OCWEN

# Investor Presentation

## Fourth Quarter 2019

February 26, 2020

**FORWARD-LOOKING STATEMENTS**

This presentation 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. These forward-looking statements may be identified by a reference to a future period or by the use of forward-looking terminology. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Our business has been undergoing substantial change which has magnified such uncertainties. Readers should bear these factors in mind when considering such 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. In the past, actual results have differed from those suggested by forward looking statements and this may happen again. Forward-looking statements involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially. In the past, actual results have differed from those suggested by forward looking statements and this may happen again. In particular, the estimates provided in this presentation regarding the impact of the termination by New Residential Investment Corp. ("NRZ") of the PMC subservicing agreement and other aspects of our relationship with NRZ are estimates based on currently available information and these estimates may not be accurate. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, but are not limited to, uncertainty relating to the future of our long-term relationship and remaining servicing agreements with NRZ; our ability to execute an orderly transfer of responsibilities in connection with the termination by NRZ of the PMC subservicing agreement, including NRZ's and our ability to obtain any necessary consents and approvals; the reactions of regulators, lenders and other contractual counterparties, rating agencies, stockholders and other stakeholders to the announcement of the termination by NRZ of the PMC subservicing agreement; our ability to adjust our cost structure and operations as the loan transfer process is being completed in response to the termination by NRZ of the PMC subservicing agreement; our ability to devote sufficient management attention and financial resources to our growth and other strategic objectives as we work through the loan transfer process and adjust our cost structure and operations; uncertainty related to our ability to execute on continuous cost re-engineering efforts and the other actions we believe are necessary for us to improve our financial performance; our ability to acquire MSRs or other assets or businesses at adequate risk-adjusted returns and at sufficient volume to achieve our growth goals, including our ability to allocate resources for investment, negotiate and execute purchase documentation and satisfy closing conditions so as to consummate such acquisitions; uncertainty related to our ability to grow our lending business and increase our lending volumes in a competitive market and uncertain interest rate environment; uncertainty related to claims, litigation, cease and desist orders and investigations brought by government agencies and private parties regarding our servicing, foreclosure, modification, origination and other practices, including uncertainty related to past, present or future investigations, litigation, cease and desist orders and settlements with state regulators, the Consumer Financial Protection Bureau (CFPB), State Attorneys General, the Securities and Exchange Commission (SEC), the Department of Justice or the Department of Housing and Urban Development (HUD) and actions brought under the False Claims Act regarding incentive and other payments made by governmental entities; adverse effects on our business as a result of regulatory investigations, litigation, cease and desist orders or settlements; reactions to the announcement of such investigations, litigation, cease and desist orders or settlements by key counterparties, including lenders, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Government National Mortgage Association (Ginnie Mae); our ability to comply with the terms of our settlements with regulatory agencies and the costs of doing so; limits on our ability to repurchase our own stock as a result of regulatory settlements and other conditions; increased regulatory scrutiny and media attention; any adverse developments in existing legal proceedings or the initiation of new legal proceedings; our ability to effectively manage our regulatory and contractual compliance obligations; our ability to interpret correctly and comply with liquidity, net worth and other financial and other requirements of regulators, Fannie Mae, Freddie Mac 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, and the requirements of, Fannie Mae, Freddie Mac and Ginnie Mae and maintain our seller/servicer and other statuses with them; the adequacy of our financial resources, including our sources of liquidity and ability to sell, fund and recover advances, forward and reverse whole loans, and 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; the impact on Ocwen of our implementation of the CECL methodology for financial instruments (ASU 2016-13 and ASU 2019-04); as well as other risks and uncertainties detailed in Ocwen Financial Corporation's reports and filings with the SEC, including its annual report on Form 10-K for the year ended December 31, 2018, its current and quarterly reports since such date and, when available, its annual report on Form 10-K for the year ended December 31, 2019. Anyone wishing to understand Ocwen's business should review its SEC filings. Our forward-looking statements speak only as of the date they are made and, we disclaim any obligation to update or revise forward-looking statements whether as a result of new information, future events or otherwise.

**NON-GAAP FINANCIAL MEASURES**

This presentation contains certain non-GAAP financial measures, such as our references to expenses excluding MSR valuation adjustments, net and expense notables, pre-tax loss excluding income statement notables and amortization of NRZ lump-sum cash payments, available liquidity and an illustrative view of our NRZ agreements as a traditional subservicing agreement . We believe these non-GAAP financial measures provide a useful supplement to discussions and analysis of our financial condition. We believe these non-GAAP financial measures provide an alternative way to view certain aspects of our business that is instructive. There are certain limitations on the analytical usefulness of these non-GAAP financial measures. For example, annualization of amounts relevant to one quarter may or may not be a good indicator of the relevant full year amount due to facts or circumstances impacting the quarter or the three subsequent quarters, among other factors. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, Ocwen's reported results under accounting principles generally accepted in the United States. Other companies may use non-GAAP financial measures with the same or similar titles that are calculated differently to our non-GAAP financial measures. As a result, comparability may be limited. Further information may be found on Ocwen's website.

