.

(b) If, at the end of the Exclusive Tender Period, the Providing Party and the Customer Party do not agree on the proposed SOW, the Customer Party may solicit proposals from third parties with respect to the Additional Service; provided, however, that the Customer Party shall not disclose any information received from the Providing Party, whether verbal or written, in the proposed SOW or during the Exclusive Tender Period negotiations, and such information shall be subject to the terms of Section 12 (Confidentiality) hereof.

(c) As an alternative to the procedures set forth in Sections 8(a) and 8(b), Customer Party may solicit proposals or negotiate with third parties with respect to an Additional Service (such third parties referred to as "Third Party Additional Service Providers") during the Exclusive Tender Period so long as:

(1) at least fifteen Business Days prior to engaging any Third Party Additional Service Provider, Customer Party shall disclose to Providing Party a description of the Additional Services to be provided by such Third Party Additional Service Provider and all fees, costs, and other expenses to be charged by such Third Party Additional Service Provider (such description referred to as a "Third Party Additional Service Offer");

(2) within ten (10) Business Days of receipt of any Third Party Additional Service Offer, Providing Party shall have the right to make an offer (a "Matching Offer") to provide the same or substantially the same Additional Services as set forth in the Third Party Additional Service Offer; and

(3) if the fees set forth in the Matching Offer do not exceed the fees set forth in the Third Party Additional Services Offer, Customer Party may not accept the Third Party Additional Services Offer. Conversely, if the fees set forth in the Matching Offer exceed the fees set forth in the Third Party Additional Services Offer, Customer Party may accept the Third Party Additional Services Offer.

(d) For purposes of this Agreement, "Additional Service" means a service that: (i) is reasonably similar to the Services provided hereunder or under any SOW; (ii) could reasonably be performed in facilities located in India, the United States, Canada, Uruguay, the United States Virgin Islands, or other facilities similar to the Providing Party's facilities in these locations; (iii) reasonably would be expected to involve a purchase volume greater than two hundred thousand dollars ($200,000) on an annual basis; and (iv) is not an Applicable Service.

(e) For the avoidance of doubt, the Providing Party shall not be restricted from providing services to a third party that are similar or identical to the Services.

9. Miscellaneous.

(a) This Agreement may be executed in one or more counterparts, including by facsimile, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties hereto.

(b) This Agreement, the schedules hereto, the Services Letter, and any Fee Letter, contain the entire agreement between the parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments, and conversations with respect to such subject matter, and there are no agreements or understandings between the parties with respect to the subject matter hereof other than those set forth or referred to in this Agreement.

(c) Ocwen represents on behalf of itself and each member of the Ocwen Group, and Altisource represents on behalf of itself and each member of the Altisource Group, as follows:

(1) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver, and perform this Agreement and to consummate the transactions contemplated hereby; and

(2) this Agreement has been duly executed and delivered and constitutes, or will constitute, a valid and binding agreement enforceable in accordance with the terms hereof.

(d) This Agreement shall be governed by and construed and interpreted in accordance with the internal laws of the State of New York applicable to contracts made and to be performed wholly in such state and irrespective of the choice of law principles of the State of New York, as to all matters.

(e) Except for the indemnification rights under this Agreement (i) the provisions of this Agreement are solely for the benefit of the parties hereto and are not intended to confer upon any Person except the parties hereto any rights or remedies hereunder and (ii) there are no third party beneficiaries of this Agreement, and this Agreement shall not provide any third person with any remedy, claim, liability, reimbursement, cause of action, or other right in excess of those existing without reference to this Agreement.

(f) All notices or other communications under this Agreement shall be in writing and shall be deemed to be duly given when (i) delivered in person, (ii) sent by facsimile (except that, if not sent during normal business hours for the recipient, then at the opening of business on the next Business Day for the recipient) to the facsimile numbers set forth below, or (iii) deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

If to Ocwen, to:

Ocwen Mortgage Servicing, Inc.
402 Strand Street
Frederiksted, Virgin Islands 00840-3531
Attn: Corporate Secretary
Facsimile number: _________

If to Altisource, to:

Altisource Solutions S.à r.l.
291 route d'Arlon
L-1150 Luxembourg
Attn: Corporate Secretary
Facsimile number: 352-2744-9499
With a copy to: contractmanagement@altisource.com

Either Party may, by notice to the other party, change the address to which such notices are to be given.

(g) If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon any such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable provision to effect the original intent of the parties.

(h) The article, section, and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(i) Waiver by any Party hereto of any default by any other party hereto of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default.

(j) In the event of any actual or threatened default in, or breach of, any of the terms, conditions, or provisions of this Agreement, the party or parties that are to be hereby aggrieved shall have the right to seek specific performance and injunctive or other equitable relief of its rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The other party or parties shall not oppose the granting of such relief. The parties to this Agreement agree that the remedies at law for any breach or threatened breach hereof, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived.

(k) No provisions of this Agreement shall be deemed waived, amended, supplemented, or modified by any Party hereto, unless such waiver, amendment, supplement, or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement, or modification.

(l) Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires. The terms "hereof," "herein," and "herewith," and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement as a whole (including all schedules hereto) and not to any particular provision of this Agreement. Article, Section, Exhibit, Schedule, and Appendix references are to the articles, sections, exhibits, schedules, and appendices of or to this Agreement unless otherwise specified. Any reference herein to this Agreement, unless otherwise stated, shall be construed to refer to this Agreement as amended, supplemented, or otherwise modified from time to time, as permitted by Section 9(k). The word "including," and words of similar import, when used in this Agreement shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified. The word "or" shall not be exclusive. There shall be no presumption of interpreting this Agreement or any provision hereof against the draftsperson of this Agreement or any such provision.

(m) Any action or proceeding arising out of or relating to this Agreement shall be brought in the courts of the State of New York located in the County of New York or in the United States District Court for the Southern District of New York (if any Party to such action or proceeding has or can acquire jurisdiction), and each of the parties hereto (i) irrevocably submits to the exclusive jurisdiction of each such court in any such action or proceeding, (ii) waives any objection it may now or hereafter have to venue or to convenience of forum, (iii) agrees that all claims in respect of the action or proceeding shall be heard and determined only in any such court, and (iv) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. The parties to this Agreement agree that any of them may file a copy of this paragraph with any court as written evidence of the knowing, voluntary, and bargained agreement between the parties hereto to irrevocably waive any objections to venue or to convenience of forum. Process in any action or proceeding referred to in the first sentence of this Section 9(m) may be served on any Party to this Agreement anywhere in the world.

10. Intellectual Property. The Providing Party or a member of its Group shall retain all rights to all technology and Intellectual Property owned or licensed by the Providing Party or a member of its Group prior to the provision of Services hereunder or developed by the Providing Party and any member of its Group during the course of and in association with the provision of Services under this Agreement by the Providing Party and any member of its Group, including all derivative works. The Customer Party and any member of its Group shall retain all rights to all Intellectual Property owned or licensed by the Customer Party or a member of its Group prior to the provision of Services hereunder or developed by the Customer Party or a member of its Group during the course of and in association with the provision of Services by the Providing Party under this Agreement, including all derivative works. To the extent any technology or Intellectual Property is jointly developed by the Providing Party or a member of its Group on the one hand and the Customer Party or a member of its Group on the other, it shall be deemed Ocwen IP if it relates to the Ocwen Business, or Altisource Licensed Intellectual Property if it relates to the Altisource Business, as these terms are defined in the Intellectual Property Agreement. Any intellectual property not already part of the Altisource IP, the Altisource Licensed Intellectual Property, or the Ocwen IP, as those terms are defined in the Intellectual Property Agreement, shall become Altisource Licensed Intellectual Property if owned by Altisource, or Ocwen IP if owned by Ocwen. All intellectual property that is involved in the provision of Services hereunder, therefore, shall be subject to the terms and conditions of the Intellectual Property Agreement.