# Agenda

# Strong execution on key initiatives is driving improved business and financial performance

## Q4’19 Financial and Business Highlights

- Net income of $35 million
- Pre-tax earnings excluding notables of $12 million
- Q4 adjusted expense savings of $385 million[(a)]
- Total servicing UPB of $212 billion
- Shareholders’ Equity of $412 million
- Unrestricted cash of $428 million
- Book value per share $3.06
- $5 million share repurchase authorization

**$15-20 billion**
2020 Originations Target [(b)]

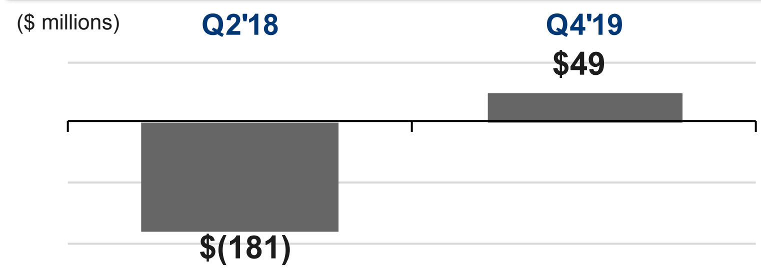
**$212 billion**
Total Servicing UPB

**$17 billion**
Subserviced UPB

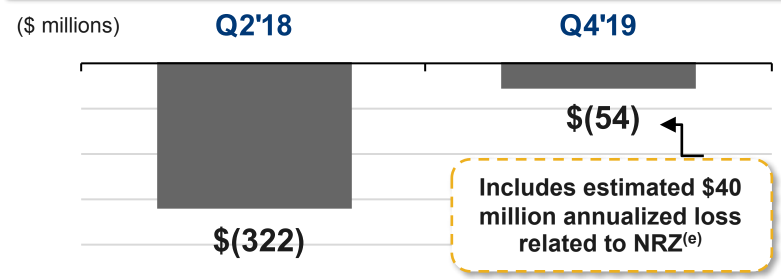
**$77 billion**
Owned Servicing UPB

**We believe we are on track to achieve adjusted pre-tax profitability in the third quarter 2020[(c)]**

### Annualized Pre-tax Earnings Excluding Notables[(d)]

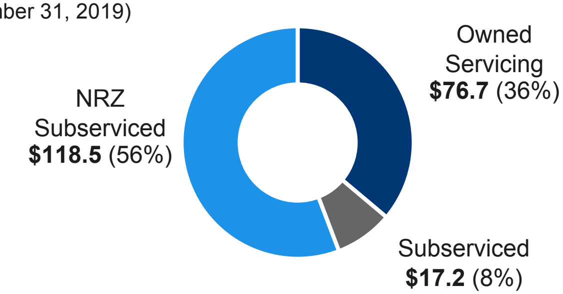



### Annualized Pre-tax Earnings Excluding Notables and Amortization of NRZ Lump-Sum Payments[(d)]



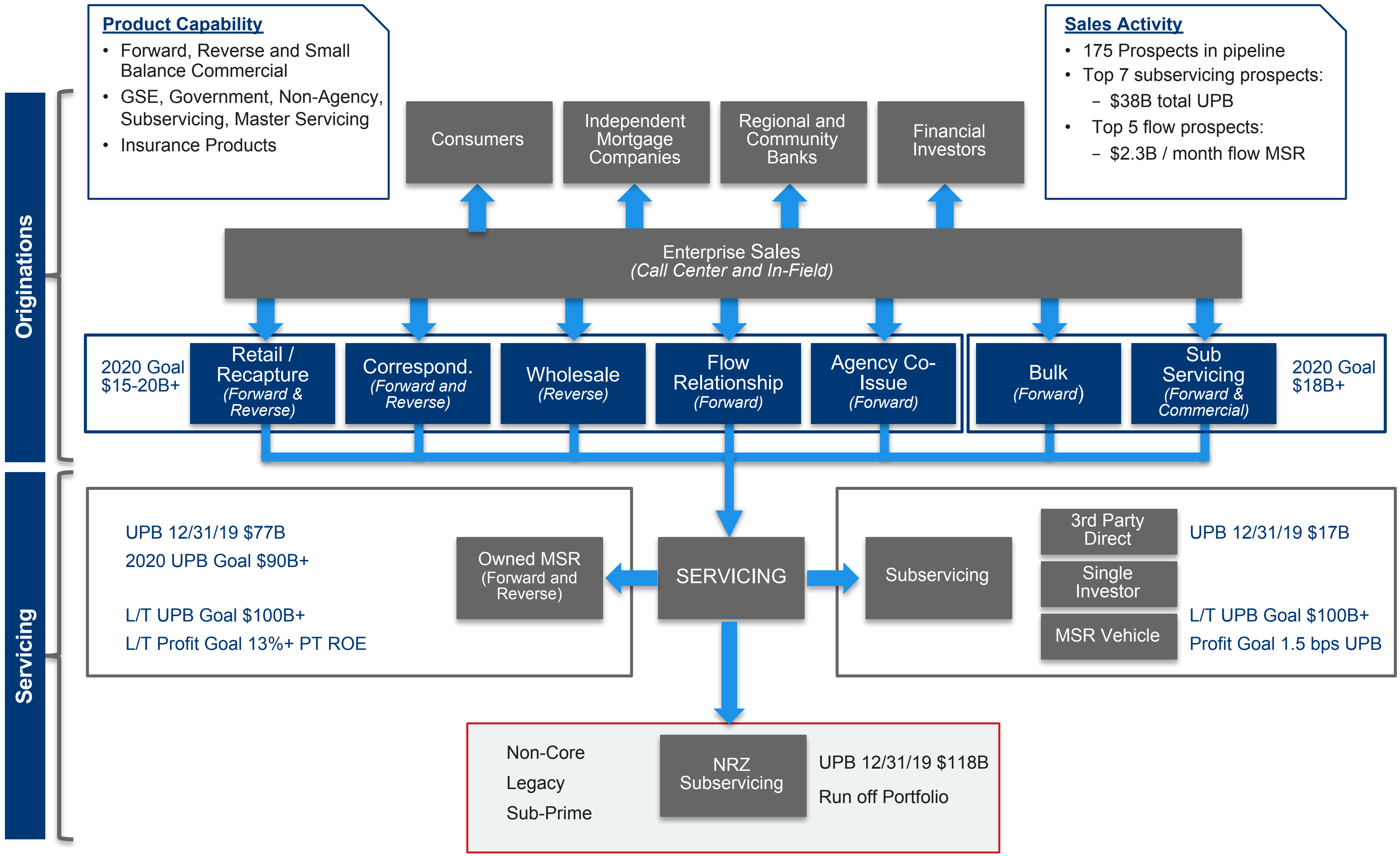

### Servicing Portfolio Mix

($ billions. As of December 31, 2019)




(a) Reduction is measured based on annualized run rate versus the combined adjusted annualized second quarter 2018 for Ocwen and PHH of $916 million and excludes MSR valuation adjustments, net and expense notables. See slides 20-22
(b) Originations target is comprised of forward and reverse lending and flow channel volume
(c) Excluding income statement notables and the amortization of NRZ lump-sum payments. See slides 20-22. Assumes we achieve our objectives and there are no adverse changes to market, industry, or business conditions or legal and regulatory matters. Expectations assume mortgage market consistent with the MBA and GSE forecasts as of January 2020
(d) See slides 20-22
(e) Estimated Q4 ’19 pre-tax loss of $10 million on total NRZ portfolio, Revenues of $54 million and $64 million of direct expense and allocated overhead, multiplied by 4

# Built multi-channel platform that can support long-term growth opportunities



# Our 2020 key business initiatives are intended to support our near-term and longer term financial objectives

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## Key 2020 Business Initiatives

- **Origination Growth**
- **More Diversified Servicing Portfolio**
- **Continuous Cost Re-engineering**
- **Optimize Sources of Capital**

Achieve Adjusted Pre-tax Profitability in Q3'20[(a)]

Long Run Target: Low to Mid-Teen ROE

## Strategic Benefits of Execution

- ✓ Enhanced strategic flexibility
- ✓ Reduced enterprise risk
- ✓ More balanced business/improved natural hedge
- ✓ Greater scale
- ✓ Sustainable sources of MSR replenishment
- ✓ Optimized margins
- ✓ Lower client concentration
- ✓ Diverse sources of capital
- ✓ Highly competitive cost structure

### 2020 Targeted Business Profile

- Total Servicing UPB of ~$200B
- Owned Servicing UPB of ~$90B
- Origination Volume of $15-20B[(b)]
- Retail Volume of ~$1.5B[(c)]
- Adjusted Expenses ~$540M[(d)]

### 2020 Financial Improvements[(e)]

- ~$55-65M revenue increase from Lending volumes and MSR mix
- $35-$45M lower expenses from cost re-engineering[(f)] offset by investment in growth
- ~$8-10M reduction in corporate interest expense

*Addresses*

**$(54) million Q4'19 Annualized Adjusted Pre-Tax Loss[(a)]**

### Long-term Targeted Business Profile

- Owned servicing UPB of $100B
- Subserviced UPB of $100B
- Originations = 15-20% of Total servicing UPB
- Industry competitive lending margins
- Cashflow = Owned MSR replenishment requirement
- High quality and efficient operations
- Earn cost of capital

(a) Pre-tax earnings excluding income statement notables and amortization of NRZ lump-sum payments. See slides 20-22
(b) Comprised of forward and reverse lending and flow MSR channels
(c) Includes portfolio recapture and reverse retail lending
(d) Incremental adjusted expense savings excluding expense notables and MSR fair value adjustments. See slides 20-22
(e) Targeted 2020 financial improvements. All amounts are annualized
(f) Incremental cost re-engineering savings relative to $385 million of adjusted savings in Q4'19

# Multi-channel originations platform is positioned to capitalize on growth opportunities

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**Capital Dependent Volume Sources**

- Portfolio Recapture
- Reverse Lending
  - Retail
  - Broker
  - Correspondent
- Correspondent Lending
- Freddie Cash Window
- FNMA SMP (Target: Mar 2020)
- Flow Arrangements
  - $28 billion pipeline[a]
- Opportunistic Bulk Acquisitions

**Available Capital** + **Balance Sheet Optimization** = **Owned Servicing**

*2020 Investment Capacity of at least $20 billion in UPB*

*2020 UPB target of ~$90B*

**Capital Light Volume Sources**

**Subservicing Pipeline** $38 billion [a] + **Capital Partners** ← **Subservicing + Synthetic subservicing**

*Supplements owned servicing to enhance servicing economics*

| | Forward MSRs 13%+ Pre-tax ROE | | | Reverse MSRs 12+%+ Pre-tax ROE | Subservicing |
|---|---|---|---|---|---|
| | Recapture | Corr. Lending | Flow & Agency Programs | | |
| **Targeted 2020 Volume** | $1.3 billion | $6-9 billion | $6-9 billion | ~ $900 million [d] | TBD |
| **Targeted 2020 Margins[f]** | 100 - 150bps[b] | 10-15bps[c] | n/a | 150bps [e] | 1.5bps |