11. Cooperation; Access; Steering Committee.

(a) The Customer Party shall, and shall cause its Group to, permit the Providing Party and its employees and representatives access, on Business Days during hours that constitute regular business hours for the Customer Party and upon reasonable prior request, to the premises of the Customer Party and its Group and such data, books, records, and personnel designated by the Customer Party and its Group as involved in receiving or overseeing the Services as the Providing Party may reasonably request for the purposes of providing the Services. The Providing Party shall provide the Customer Party, upon reasonable prior written notice, such documentation relating to the provision of the Services as the Customer Party may reasonably request for the purposes of confirming any Invoiced Amount pursuant to this Agreement. Any documentation so provided to the Providing Party pursuant to this Section 11 will be subject to the confidentiality obligations set forth in Section 12 of this Agreement.

(b) Each party hereto shall designate a relationship manager (each, a "Relationship Executive") to report and discuss issues with respect to the provision of the Services and successor relationship executives in the event that a designated Relationship Executive is not available to perform such role hereunder. The initial Relationship Executive designated by Ocwen shall be William C. Erbey and the initial Relationship Executive designated by Altisource shall be William B. Shepro. Either party may replace its Relationship Executive at any time by providing written notice thereof to the other party hereto.

12. Confidentiality.

(a) Subject to Section 12(b), each of Ocwen and Altisource, on behalf of itself and each other member of its Group, agrees to hold, and to cause its directors, officers, employees, agents, accountants, counsel and other advisors, and representatives to hold, in strict confidence, with at least the same degree of care that applies to confidential and proprietary Information of Ocwen pursuant to policies in effect as of the Effective Date, all Information concerning the other Group that is either in its possession (including Information in its possession prior to the Effective Date) or furnished by the other Group or its directors, officers, employees, agents, accountants, counsel and other advisors, and representatives at any time pursuant to this Agreement, and shall not use any such Information other than for such purposes as shall be expressly permitted hereunder, except to the extent that such Information has been (i) in the public domain through no fault of such party or any other member of such party's Group or any of their respective directors, officers, employees, agents, accountants, counsel and other advisors, and representatives, (ii) later lawfully acquired from other sources by such party (or any other member of such party's Group), which sources are not known by such party to be themselves bound by a confidentiality obligation, or (iii) independently generated without reference to any proprietary or confidential Information of any member of the other Group.

(b) Each party agrees not to release or disclose, or permit to be released or disclosed, any such Information (excluding Information described in clauses (i), (ii) and (iii) of Section 12(a)) to any other Person, except its directors, officers, employees, agents, accountants, counsel and other advisors, and representatives who need to know such Information (who shall be advised of their obligations hereunder with respect to such Information), except in compliance with Section 12(c). Without limiting the foregoing, when any Information is no longer needed for the purposes contemplated by this Agreement, each party will promptly, after request of the other party, either return the Information to the other party in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other party that any Information not returned in a tangible form (including any such Information that exists in an electronic form) has been destroyed (and such copies thereof and such notes, extracts, or summaries based thereon).

(c) In the event that either party or any other member of its Group either determines on the advice of its counsel that it is required to disclose any Information pursuant to applicable law or receives any demand under lawful process or from any Governmental Authority to disclose or provide Information of the other party (or any other member of the other party's Group) that is subject to the confidentiality provisions hereof, such party shall, to the extent permitted by law, notify the other party prior to disclosing or providing such Information and shall cooperate, at the expense of the requesting Party, in seeking any reasonable protective arrangements requested by such other party. Subject to the foregoing, the Person that received such request may thereafter disclose or provide Information to the extent required by such law (as so advised by counsel) or by lawful process or such Governmental Authority.

13. Dispute Resolution.

(a) It is the intent of the parties to use reasonable best efforts to resolve expeditiously any dispute, controversy, or claim between or among them with respect to the matters covered hereby that may arise from time to time on a mutually acceptable negotiated basis. In furtherance of the foregoing, a party hereto involved in a dispute, controversy, or claim may deliver a notice (an "Escalation Notice") demanding an in-person meeting involving representatives of the parties hereto at a senior level of management (or, if the parties agree, of the appropriate strategic business unit or division within such entity). A copy of any such Escalation Notice shall be given to the

General Counsel, or like officer or official, of the party hereto involved in the dispute, controversy, or claim (which copy shall state that it is an Escalation Notice pursuant to this Agreement). Any agenda, location, or procedures for such discussions or negotiations between the parties may be established by the parties from time to time; provided, however, that the parties shall use reasonable best efforts to meet within thirty (30) days of the Escalation Notice.

14. Warranties; Limitation of Liability; Indemnity.

(a) Other than the statements expressly made by the Providing Party in this Agreement or in any SOW, the Providing Party makes no representation or warranty, express or implied, with respect to the Services and, except as provided in Section 14(b) hereof, the Customer Party hereby waives, releases, and renounces all other representations, warranties, obligations, and liabilities of the Providing Party, and any other rights, claims, and remedies of the Customer Party against the Providing Party, express or implied, arising by law or otherwise, with respect to any nonconformance, durability, error, omission, or defect in any of the Services, including: (i) any implied warranty of merchantability, fitness for a particular purpose, or non-infringement; (ii) any implied warranty arising from course of performance, course of dealing, or usage of trade; and (iii) any obligation, liability, right, claim, or remedy in tort, whether or not arising from the negligence of the Providing Party.

(b) None of the Providing Party or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors, or other representatives shall be liable for any action taken or omitted to be taken by the Providing Party or such person under or in connection with this Agreement, except that the Providing Party shall be liable for direct damages or losses incurred by the Customer Party or the Customer Party's Group arising out of the gross negligence or willful misconduct of the Providing Party or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors, or other representatives in the performance or nonperformance of the Services or Ancillary Services.

(c) In no event shall: (i) the amount of damages or losses for which the Providing Party and the Customer Party may be liable under this Agreement exceed the fees due to the Providing Party for the most recent six (6) month period under the applicable Service or SOW(s); provided that if Services have been performed for less than six (6)months, then the damages or losses will be limited to the value of the actual Services performed during such period; or (ii) the aggregate amount of all such damages or losses for which the Providing Party may be liable under this Agreement exceed one million dollars ($1,000,000); provided that no such cap shall apply to liability for damages or losses arising from or relating to breaches of Section 12 (Confidentiality), infringement of Intellectual Property, or fraud or criminal acts. Except as provided in Section 14(b) hereof, none of the Providing Party or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors, or other representatives shall be liable for any action taken or omitted to be taken by, or the negligence, gross negligence, or willful misconduct of, any third party.

(d) Notwithstanding anything to the contrary herein, none of the Providing Party or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors, or other representatives shall be liable for damages or losses incurred by the Customer Party or any of the Customer Party's Affiliates for any action taken or omitted to be taken by the Providing Party or such other person under or in connection with this Agreement to the extent such action or omission arises from actions taken or omitted to be taken by, or the negligence, gross negligence, or willful misconduct of, the Customer Party or any of the Customer Party's Affiliates.

(e) Without limiting Section 14(b) hereof, no Party hereto or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors, or other representatives shall in any event have any obligation or liability to the other party hereto or any such other person whether arising in contract (including warranty), tort (including active, passive, or imputed negligence) or otherwise for consequential, incidental, indirect, special, or punitive damages, whether foreseeable or not, arising out of the performance of the Services or this Agreement, including any loss of revenue or profits, even if a Party hereto has been notified about the possibility of such damages; provided, however, that the provisions of this Section 14(e) shall not limit the indemnification obligations hereunder of either party hereto with respect to any liability that the other party hereto may have to any third party not affiliated with any member of the Providing Party's Group or the Customer Party's Group for any incidental, consequential, indirect, special, or punitive damages.