(a) Represents top 7 subservicing and top 5 flow prospects. References in this presentation to our pipeline refer to potential business opportunities where we have identified a target client and begun conversations with the target about giving us business. No agreements have been signed, although, in certain instances, we may be in the process of negotiating terms. Recapture % is based on eligible refinancing population
(b) Represents recapture on our owned servicing portfolio; targeted margin of 20-30bps for recapture where we do not retain MSRs
(c) Assumes scale based on 2020 volume targets of $6-9 billion and certain other business improvement changes
(d) Volume is sourced through retail, correspondent and broker distributions channels
(e) Blended average margin across reverse lending distribution channels
(f) Targeted margins as a % of volume or UPB

# We believe that disciplined investment of our available capital will result in the best opportunity to create value over the long-term

## Uses of Available Capital

1. Liquidity to support operations
2. Investment at targeted pre-tax ROEs of 13%+
3. Potential excess for opportunistic deployment

## Long-term Objectives

- Adequate profitability and cash flow
- Sustainable business model
- Earn cost of capital
- Consistent performance through the cycle

## Complimentary Capital Sources

- Balance Sheet Optimization
- Synthetic Subservicing

**Initial Capital Availability $95 million[a]**

**Levered Investment Capacity[a][b] ~ $240 million**

**Potential UPB of MSR Investment[a][b] of at least $20 billion**

**2019 Owned Servicing**
$77 billion UPB[c]

**+17%**

**2020 Year End Targeted Owned Servicing**
~ $90 billion UPB

**We believe our originations volume opportunities can be supported by available capital, balance sheet optimization, and synthetic subservicing in partnership with external sources of capital**

(a) This is our estimate of our capital available for investment as of 12/31/19 adjusted for SSTL paydown. This amount does not include any incremental proceeds from balance sheet optimization initiatives
(b) Initial available capital plus leverage. Assumes 60% leverage
(c) As of 12/31/2019

# Continuous cost re-engineering and cost improvement are critical to our business transformation and improved financial performance

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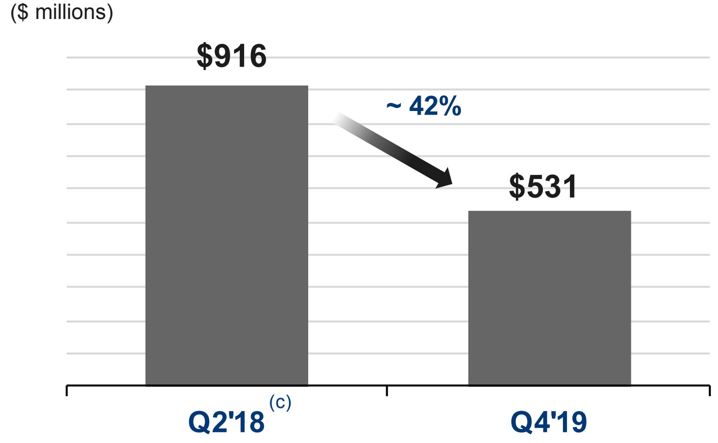
## Continuous Cost Re-engineering Objectives

- ✓ Additional cost re-engineering[a] savings of $35-45M
- ✓ Offset investment in 2020 origination growth
- ✓ Achieve sustainable top quartile industry cost structure
- ✓ Address high cost structure of legacy PLS and GNMA portfolio
- ✓ Optimize profit potential of new vintage servicing portfolio

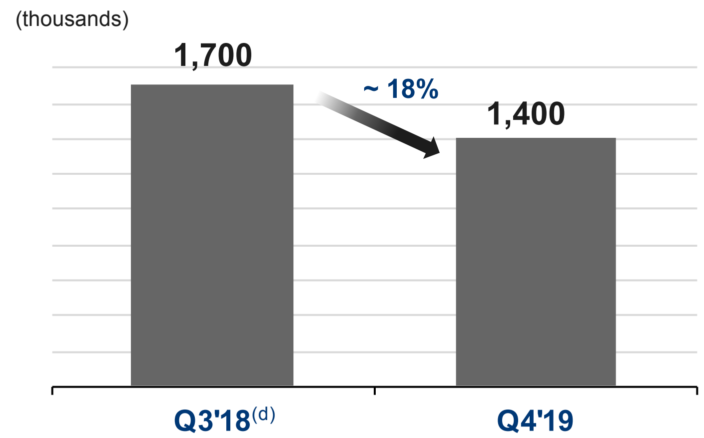
## Enablers

- Offshore Capabilities
- Technology Driven Productivity
- Lean Processes
- Human Capital Alignment
- Strategic Sourcing
- Regulatory Progress

## Adjusted Annualized Expenses[b]




## Loans Serviced




**Higher expense savings provide approximately one year payback for ~ $40 million of incremental upfront cost re-engineering expense in 2020**

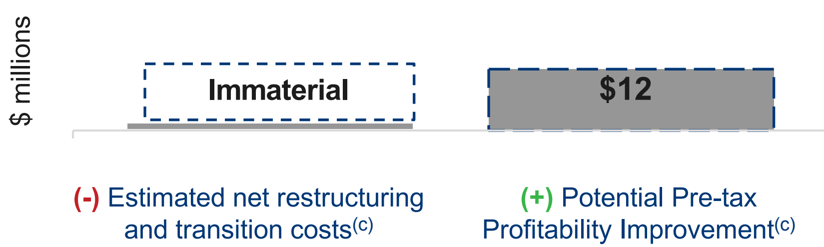
Our cost re-engineering actions have enabled a reduction of adjusted costs[b] at a rate significantly greater than portfolio runoff