(f) The Customer Party shall indemnify and hold the Providing Party and its Affiliates and any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors, or other representatives harmless from and against any and all damages, claims, or losses that the Providing Party or any such other person may at any time suffer or incur, or become subject to, as a result of or in connection with this Agreement or the

Services provided hereunder, except those damages, claims, or losses incurred by the Providing Party or such other person arising out of the gross negligence or willful misconduct by the Providing Party or such other person.

15. Additional Agreements. The Providing Party shall:

(a) maintain data backup and document storage and retrieval systems adequate for the provision of the Services;

(b) maintain a business continuity plan adequate for the provision of the Services and shall provide a copy of such plan upon the Customer Party's request; and

(c) provide the Services under this Agreement and any SOW in compliance with (i) all obligations and applicable laws, including, but not limited to, privacy and data protection laws, labor and overtime laws, tax laws, the U.S. Foreign Corrupt Practices Act, and environmental protection laws, and (ii) all requirements from any Governmental Authority to maintain necessary licenses and permits.

16. Taxes. Unless otherwise provided herein or in an applicable SOW, each party hereto shall be responsible for the cost of any sales, use, privilege, and other transfer or similar taxes imposed on that Party as a result of the transactions contemplated hereby. Any amounts payable under this Agreement are exclusive of any goods and services taxes, value added taxes, sales taxes, or similar taxes ("Sales Taxes") now or hereinafter imposed on the performance or delivery of Services, and an amount equal to such taxes so chargeable shall, subject to receipt of a valid receipt or invoice as required below in this Section 16, be paid by the Customer Party to the Providing Party in addition to the amounts otherwise payable under this Agreement. In each case where an amount in respect of Sales Tax is payable by the Customer Party in respect of a Service provided by the Providing Party, the Providing Party shall furnish in a timely manner a valid Sales Tax receipt or invoice to the Customer Party in the form and manner required by applicable law to allow the Customer Party to recover such tax to the extent allowable under such law.

17. Public Announcements. No Party to this Agreement shall make, or cause to be made, any press release or public announcement or otherwise communicate with any news media in respect of this Agreement or the transactions contemplated by this Agreement without the prior written consent of the other party hereto unless otherwise required by law, in which case the party making the press release, public announcement, or communication shall give the other party reasonable opportunity to review and comment on such and the parties shall cooperate as to the timing and contents of any such press release, public announcement, or communication.

18. Assignment. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and permitted assigns. No Party hereto may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other party hereto; provided, however, that either party may assign this Agreement without the consent of the other party to any third party that acquires, by any means, including by merger or consolidation, all or substantially all the consolidated assets of such party. Any purported assignment in violation of this Section 18 shall be void and shall constitute a material breach of this Agreement.

19. Relationship of the Parties. The parties hereto are independent contractors and none of the parties hereto is an employee, partner, or joint venturer of the other. Under no circumstances shall any of the employees of a Party hereto be deemed to be employees of the other party hereto for any purpose. Except as expressly provided herein, none of the parties hereto shall have the right to bind the others to any agreement with a third party or to represent itself as a partner or joint venturer of the other by reason of this Agreement.

20. Force Majeure. Neither party hereto shall be in default of this Agreement by reason of its delay in the performance of, or failure to perform, any of its obligations hereunder if such delay or failure is caused by strikes, acts of God, acts of a public enemy, acts of terrorism, riots, or other events that arise from circumstances beyond the reasonable control of that Party (each, a "Force Majeure Event"). During the pendency of such Force Majeure Event, each of the parties hereto shall take all reasonable steps to fulfill its obligations hereunder by other means and, in any event, shall, upon termination of such intervening event, promptly resume its obligations under this Agreement.

21. Non-Solicitation. The Customer Party acknowledges that the value to the Providing Party of its business and the transactions contemplated by this Agreement would be substantially diminished if such Customer Party or any of its Affiliates were to solicit the employment of or hire any employee of the Providing Party or any member of its Group performing Services, or who has performed Services, hereunder. Accordingly, the Customer Party agrees that neither it nor any of its Affiliates shall, directly or indirectly, and without the prior consent of the other party, solicit the employment of, or hire, employ, or retain, or otherwise encourage or cause to leave employment with the Providing Party, or cause any other Person to hire, employ, or retain, or otherwise encourage or cause to leave employment with the Providing Party or any of its Affiliates, any Person who is or was employed by the Providing Party or any of its Affiliates with respect to the provision of Services at any time within twelve (12) months preceding the time of such solicitation or hiring, employment, retention, or encouragement.

22. Waiver of Jury Trial. EACH PARTY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY, WAIVES (TO THE EXTENT PERMITTED BY APPLICABLE LAW) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

Signatures on Following Page

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first written above by their duly authorized representatives.

OCWEN MORTGAGE SERVICING, INC.

By: /s/ John V. Britti

John V. Britti

Title: Executive Vice President, Chief Financial Officer and Treasurer

ALTISOURCE SOLUTIONS S.À R.L.

By: /s/ William B. Shepro

William B. Shepro

Manager

SCHEDULE I

SERVICES

Service	**Service Period**
Valuation Services	Through August 31, 2020
Property Preservation and Inspection	Through August 31, 2020
REO Sales	Through August 31, 2020
Trustee Services	Through August 31, 2020
Title Services	Through August 31, 2020
Due Diligence Services	Through August 31, 2020
Mortgage Charge off Collection	Through August 31, 2020
Mortgage Fulfillment and Underwriting Services	Through August 31, 2020

EX-10.5 7 a13-9549_1ex10d5.htm EX-10.5

Exhibit 10.5

FIRST AMENDMENT TO SERVICES AGREEMENT

This **First Amendment to the Services Agreement** (the "First Amendment") is entered into as of March 29, 2012, and amends that certain Services Agreement dated October 1, 2012 (the "Agreement") by and between **OCWEN MORTGAGE SERVICING, INC**., a corporation organized under the laws of the United States Virgin Islands ("OCWEN" or together with its Affiliates "OCWEN Group"), and **ALTISOURCE SOLUTIONS S.À R.L.**, a limited liability company organized under the laws of the Grand Duchy of Luxembourg ("ALTISOURCE" or together with its Affiliates "ALTISOURCE Group").

Recitals

WHEREAS, pursuant to the Agreement, Ocwen engaged Altisource to provide, certain Services, subject to the terms and conditions therein established;

WHEREAS, pursuant to Section 5(a) of the Agreement, ALTISOURCE was to provide certain services to OCWEN, for an initial term commencing on October 1, 2012, through August 31, 2020;

WHEREAS, on March 29, 2013, Altisource acquired certain fee-based businesses and assets related to Ocwen's acquisition of Homeward Residential Holdings, Inc. mortgage servicing and origination business platform (the "Homeward Platform"); and

WHEREAS, now the parties desire to amend the term of the Agreement along with other provisions related to the Services.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants made herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Amendment to Section 3, *Standard of Performance*, to the Agreement**. Section 3, *Standard of Performance*, of the Agreement is hereby deleted in its entirety and restated as follows:

"3. Standard of Performance; Marketing and Promotion; and Noncompete.

(a) Standard of Performance. The Providing Party shall use commercially reasonable efforts to provide, or cause to be provided, to the Customer Party and its Group, each Service with such quality standards, service level requirements, specifications, and acceptance criteria identified in the Services Letter or the respective SOW (including any "Critical Performance Standards," as identified in any therein) (the "Performance Standard"), unless otherwise specified in this Agreement, in the Services Letter or in any SOW. Notwithstanding the foregoing, no Providing Party shall have any obligation hereunder to provide to any Customer Party any improvements, upgrades, updates, substitutions, modifications, or enhancements to any of the Services unless otherwise specified in the Services Letter or applicable SOW. The Customer Party acknowledges and agrees that the Providing Party may be providing services similar to the Services provided hereunder and/or services that involve the same resources as those used to provide the Services to it and its Affiliates' business units and other third parties.

(b) Marketing and Promotion. Unless expressly stated otherwise in this Agreement, the Services Letter or any applicable SOW, the Providing Party will be the provider of Services, to Customer Party, to the extent Providing Party currently is, or in the future becomes, capable of providing such Services, and Customer Party shall promote Providing Party's Services and encourage its third party relationships, which shall include, but not be limited to, mortgage retail originators, correspondent lenders, and secondary market sellers, to engage Providing Party for the provision of Services offered by Providing Party. To the extent that the Customer Party directs or has control over the selection of the service provider of Services as it relates to the Homeward Platform, Customer Party shall require its third party relationships to use Providing Party for those Services that Providing Party provides to the Homeward Platform. To the extent that the Customer Party does not direct or have control over the selection of the service provider of Services, Customer Party shall encourage its third party relationships to use Providing Party for those Services that Providing Party provides.

(c) Noncompete. During the term of the Services Agreement, Providing Party shall be the exclusive provider of Services to Customer Party with respect to the Services that Providing Party provides to the Homeward Platform, which Services shall include, but not be limited to, default management, mortgage charged-off and deficiency collection services, technology-related services, valuation services, property preservation and inspection services, real estate owned sales services, trustee services, title services, due diligence services, mortgage fulfillment services, and underwriting services. In furtherance of the foregoing, during the term of the Services Agreement, Customer Party agrees not to establish, on its own or with the assistance of third parties, fee-based businesses that would directly or indirectly compete with the provision of Services by Providing Party to Customer Party with respect to the Homeward Platform."

2. **Amendment to Section 5, *Term*, to the Agreement**. Section 5, *Term*, of the Agreement is hereby deleted in its entirety and restated as follows:

"5. Term.

(a) Initial Term. The initial term shall commence on the date of the Agreement and shall continue in full force and effect, subject to Section 5(b), until August 31, 2025 (the "Initial Term"), or the earlier date upon which this Agreement has been otherwise terminated in accordance with the terms hereof.

(b) Renewal Term. At the end of the Initial Term, this Agreement shall automatically renew for successive two (2) year terms (each a "Renewal Term"), executed not less than six (9) months prior to the expiration of the Initial Term or any Renewal Term, as applicable.

(c) In the event either party decides that it does not wish to renew this Agreement or any particular Service or SOW hereunder before the expiration of the Term or any Renewal Term, as applicable, such party shall so notify the other party in writing of its intent to terminate this Agreement, at least nine (9) months before the completion of the Initial Term any or Renewal Term, as applicable."

3. **Amendment to Schedule I to the Agreement**. Schedule I to the Agreement is hereby deleted in its entirety and replaced with the version of Schedule I attached to this First Amendment and incorporated herein by this reference.

4. **Counterparts**. This First Amendment may be signed in counterparts with the same effect as if both parties had signed one and the same document. This First Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all of which shall together constitute one and the same agreement. Counterparts shall become effective when counterparts have been signed by each of the parties and delivered to the other parties; it being understood that all parties need not sign the same counterpart. This First Amendment and its counterparts may be executed by providing an electronic signature under the terms of the Electronic Signatures Act, 15 U.S.C. § 7001 et seq., and may not be denied legal effect solely because it is in electronic form or permits the completion of the business transaction referenced herein electronically instead of in person.

5. **Agreement in Full Force and Effect as Amended**. The terms and conditions of this First Amendment shall prevail over any conflicting terms and conditions in the Agreement. Capitalized terms that are used in this First Amendment not otherwise defined herein shall have the meanings ascribed to them in the Agreement. Except as specifically amended or waived hereby, all of the terms and conditions of the Agreement shall remain in full force and effect. All references to the Agreement in any other document or instrument shall be deemed to mean the Agreement as amended by this First Amendment. The parties hereto agree to be bound by the terms and obligations of the Agreement, as amended by this First Amendment, as though the terms and obligations of the Agreement were set forth herein.

[The Remainder of this Page has been Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this First Amendment to be executed as of the date first written above by their duly authorized representatives.

OCWEN MORTGAGE SERVICING, INC.

By /s/ Nikhil Malik
Name: Nikhil Malik
Title: Treasurer and Chief Financial Officer

ALTISOURCE SOLUTIONS S.À R.L.

By /s/ William B. Shepro
Name: William B. Shepro
Title: Manager

SCHEDULE I

Services Provided	Service Period
Valuation Services	October 1, 2012 — August 31, 2025
Property Preservation and Inspection	October 1, 2012 — August 31, 2025
REO Sales	October 1, 2012 — August 31, 2025
Trustee Sales	October 1, 2012 — August 31, 2025
Title Services	October 1, 2012 — August 31, 2025
Due Diligence Services	October 1, 2012 — August 31, 2025
Mortgage Charge off Collection	October 1, 2012 — August 31, 2025
Mortgage Fulfillment and Underwriting Services	October 1, 2012 — August 31, 2025

EX-10.32 6 a20131231ex1032.htm EXHIBIT 10.32

EXHIBIT 10.32

SECOND AMENDMENT TO SERVICES AGREEMENT

This **Second Amendment to the Services Agreement** (the "Second Amendment") is dated as of July 24, 2013, and is made by and between **OCWEN MORTGAGE SERVICING, INC.**, a corporation organized under the laws of the United States Virgin Islands ("OCWEN" or together with its Affiliates "OCWEN Group"), and **ALTISOURCE SOLUTIONS S.À R.L.**, a limited liability company organized under the laws of the Grand Duchy of Luxembourg ("ALTISOURCE" or together with its Affiliates "ALTISOURCE Group").

Recitals

WHEREAS, OCWEN and ALTISOURCE entered in that certain Services Agreement dated October 1, 2012 (as subsequently amended, the "Services Agreement") and that certain Services Letter dated October 1, 2012 (as subsequently amended, the "Services Letter");

WHEREAS, pursuant to the Services Agreement, the OCWEN Group receives, and ALTISOURCE provides or causes to be provided to the OCWEN Group, certain services described in Schedule A to the Services Letter; and

WHEREAS, now the parties desire to amend the Services Agreement to clarify certain cooperation and access rights, privacy and security provisions designed to protect non-public personal, consumer information, and add certain insurance requirements.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants made herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Amendment to Section 11, *Cooperation; Access; Steering Committee*, subparagraph (a) of the Services Agreement.** Subparagraph (a) of Section 11, *Cooperation; Access; Steering Committee,* is hereby deleted in its entirety and restated it as follows:

(a) Each Party shall, and shall cause its Group ("Audited Party" for purposes of this Section) to, permit the other Party and its employees and representatives ("Auditing Party"), at the Auditing Party's own expense, access, on Business Days during hours that constitute regular business hours for the Audited Party and upon reasonable prior request, to the premises of the Audited Party and its Group and such data, books, records and personnel designated by the Audited Party and its Group as the Auditing Party may reasonably request for the purposes of determining compliance with this Agreement and with laws applicable to the Services. If Providing Party undergoes an independent, third party assessment, substantially similar to a Statement on Standards for Attestation Engagements (SSAEs) Number 16 reporting on controls at a service organization, as such may be amended from time to time and conducted by an independent external audit agency in accordance with the attestation standards established by the American Institute of Certified Public Accountants, then upon reasonable prior request by Customer Party, Providing Party will make such assessment available to Customer Party. Any such inspection shall not unreasonably interfere with the Party's normal business operations. Any documentation so provided pursuant to this Section 11 will be subject to the confidentiality obligations set forth in Section 12 of this Agreement.