(a) Incremental cost re-engineering savings relative to $385 million of adjusted savings in Q4'19
(b) Excludes MSR valuation adjustments, net and expense notables. See slides 20-21
(c) For Ocwen and PHH combined
(d) As reported in Ocwen Q3'18 investor supplement for Ocwen and PHH combined, page 5. Ocwen acquired PHH on October 4, 2018

# The servicing business covered under the NRZ agreements is unprofitable and we do not view it as core to our business model objectives

## Terminated PHH Portfolio with NRZ

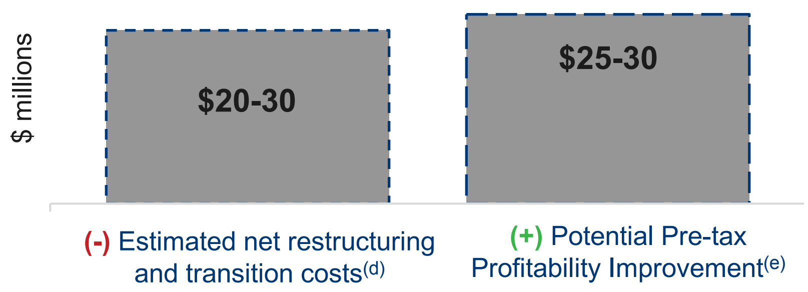
- Q4'19 estimated annualized loss of $12 million[(a)]
- $42 billion UPB[(b)]
- 20% of Ocwen's total servicing UPB[(b)]
- Low revenue per loan
- Represents 8% of Ocwen's net servicing fees[(c)]
- Represents 22% of Ocwen's net servicing fees with NRZ[(c)]
- No portfolio recapture benefits




**Termination of PHH subservicing portfolio represents opportunity for profit improvement without material upfront costs**

## Remaining Ocwen Portfolio with NRZ

- Q4'19 estimated annualized loss of $25-30 million[(a)]
- $77 billion UPB[(b)]
- 36% of Ocwen's total servicing UPB[(b)]
- 70% of Ocwen's delinquent loans[(b)]
- Requires significant direct and support costs
- No portfolio recapture benefits
- Elevated operating and compliance risk




**We believe the estimated net cost of exiting remaining NRZ portfolio could be recovered in ~1 year after completion of restructuring and transition process**

(a) Estimated Q4'19 annualized pre-tax losses on legacy PHH terminated portfolio with NRZ and remaining legacy Ocwen portfolio with NRZ
(b) At 12/31/2019
(b) As of Q4'19
(c) Estimated net transition and restructuring costs to right size operations and transition of the terminated portion of the NRZ portfolio
(d) Remaining portfolio assumes a termination for convenience by NRZ and NRZ pays fees based on a hypothetical termination date of February 28, 2020. Assumes four quarters to complete transition process
(e) Based on annualized Q4'19 estimate. Assumes annualized Q4'19 pre-tax losses could be eliminated through right sizing actions. Potential profitability improvement from eliminating revenues and all direct and overhead allocation costs associated with NRZ portfolios

# FINANCIAL UPDATES

# Consolidated Financial Results

| ($ millions, except Diluted Loss per Share) | Q3'19 | Q4'19 | VPQ$[a] |
|---|---|---|---|
| **Revenues** | **$284** | **$262** | **$(22)** |
| • Servicing | 250 | 233 | (17) |
| • Originations | 30 | 25 | (4) |
| • Corporate | 4 | 3 | (1) |
| **MSR valuation adjustments, net** | **135** | **1** | **(134)** |
| **Operating Expenses** | **(179)** | **(139)** | **40** |
| **Other Income / (Expense)** | **(277)** | **(86)** | **191** |
| • Pledged MSR Liability Expense | (256) | (69) | 188 |
| • Interest Expense | (29) | (29) | 0 |
| • Other[b] | 8 | 12 | 4 |
| **Pre-Tax Income (Loss)** | **$(38)** | **$37** | **$76** |
| **Net Income (Loss)** | **$(43)** | **$35** | **$78** |
| Diluted Income (Loss) per Share | (0.32) | 0.26 | 0.58 |

(a) All variances are versus Q3'19
(b) Other = All Other Income (Expense) except for Pledged MSR Liability Expense (see Slide 23 for additional details)
(c) See slide 25 for details
(d) See slide 23