2. **Amendment to Section 14(c), *Warranties; Limitation of Liability; Indemnity*.** Section 14(c), is hereby deleted in its entirety and restated as follows:

(c) In no event shall: (i) the amount of damages or losses for which the Providing Party and the Customer Party may be liable under this Agreement exceed the fees due to the Providing Party for the most recent six (6) month period under the applicable Service or SOW(s); provided that if Services have been performed for less than six (6) months, then the damages or losses will be limited to the value of the actual Services performed during such period; or (ii) the aggregate amount of all such damages or losses for which the Providing Party may be liable under this Agreement exceed one million dollars ($1,000,000); provided that no such cap shall apply to liability for damages or losses arising from or relating to breaches of Section 12 (Confidentiality), Section 15(d) (Protection of Consumer Information), infringement of Intellectual Property, or fraud or criminal acts. Except as provided in Section 14(b) hereof, none of the Providing Party or any of its Affiliates or any of its or their respective officers, directors, employees, agents, attorneys-in-fact, contractors, or other representatives shall be liable for any action taken or omitted to be taken by, or the negligence, gross negligence, or willful misconduct of, any third party.

3. **Amendment to Section 15, *Additional Agreements*.** Section 15, *Additional Agreements,* is hereby deleted in its entirety and restated as follows:

15. Additional Agreements.

(a) *Data Backup and Storage.* The Providing Party shall maintain data backup and document storage and retrieval systems adequate for the provision of the Services.

(b) *Business Continuity Plan*. The Providing Party shall maintain a business continuity plan adequate for the provision of the Services and shall provide a copy of such plan upon the Customer Party's request.

(c) *Compliance with Legal Authority.* The Providing Party shall provide the Services under this Agreement and any SOW in compliance with (i) all obligations and applicable laws, regulations, rules, and guidelines, as amended or changed from time to time, including, but not limited to, privacy and data protection laws pursuant to Section 15(d) below, labor and overtime laws, tax laws, the U.S. Foreign Corrupt Practices Act and environmental protection laws; and (ii) all requirements from any Governmental Authority to maintain necessary licenses and permits.

(d) *Protection of Consumer Information*.

(1) Providing Party shall comply with applicable privacy and data laws and regulations including, without limitation, the GLB Act and only use Consumer Information to perform its obligations under this Agreement and/or as otherwise permitted under the applicable laws and regulations and will not disclose the Consumer Information contrary to the provisions of this Agreement or any other applicable laws and regulations.

(2) Providing Party shall develop written company policies and procedures, as well as implement appropriate physical and other security measures and controls reasonably designed to: (i) ensure the security, integrity, and confidentiality of the Consumer Information; (ii) protect against any reasonably foreseeable threats or hazards to the security and integrity of the Consumer

Information; and (iii) protect against any unauthorized access to or use of the Consumer Information that could result in substantial harm or inconvenience to any consumer or customer.

(3) Providing Party shall, at a minimum, establish and maintain such data security program reasonably designed to meet the objectives of the Interagency Guidelines Establishing Standards for Safeguarding Customer Information as set forth in the Code of Federal Regulations at 12 C.F.R. Parts 30, 208, 211, 225, 263, 308, 364, 568 and 570.

(4) Within a reasonable time following Providing Party's discovery of Consumer Information Breach, Providing Party shall take appropriate actions to address the Consumer Information Breach, including using its best efforts stop such Consumer Information Breach and notifying Customer Party.

(5) For purposes of this Section 15(d):

a. "Consumer Information" means "non-public personal information" of "consumers" or "customers" - as those terms are defined by the GLB Act - which Providing Party may receive, maintain, process or otherwise access from time to time in providing services to Customer Party pursuant to the terms of this Agreement.

b. "GLB Act" means, collectively, the Gramm-Leach-Bliley Act (15 U.S.C. §6801, *et seq*.) and its implementing regulations.

c. "Consumer Information Breach" means any confirmed breach or compromise of the security, confidentiality or integrity of Consumer Information.

(e) *Third Party Vendor Management*. The Providing Party shall maintain and, upon written, reasonable request, submit to the Customer Party information regarding its vendor management program and any of its applicable vendor management reviews of the third party vendors designated and used by Providing Party in connection with the performance of any of the obligations under this Agreement. Providing Party shall perform periodic reviews designed to confirm that the performance of its designated third party vendors is in compliance with the terms of the Agreement. Providing Party shall be responsible for the provision of the Services set forth in this Agreement regardless of which third party vendor it designates and uses to conduct the Services. Customer Party may request the revocation of the designation and use of a third party vendor in connection with the performance of any of the obligations under this Agreement by providing Providing Party with written notice describing a reasonable business necessity for the revocation.

(f) *Insurance*. The Providing Party shall at all times while performing Services hereunder, carry with an insurance agency with a Best’s Insurance Reports rating of “A-VIII” or better: (i) worker’s compensation insurance in accordance with the laws of the governmental bodies having jurisdiction; (ii) general liability insurance in amounts not less than Three Million Dollars ($3,000,000.00) per occurrence for bodily injury, personal injury and property damage liability combined; (iii) automobile insurance in amounts not less than One Million Dollars ($1,000,000.00) combined single limit for bodily injury and property damage for each occurrence, covering all hired and non-owned vehicles; (iv) Commercial Crime Insurance/Fidelity in the

amount of Five Million Dollars ($5,000,000.00) per occurrence, including coverage for theft or loss of Customer Party and Customer Party property; and (v) professional liability insurance to cover errors and omissions in amounts not less than Five Million Dollars ($5,000,000.00) per occurrence. Providing Party shall provide a certificate of insurance indicating such coverage upon request by Customer Party. The insurance required under this Section may be in a policy or policies of insurance, primary and excess, including so-called umbrella or catastrophe form, which may also include comprehensive automobile insurance and employer’s liability insurance. Customer Party may elect to accept lesser or alternative forms of insurance.

4. **<u>Counterparts</u>**. This Second Amendment may be signed in counterparts with the same effect as if both parties had signed one and the same document. This Second Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all of which shall together constitute one and the same agreement. Counterparts shall become effective when counterparts have been signed by each of the parties and delivered to the other parties; it being understood that all parties need not sign the same counterpart. This Second Amendment and its counterparts may be executed by providing an electronic signature under the terms of the Electronic Signatures Act, 15 U.S.C. § 7001 et seq., and may not be denied legal effect solely because it is in electronic form or permits the completion of the business transaction referenced herein electronically instead of in person.

5. **<u>Agreement in Full Force and Effect as Amended</u>**. The terms and conditions of this Second Amendment shall prevail over any conflicting terms and conditions in the Agreement. Capitalized terms that are used in this Second Amendment not otherwise defined herein shall have the meanings ascribed to them in the Agreement. Except as specifically amended or waived hereby, all of the terms and conditions of the Agreement shall remain in full force and effect. All references to the Agreement in any other document or instrument shall be deemed to mean the Agreement as amended by this Second Amendment. The parties hereto agree to be bound by the terms and obligations of the Agreement, as amended by this Second Amendment, as though the terms and obligations of the Agreement were set forth herein.

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IN WITNESS WHEREOF, the Parties have caused this Second Amendment to be executed by their respective authorized representatives, effective as of the date first written above.

OCWEN
Ocwen Mortgage Servicing, Inc.
By: <u>/s/ Nikhil Malik</u>
Name: Nikhil Malik
Title: CFO
Date: September 3, 2013

OCWEN
Ocwen Mortgage Servicing, Inc.
By: <u>/s/ William B. Shepro</u>
Name: William B. Shepro
Title: Manager
Date: September 4, 2013

OCWEN

April 17, 2018

Glen Messina

Dear Glen,

On behalf of Ocwen Financial Corporation (the "Company") and the Company's Board of Directors, we are very excited to confirm the terms of your offer, effective immediately upon your acceptance by your signature below delivered to me:

- ***Employment Effective Date:*** Your employment hereunder will be commence on the date of consummation of the merger of POMS Corp., a wholly-owned subsidiary of the Company ("POMS"), with and into PHH Corporation ("PHH") (the "Effective Date"), pursuant to the Agreement and Plan of Merger, dated February 27, 2018, by and among the Company, POMS and PHH (the "Merger Agreement").