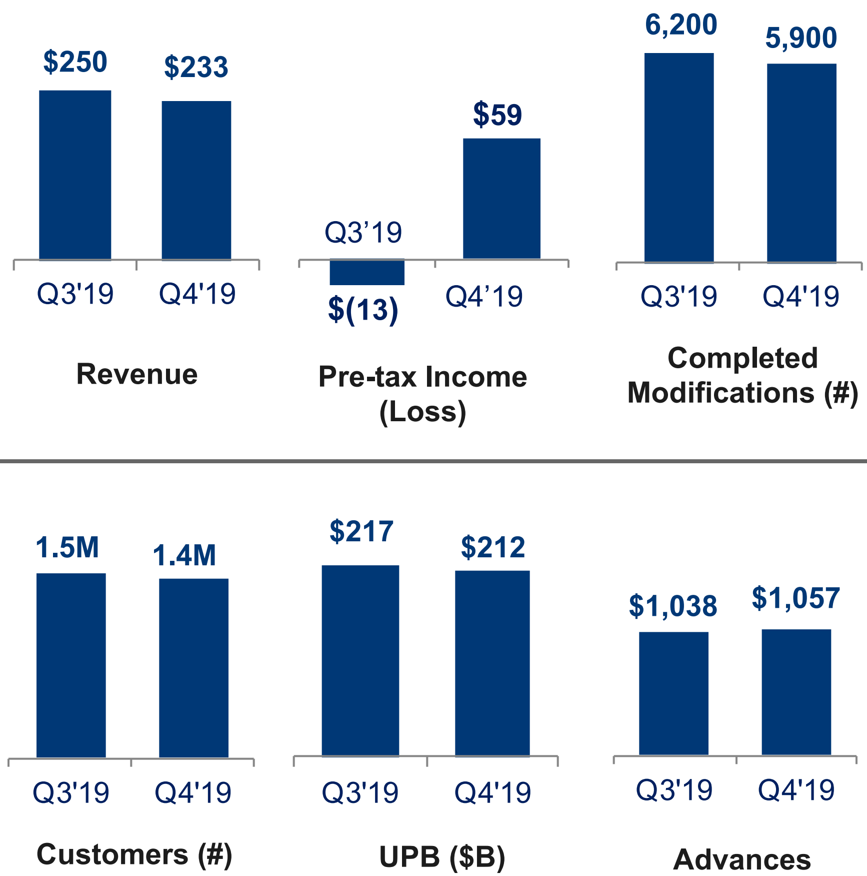
## Key Results

- Q4'19 net income of $35 included $28 favorable net valuation impacts, $15 expense recovery from a mortgage insurer and service provider and $(14) upfront re-engineering costs
  - Q4'19 includes $26 amortization of NRZ lump-sum payments
- Revenue of $262 decreased by $22 from prior quarter driven by servicing runoff, lower gross float earnings and $6 lower favorable reverse fair value change
- Lower operating expenses due to progress in cost re-engineering action and expense recovery
- MSR valuation adjustments, net for Q4'19, includes $64 favorable adjustment to our Agency MSR portfolio due to 33bps increase in 10-year swap rate offset by $63 reduction due to portfolio runoff[c]
- Other Income (Expense) includes $30 unfavorable financing liability valuation change[d]

# Servicing Results

## Key Metrics

($ millions, except UPB)




## Highlights

- Recorded $59 pre-tax income
  - Improved performance driven by $31 favorable MSR valuation changes, net of NRZ financing liability and hedges compared to $(9) unfavorable MSR valuation changes in the third quarter
- Revenue decreased by $17 largely driven by portfolio runoff impacting servicing fees and lower gross float earnings
- Focused on providing modification solutions to qualifying borrowers in need
  - Completed over 5,900 modifications, 13% of which resulted in debt forgiveness totaling $30
- Portfolio UPB reduction driven by portfolio runoff of $10 billion and offset by $5 billion of MSR originations and purchases
  - Owned MSR UPB in line with prior quarter

# Originations Results[a]

## Business and Financial Performance

| ($ millions) | Q3'19 | Q4'19 | VPQ$[a] |
|---|---|---|---|
| • Recapture | 131 | 167 | 36 |
| • Correspondent | 93 | 398 | 305 |
| • Flow Purchases | - | 236 | 236 |
| • GSE Cash Window | 117 | 550 | 433 |
| • Reverse | 188 | 259 | 71 |
| **Total MSR Originations** | **$530** | **$1,620** | **$1,090** |
| • Bulk MSR Purchases | 1,032 | 2,740 | 1,708 |
| **Total MSR Originations and Purchases** | **$1,562** | **$4,360** | **$2,798** |
| **Operating Expenses** | **$21** | **$21** | **$(1)** |
| • Forward | 11 | 9 | (2) |
| • Reverse | 11 | 12 | 1 |
| **Pre-tax Income (Expense)** | **9** | **4** | **(5)** |
| • Forward | (1) | (1) | (0) |
| • Reverse | 9 | 4 | (5) |

## Forward

- Q4'19 pre-tax loss of $(1), in line with prior quarter
- Revenue of $10 million was $2 million favorable, primarily due to higher volumes and margins in recapture channel
- Ramped up correspondent channel to $398 funded volume in the quarter

## Reverse

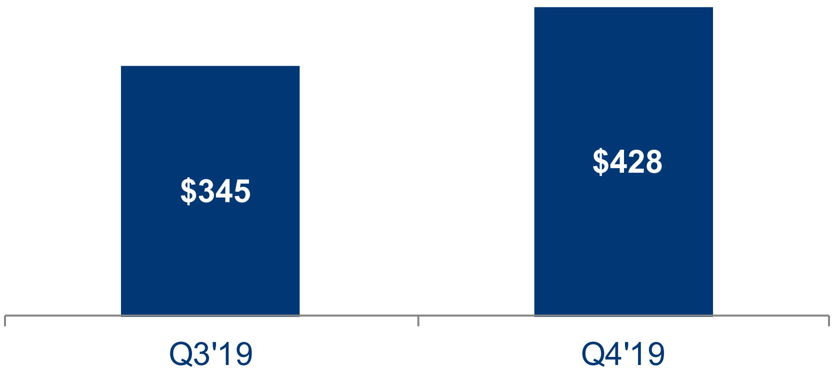
- Q4'19 pre-tax income of $4 included $(3) unfavorable fair value changes, Q3'19 included $3 favorable fair value changes
- Revenue and pre-tax income excluding unfavorable fair value changes in line with prior quarter