- ***Position:*** On the Effective Date, you will begin employment as a President and Chief Executive Officer for the Company and you will be appointed as a member of the Company's Board of Directors (the "Board"). In that capacity, you will report directly to the Board and have all of the customary authorities, duties and responsibilities that accompany these positions.

- ***Duties and Compensation Before the Effective Date.*** Before the Effective Date, you will not, directly or indirectly, provide any services to the Company in any capacity whatsoever. Nothing in this offer letter is intended to permit or authorize you to perform any services or take any action which is in violation of or inconsistent with the terms of your May 22, 2016 Restrictive Covenant Agreement and June 28, 2017 Separation and General Release Agreement with PHH and you agree that the terms of such Restrictive Covenant Agreement and Separation and General Release Agreement remain in full force and effect. In light of the fact that your compensation as President and Chief Executive Officer, below, will not begin until the Effective Date, for each month from May 1, 2018 through the Effective Date, the Company will pay you two hundred forty thousand dollars ($240,000), up to a maximum of one million, two hundred thousand dollars ($1,200,000). If the Company terminates your employment for Cause or you terminate your employment without Good Reason (each as defined in Annex A) during the one year period following the Effective Date or you rescind your acceptance before the Effective Date, you will be required to reimburse the Company for all amounts paid prior to the Effective Date. If the Merger Agreement terminates for any reason before the Effective Date, you will not be required to repay any amounts previously paid you under this offer letter and this offer letter will terminate.

- ***Professional Fees.*** The Company will pay your reasonable professional fees incurred to negotiate and prepare this letter and all related agreements in an amount not to exceed $25,000.

The remainder of this offer letter, below (other than our signatures), will only apply from and after the Effective Date.

- ***Annual Target Direct Compensation.*** Your initial annual target direct compensation will be not less than five million, four hundred thousand dollars ($5,400,000) as follows:

    - Base Salary: Your base salary will be at a rate of nine hundred thousand dollars ($900,000) per annum, less applicable taxes and deductions and will be paid in accordance with the Company's normal payroll practices.

    - Annual Incentive: You will be eligible to receive an annual target incentive of 150% of your base salary ($1,350,000). The actual payout will be determined by the Compensation Committee of the Board in its discretion based on your performance and the Company's performance for the relevant year. The annual target incentive for calendar year 2018 will be pro-rated to your official start date. Annual incentive payments are subject to applicable tax withholdings and deductions.

    - Long-Term Incentive Grant: You will be eligible to receive an annual long-term incentive grant having a grant date fair value of not less than 350% of your base salary (initially, $3,150,000). For 2018, your grant will be in the form of time-vesting restricted stock units ("RSUs") granted on the Effective Date and vesting 1/3 on each of the first, second and third anniversaries of the Effective Date, except as provided below ("2018 Stock Grant"). The 2018 Stock Grant will be subject to the terms and conditions of the 2017 Performance Incentive Plan (the "2017 Plan") and the award agreement, which award agreement will be consistent with the terms of this letter and substantially similar to the form previously provided to you.

    Pursuant to Company practice, the Board reviews CEO compensation annually.

- ***Signing Option Grant:*** On the Effective Date, you will be granted an option having a grant date fair value of one million, one hundred thousand dollars ($1,100,000) to purchase shares of the Company's common stock (the "Signing Option Grant"), subject to the terms and conditions of the 2017 Plan and the applicable award agreement, which award will be consistent with this letter and substantially similar to the form previously provided to you. The per share exercise price for the Signing Option Grant will be the closing price of a share of the Company's common stock on the Effective Date. The term of the Options shall begin on the Effective Date and will continue for a period of ten (10) years. The Options shall vest 1/3 on each of the first, second and third anniversaries of the Effective Date, except as provided below.

- ***Signing Stock Grant:*** On the Effective Date, you will be granted RSUs with an aggregate grant date fair value equal to nine hundred thousand dollars ($900,000) (the "Signing Stock Grant"). The Signing Stock Grant will vest and deliver 1/3 on each of the first, second and third anniversaries of the Effective Date. Your Signing Option Grant and Signing Stock Grant will be subject to the terms and conditions of the 2017 Plan and the applicable award agreement, which will be consistent with this letter.

- ***Relocation:*** The Company will offer you relocation assistance under the Company's Homeowner Relocation Policy, effective February 2017 (the "Relocation Policy"), that has been provided to you. Relocation assistance will be provided for relocation expenses incurred prior to August 15, 2019, and will include the services of a leading relocation services company, home sale assistance (in the form of a guaranteed offer program) and reimbursement for costs and expenses on the terms provided to you. The Company's total cost for reimbursement for costs and expenses relating to your relocation (including under the guaranteed offer program but excluding the cost of the temporary commuting expenses as described in the terms provided you) will be limited to five-hundred thousand dollars ($500,000). Pursuant to the terms of the Relocation Policy, in the event you resign from your position within one year of your relocation, you will be required to reimburse the Company for all amounts paid for your relocation.

- ***Benefits:*** You will be eligible to participate in the Company Benefits Program on the first day of the month following completion of 30 days of continuous full-time employment. The Benefits Program includes medical, dental, vision, group term life, long term disability and accidental death and dismemberment, as well as other voluntary benefits such as term life and dependent life. A summary of our benefits and 401k information is attached hereto. We have enclosed a current summary of benefits and an insurance benefit booklet will be provided at the time of your enrollment.

- ***Paid Time Off ("PTO"):*** Following 30 days of employment, you will be eligible to accrue PTO at a rate of 2 and 1/4 days per month (27 days annually). In addition, the Company currently provides eligible employees with nine (9) paid holidays each year.

- ***Indemnification:*** The Company and you will enter into the customary form of indemnification agreement applicable to members of the Board and executive officers. You will be covered as an insured under the Company's officers and directors liability insurance.

- ***Termination of Employment:*** In the event of the Company's termination of your employment without Cause or your termination of employment for Good Reason (each as defined in Annex A), you will be eligible to receive from the Company: (a) a lump sum termination payment in the amount of the sum of your then-current base salary plus annual target incentive amount, (b) a lump sum payment equivalent to the estimated cost of 18 months' COBRA benefits, such aggregate lump sum (under clauses (a) and (b)) to be paid within 30 days after your employment termination date, (c) a pro rata annual bonus payment for the fiscal year in which your termination occurs based on actual year-end achievement of Company financial performance objectives (disregarding any exercise of negative discretion by the Board or Compensation Committee and notwithstanding any terms of the annual incentive plan to the contrary) which proration will be in the ratio of the number of days employed during such year to 365 and paid when annual bonuses are paid to other active executives, and (d) payment of any unpaid prior year bonus in the amount earned for such year paid when such bonus is paid to other active executives. In the event the Company adopts a severance policy following your employment, you would be paid the greater of the severance under the terms of the policy or under this offer letter. In addition, if your employment is terminated by the Company without Cause or by you for Good Reason, or your employment terminates due to your death or Disability (as defined in Annex A), any unvested portion of the Signing Option Grant and Signing Stock Grant will immediately vest and the Signing Option Grant will remain exercisable for three (3) years (but not past the original term). The benefits in this paragraph are conditioned on the timely delivery and effectiveness of a full release in favor of the Company (including the Company's customary restrictions on solicitation of employees and interference with employees, customers and vendors for one year following termination and no other restrictive covenants that had not been agreed by you prior to such termination other than covenants relating to the release of claims). For the avoidance of doubt, on a termination of your employment by the Company for Cause, all of the Signing Option Grant (whether vested or unvested) and any outstanding portion of the Signing Stock Grant will be forfeited and cancelled.