(a) Lending segment Beginning Jan 1, 2020 is reported as Originations

# Liquidity and Leverage Update

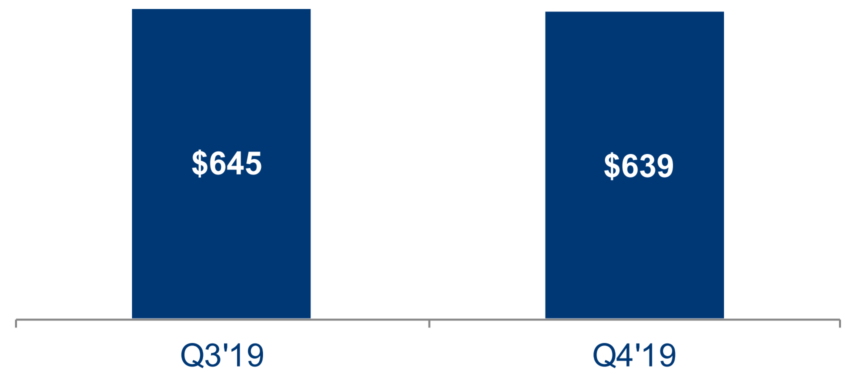
## Cash and Equivalents

($ millions, except where otherwise noted)




- $172 cash from new MSR facilities offset by $25 repayment of debt including scheduled amortization of Senior Secured Term Loan, interest payments and other cash uses

## Corporate Debt[a]




**1.6x Corp Debt/Equity[a]**

- $618 SSTL and Senior Secured Notes combined secured by approximately $1.2B of collateral[b]
- Paid down $126 SSTL in January 2020 as part of an amend and extend transaction[c]

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(a) Corporate Debt = Debt Balance of Senior Secured Term Loan + Senior Secured Notes + Unsecured Bonds. Excludes debt issuance costs and original issue discount
(b) Calculated as defined by the First Lien LTV Ratio in accordance with the Senior Secured Term Loan
(c) SSTL was extended to May 2022 in January 2020

# We are executing actions we believe are necessary to evolve into a diversified independent mortgage servicer and originator that can perform through the business cycle and maintain strategic flexibility

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| | |
|---|---|
| **Return to Profitability** | • Generated 4Q'19 GAAP pre-tax income of $37 million; achieved pre-tax earnings before income statement notables, but including the amortization of NRZ lump-sum payments, of $12 million[(a)]<br>• Remain on track to achieve pre-tax profitability, excluding income statement notables and amortization of NRZ lump-sum payments, by Q3'20[(b)] |
| **Originations Growth** | • Building greater scale in core servicing and origination channels with greatest profit potential<br>• Increased 2020 volume target from $10 billion to between $15 to $20 billion<br>• Targeted owned servicing portfolio growth of 17% in 2020 |
| **Cost Competitiveness** | • Continued strong execution on cost re-engineering initiatives in 4Q'19 resulting in annualized run-rate cost savings of approximately $385 million[(a)]<br>• Targeting a sustainable top quartile industry cost structure |
| **Capital Management** | • Established secured MSR financing for Agency, GNMA, and PLS servicing and realized over $300 million in proceeds; improved servicing advance facility terms and funding costs<br>• Potential for incremental capital from balance sheet efficiency<br>• Pursuing multiple sources of third party MSR investment capital to create synthetic subservicing |
| **Reduced Risk** | • Multi-channel originations platform supports more balanced business model<br>• Potential growth in owned servicing, lending, and subservicing expected to lower client concentrations risk<br>• Extended SSTL maturity to May 2022 and targeting to further extend liability structure |
| **Regulatory Progress** | • Continue to proactively engage regulators and track progress as it relates to regulatory commitments<br>• Resolved multiple legacy litigation matters favorably<br>• MSR acquisition constraints lifted in the Commonwealth of Massachusetts |

(a) See slides 20-22 for details
(b) Assumes we achieve our objectives and there are no adverse changes to market, industry, or business conditions or legal and regulatory matters. Expectations assume mortgage market consistent with the MBA and GSE forecasts as of January 2020
(c) Reduction is measured based on annualized run rate versus the combined adjusted annualized second quarter 2018 expenses for Ocwen and PHH of $916 million and excludes MSR valuation adjustments, net and expense notables. See slides 20-21 for details

# Shareholder Relations Information

## About Ocwen

Ocwen Financial Corporation (NYSE: OCN) is a leading non-bank mortgage servicer and originator providing solutions through its primary brands, PHH Mortgage Corporation and Liberty Home Equity Solutions, Inc. (Liberty). PHH Mortgage is one of the largest servicers in the country, focused on delivering a variety of servicing and lending programs. Liberty is one of the nation's largest reverse mortgage lenders dedicated to education and providing loans that help customers meet their personal and financial needs. We are headquartered in West Palm Beach, Florida, with offices in the United States and the U.S. Virgin Islands and operations in India and the Philippines, and have been serving our customers since 1988. For additional information, please visit our website (www.ocwen.com).