- ***Application of Company Policies:*** You will be subject to all applicable policies of the Company that are applicable to members of senior management, as in effect from time to time. Without limiting the generality of the foregoing, as an executive officer, you will be subject to the Company's incentive compensation clawback policy (as may be in effect from time to time).

- ***Certain Federal Income Tax Compliance Requirements:*** The provisions of Annex B will govern your compensation as may be applicable.

This offer and your acceptance are not to be construed as creating an employment contract for any definite period of time. In this regard, your employment is at-will. This means that just as you are free to leave your employment at any time, the Company reserves the right to terminate your employment at any time and for any reason, with or without cause or notice (it being agreed that you may be eligible for benefits as set forth under "Termination of Employment" above).

This offer and your acceptance are contingent upon our Company completing a satisfactory formal investigation of your background including a review of your employment history, criminal record and the successful completion of a drug screening.

We have also enclosed a Pre-Dispute Agreement and an Employee Intellectual Property Agreement for your execution. Please forward your signed paper work to Edward G. Moran, Senior Vice President, Human Resources at Edward.Moran@ocwen.com and bring originals on your first day. We are looking forward to your leadership and are confident you will find your role challenging and rewarding.

Sincerely,

Ocwen Financial Corporation

By: /s/ Timothy M. Hayes
Timothy M. Hayes
Executive Vice President and General Counsel

Accepted and Agreed:

/s/ Glen Messina
Glen Messina

Enclosures

<u>ANNEX A</u>

As used in this offer letter, the following terms have the meanings specified in this Annex.

- "*Cause*" means your (1) conviction of, or plea of guilty or nolo contendere to, a felony; (2) willful and continued failure to use reasonable best efforts to substantially perform your duties that you fail to remedy to the reasonable satisfaction of the Company within 30 days after written notice is delivered by the Company to you that sets forth in reasonable detail the basis of your failure; or (3) willful misconduct that is or may reasonably be expected to have a material adverse effect on the reputation or interests of the Company.

- "*Disability*" means a physical or mental impairment which, as reasonably determined by the Committee, renders you unable to perform the essential functions of your employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, 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.

- "*Good Reason*" means (1) a material reduction by the Company in your base salary, annual incentive opportunity or annual total target direct compensation; (2) a material diminution in your position, authority, duties or responsibilities (including reporting responsibilities) or failure by the Board to renominate you for reelection to the Board for the period during which you serve as Chief Executive Officer; or (3) a relocation of your location of employment by more than 50 miles from the office where you are located as of the Effective Date; or (4) the Company's material breach of any provision of this offer letter; *provided* that (A) you give written notice to the Company setting forth in reasonable detail the basis of the event within 30 days of your becoming aware of it, (B) such event has not been cured within 30 days after your written notice and (C) you terminate your employment within 90 days after you give your notice under (A).

ANNEX B

Section 280G / Section 4999:

In the event that any payments, entitlements or benefits (whether made or provided pursuant to this letter or otherwise) provided to you constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code ("Code"), may be subject to an excise tax imposed pursuant to Section 4999 of the Code, then, you will be entitled to the greater of, as determined on an after-tax basis (taking into account any such excise tax), (i) such parachute payments or (ii) the greatest reduced amount of such parachute payments as would result in no amount of such parachute payments being subject to such excise tax. Any such payment reduction contemplated by the preceding sentence will be implemented as follows: first, by reducing any other cash payments to be made to Executive but only if the value of such cash payments is not greater than the parachute value of such payments; second, by cancelling the acceleration of vesting of any outstanding equity-based compensation awards that are subject to performance vesting, the performance goals for which were met as of your date of termination or if later the date of the occurrence of the change in control; third, by cancelling the acceleration of vesting of any restricted stock or restricted stock unit awards; fourth, by eliminating the Company's payment of the cost of any post-termination continuation of medical and dental benefits for you and your eligible dependents; and fifth, by cancelling the acceleration of vesting of any stock options. In the case of the reductions to be made pursuant to each of the above-mentioned clauses, the payment and/or benefit amounts to be reduced and the acceleration of vesting to be cancelled will be reduced or cancelled in the inverse order of their originally scheduled dates of payment or vesting, as applicable, and shall be so reduced (x) only to the extent that the payment and/or benefit otherwise to be paid or the vesting of the award that otherwise would be accelerated, would be treated as a "parachute payment" within the meaning of Section 280G(b)(2)(A) of the Code, and (y) only to the extent necessary to achieved the required reduction hereunder. The determination of such after-tax amount under clauses (i) and (ii), above, will be made by a nationally recognized certified public accounting firm that is selected by the Company and you, which firm shall not, without your consent, be a firm serving as accountant (including as tax advisor or return preparer) or auditor for the Company or for the individual, entity or group effecting the change in ownership or effective control of the Company.

Section 409A:

Anything in this Agreement to the contrary notwithstanding:

(A) The parties intend that all payments and benefits under this letter comply with Section 409A of the Code and the regulations promulgated thereunder (collectively "Section 409A") and, accordingly, to the maximum extent permitted, this letter shall be interpreted in a manner in compliance therewith. To the extent that any provision hereof is modified in order to comply with Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to you and the Company of the applicable provision without violating the provisions of Section 409A.

(B) No amount shall be payable pursuant to upon a termination of your employment unless such termination constitutes a "separation from service" with the Company under Section 409A. To the maximum extent permitted by applicable law, amounts payable to you pursuant to such provisions herein shall be made in reliance upon the exception for certain involuntary terminations under a separation pay plan or as short-term deferral under Section 409A. To the extent any amounts payable upon your separation from service under this letter or otherwise are nonqualified deferred compensation under Section 409A, and if you are at such time a “specified employee” thereunder, then to the extent required under Section 409A payment of such amounts shall be postponed until six (6) months following the date of your separation from service (or until any earlier date of your death), upon which date all such postponed amounts shall be paid to you in a lump sum, and any remaining payments due under this letter shall be paid as otherwise provided herein. The determination of whether you are a specified employee at the time of your separation from service shall made by the Company in accordance with Section 409A.

(C) To the extent that reimbursements or other in-kind benefits under this letter constitute nonqualified deferred compensation, (i) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by you, (ii) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(D) For purposes of Section 409A, your right to receive installment payments pursuant to this letter shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this letter specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company. Any other provision of this letter to the contrary notwithstanding, in no event shall any payment or benefit under this letter that constitutes nonqualified deferred compensation for purposes of Section 409A be subject to offset by any other amount unless otherwise permitted by Section 409A.

(E) To the extent any amount payable to you is subject to your entering into a release of claims with the Company and any such amount is a deferral of compensation under Section 409A and which amount could be payable in either of two taxable years for you, such payments shall be made or commence, as applicable, on January 15 (or any later date within seven (7) days after the release becomes irrevocable) of such later taxable year and shall include all payments that otherwise would have been made before such date.

Ocwen Financial Corporation
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409

February 22, 2019

Re: Amendment to April 17, 2018 Offer Letter

Dear Glen:

On behalf of Ocwen Financial Corporation ("the Company" or "Ocwen"), I am writing to confirm our agreement regarding a change in your compensation in connection with the Company's ongoing cost re-engineering efforts.

You and the Company hereby agree to modify your compensation as follows:

1. Your annual cash target incentive shall be $1,125,000 (with actual payout to be determined by the Compensation Committee in its discretion based on your performance and the Company's performance for the relevant year); and

2. Your annual long-term incentive equity grant shall be an equity grant with a grant date fair value of $2,250,000.

These changes will apply for the 2019 calendar year going forward. All other terms of your employment remain unchanged.

Ocwen thanks you for your commitment to the Company.

Sincerely,

/s/ Edward G. Moran
Edward G. Moran
Senior Vice President, Human Resources

Acknowledged and Agreed:

/s/ Glen A. Messina
Glen A. Messina

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.

Ocwen Financial Corporation
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409

September 15, 2020

Re: Third Amendment to April 17, 2018 Offer Letter

Dear Glen:

On behalf of Ocwen Financial Corporation ("the Company" or "Ocwen"), I am writing to confirm the terms of your compensation arrangement following recent determinations by the Compensation and Human Capital Committee of our Board of Directors. As you know, in February 2019, you voluntarily agreed to reduce your compensation in support of the Company's ongoing cost re-engineering efforts. In recognition of your contributions and to ensure your compensation arrangements adequately reflect best market practice, including with respect to severance practices, the Company desires to restore your incentive compensation targets to the terms initially agreed to in the employment offer letter between you and the Company dated April 17, 2018 (the "Offer Letter") and to implement the other modifications set forth below:

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Offer Letter.

You and the Company hereby agree to modify your compensation as follows:

3. Your annual cash target incentive shall be restored to 150% of your base salary ($1,350,000), effective October 1, 2020, and your 2020 target will be prorated based on time spent at the current and new target levels, totaling $1,181,557.38;

4. Your annual long-term incentive equity grant shall be restored to a grant date fair value of not less than 350% of your base salary ($3,150,000), effective January 1, 2021; and

5. In the event your employment is terminated without Cause, or for Good Reason, within two years following a change in control of the Company (such change in control to be defined as a "change in ownership" as described in Treasury Regulation 1.409A-3(i)(5)(v), a "change in the effective control" under Treasury Regulation 1.409A-3(i)(5)(vi)(A)(1), or a change "in the ownership of a substantial portion of the assets" under Treasury Regulation 1.409A-3(i)(5)(vii)), you will be entitled to receive from the Company: (a) a lump sum termination payment in the amount equivalent to two times the sum of your then-current base salary plus annual target incentive amount, (b) a lump sum payment equivalent to the estimated cost of two years' COBRA benefits, such aggregate lump sum under clauses (a) and (b) to be paid within 30 days after your employment termination date, and (c) continued bonus eligibility in the amounts and on the terms set forth in the Offer Letter. This change will apply as of the effective date of this letter.

All other terms of your employment remain unchanged. This letter, the Offer Letter and any documents incorporated herein or therein constitute the entire agreement between the parties pertaining to the subject matter contained herein, and supersede any and all prior or contemporaneous oral or written negotiations, agreements, representations, and understandings with regard to such subject matter. In the event of any conflict between this letter and the Offer Letter, the terms of this letter shall prevail.

Ocwen thanks you for your commitment to the Company.

Sincerely,

/s/ Dennis Zeleny
Dennis Zeleny
Executive Vice President and Chief Administrative Officer

Acknowledged and Agreed:

/s/ Glen A. Messina
Glen A. Messina

Cc: Dr. DeForest B. Soaries
Chairperson, Compensation and Human Capital Committee

AGREEMENT AMENDING NOTICE DUE DATE

This Agreement Amending Notice Due Date ("Notice Agreement") is dated as of December 10, 2021 and relates to: the subservicing agreement between PHH Mortgage Corporation, as successor by merger to Ocwen Loan Servicing, LLC ("PHH"), and New Residential Mortgage LLC (NRM) dated July 23, 2017 as amended from time to time (the "NRM SSA"); the subservicing agreement between PHH and NewRez LLC (formerly known as New Penn Financial, LLC) d/b/a Shellpoint Mortgage Servicing ("NewRez") dated August 17, 2018 as amended from time to time (the "NewRez SSA"), and the New RMSR Agreement dated January 18, 2018 between PHH, HLSS Holdings, LLC ("Holdings"), HLSS MSR – EBO Acquisition LLC, ("MSR – EBO") and NRM, including the Servicing Addendum attached as Annex A to the New RMSR Agreement ("RMSR 2.0 Addendum), all as amended from time to time ("RMSR 2.0"). The NRM SSA, NewRez SSA and RMSR 2.0 Addendum are collectively referred to as the "NRZ Servicing/Subservicing Agreements" or the "Agreements". Terms not defined in this Notice Agreement have the definitions set forth in each of the applicable NRZ Servicing/Subservicing Agreements.

1. Amendment to Notice Due Date. The parties to this Notice Agreement hereby agree that, notwithstanding the provisions of Section 5.1(c) of each of the Agreements, the period required for PHH (as Subservicer or Seller, as applicable) to provide written notice of termination pursuant to Section 5.1(c) of each of the Agreements, solely with respect to termination at the end of the Initial Term, be amended from being due on or before 225 days prior to the end of the Initial Term to being due on or before January 11, 2022.

2. Limited Effect. Except as amended hereby, each of the Agreements shall continue in full force and effect in accordance with its terms. Reference to this Notice Agreement need not be made in any of the Agreements or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, any of the Agreements, any reference in any of such items to the Agreement being sufficient to refer to the Agreement as amended hereby.

3. Governing Law. This Notice Agreement shall be 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 conflict of laws doctrine applied in such state (other than Section 5-1401 or 5-1402 of the New York General Obligations Law which shall govern).

4. Counterparts. This Notice Agreement may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument. The parties agree that this Notice Agreement and signature pages may be transmitted between them by facsimile or by electronic mail and that faxed and PDF signatures may constitute original signatures and that a faxed or PDF signature page containing the signature (faxed, PDF or original) is binding upon the parties.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties have caused this Notice Agreement to be executed and delivered by their duly authorized officers as of the day and year first above written.

PHH MORTGAGE CORPORATION

/s/ Curtis J. Schares
Name: Curtis J. Schares
Title: Vice President

NEW RESIDENTIAL MORTGAGE LLC

/s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer and Chief Operating Officer

NEWREZ LLC D/B/A SHELLPOINT MORTGAGE SERVICING

/s/ Spencer Mosness
Name: Spencer Mosness
Title: General Counsel

HLSS HOLDINGS, LLC

/s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer

HLSS MSR – EBO ACQUISITION LLC

/s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer

EXHIBIT 21.1

DIRECT AND INDIRECT SUBSIDIARIES OF OCWEN FINANCIAL CORPORATION

The following is a list of subsidiaries of the registrant as of December 31, 2021, omitting certain subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

Name	State or Other Jurisdiction of Organization
PHH Mortgage Corporation (1)	New Jersey
PHH Corporation (1)	Maryland
Ocwen Financial Solutions Private Limited (1)	India
Ocwen Advance Facility Transferor, LLC (2)	Delaware
Ocwen Master Advance Receivables Trust (2)	Delaware
CR Limited (1)	Vermont
Ocwen Business Solutions, Inc. (1)	Philippines
Ocwen USVI Services, LLC (1)	U.S. Virgin Islands

(1) Operating company
(2) Special purpose entity

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-218218, 333-143275, 333-44999, and 333-256469 on Form S-8 of our reports dated February 25, 2022, relating to the financial statements of Ocwen Financial Corporation and subsidiaries (the Company) and the effectiveness of the Company’s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2021.

/s/ DELOITTE & TOUCHE LLP

New York, NY
February 25, 2022

EXHIBIT 31.1

CERTIFICATIONS

I, Glen A. Messina, certify that:

(1) I have reviewed this annual report on Form 10-K 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.

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Date: February 25, 2022

/s/ Glen A. Messina

Glen A. Messina, President
and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, June C. Campbell, certify that:

(1) I have reviewed this annual report on Form 10-K 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: February 25, 2022

/s/ June C. Campbell

June C. Campbell, Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS

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

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

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

- the Annual Report on Form 10-K of the Registrant for the year ended December 31, 2021 (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:	February 25, 2022

EXHIBIT 32.2

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 Annual Report on Form 10-K of the Registrant for the year ended December 31, 2021 (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:	February 25, 2022