**Exchange:** New York Stock Exchange (NYSE)

**Ticker:** OCN

**Headquarters:** West Palm Beach, FL

## Contact Information

All shareholder relations inquiries should be sent to:

shareholderrelations@ocwen.com

## Employees

Approximately 5,300 (as of December 31, 2019)

# APPENDIX

# Appendix: Q4 2019 Financials

- Expenses excluding MSR Valuation Adjustments, net and Expense Notables
- Income Statement Notables
- Total Other (Income) Expense, Net
- Servicing Product Overview
- MSR Valuation Assumptions
- P&L Impact of Fair Value Changes
- Debt Facilities Overview

# Note Regarding Adjustments to GAAP Expenses and Pre-tax Income (Loss)

In the following slides, we present supplemental information (including reconciliations) relating to certain illustrative adjustments to GAAP expenses, and pre-tax income (loss). We believe this information is instructive as an alternative way to view certain aspects of our business. In addition, management believes that these presentations may assist investors with understanding and evaluating our cost re-engineering efforts and other initiatives to drive improved financial performance. However, the adjustments we make to GAAP expenses and pre-tax income (loss) should not be analyzed in isolation or as a substitute to analysis of our GAAP expenses and pre-tax income (loss). There are certain limitations on the analytical usefulness of the adjustments we make to GAAP expenses and pre-tax income (loss) and, accordingly, we rely primarily on our GAAP results and use these adjustments only for purposes of supplemental analysis. Readers are cautioned not to place undue reliance on analysis of the adjustments we make to GAAP expenses and pre-tax income (loss).

Expenses Excluding MSR Valuation Adjustments, net, and Expense Notables adjusts GAAP expenses to exclude MSR Valuation Adjustments, net for the following expenses (Expense Notables) for (1) expense related to severance, retention and other cost re-engineering actions, (2) certain significant legal and regulatory settlement expense items, (3) CFPB, Florida Attorney General/Florida Office of Financial Regulations and Massachusetts Attorney General litigation related legal expenses, state regulatory action related legal expenses and state regulatory action settlement related escrow analysis costs (collectively, CFPB and state regulatory defense and escrow analysis expenses), (4) NRZ consent process expenses related to the transfer of legal title in MSRs to NRZ, (5) PHH acquisition and integration planning expenses, (6) expense recoveries related to insurance recoveries of legal expenses, mortgage insurance claim settlement recoveries and amounts previously expensed from a service provider and (7) certain other costs including compensation expense reversals relating to departing executives and reversals of management incentive compensation payouts and reversals of reserves related to a legacy MSR sale (collectively, Other) consistent with the intent of providing management and investors with a supplemental means of evaluating our expenses. Amounts included within Expenses excluding MSR Valuation Adjustments, net and Expense Notables are expected to vary in each period due to cost re-engineering actions and other factors.

On the slide entitled “Income Statement Notables”, we show certain illustrative adjustments to GAAP pre-tax income/(loss) for the following factors (1) Expense Notables (excluding MSR Valuation Adjustments, net), (2) changes in fair value of our Non-Agency MSRs due to changes in interest rates, valuation inputs and other assumptions, (3) changes in fair value of our Agency MSRs due to changes in interest rates, valuation inputs and other assumptions, net of hedge positions, (4) offsets to changes in fair value of our MSRs in our NRZ financing liability due to changes in interest rates, valuation inputs and other assumptions, (5) changes in fair value of our reverse originations portfolio due to changes in interest rates, valuation inputs and other assumptions, (6) gains related to exercising servicer call rights, (7) certain other costs, including pension benefits (collectively, Other) and (8) amortization of NRZ lump-sum cash payments consistent with the intent of providing management and investors with a supplemental means of evaluating our pre-tax income/(loss). Amounts included in Pre-Tax Loss excluding Income Statement Notables and Amortization of NRZ Lump-sum Cash Payments are expected to vary in each period due to changes in interest rates and other factors.

# Expenses excluding MSR Valuation Adjustments, net and Expense Notables

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| ($ millions) | | Q2'18 | Q4'19 | | |
|---|---|---|---|---|---|
| | | OCN + PHH (Annualized) | OCN | OCN (Annualized) | |
| I | **Expenses - as reported in Q2'18[a]** | **1,107** | | | |
| II | Reclassifications[b] | 5 | | | |
| III | Deduction of MSR valuation adjustments, net | (132) | | | |
| IV | **Operating Expenses (Expenses excluding MSR Valuation Adjustments, net) - as reported in Q4'19[c]** | **979** | **139** | **557** | |
| | **Adjustments for Notables** | | | | |
| | Re-engineering costs | (32) | (14) | | |
| | Significant legal and regulatory settlement expenses | (20) | (3) | | |
| | CFPB & state regulatory defense & escrow analysis costs | (22) | (4) | | |
| | NRZ consent process expenses | (2) | 0 | | |
| | PHH acquisition and integration planning expenses | (8) | 0 | | |
| | Expense recoveries | 23 | 15 | | |
| | Other | (1) | (0) | | |
| V | **Expenses Notables** | **(63)** | **(7)** | | **Annualized Savings** |
| VI | **Expenses excluding MSR Valuation Adjustments, net, and Expense Notables (IV+V)** | **916** | **133** | **531** | **(385)** |

(a) Q2'18 expenses as per OCN Form 10-Q of $206 filed on July 26, 2018 and PHH Form 10-Q of $71 filed August 3, 2018, annualized to equal $1,107 on a combined basis

(b) Reclassifications made to PHH reported expenses to conform to Ocwen presentation

(c) OCN changed the presentation of expenses in Q4' 19 to separately report MSR valuation adjustments, net from operating expenses

# Income Statement Notables

| ($ millions) | | Q2'18 | Q4'19 | |
|---|---|---|---|---|
| | | OCN + PHH (Annualized) | OCN | OCN (Annualized) |
| I | **Reported Pre-Tax Income / (Loss)[a]** | **(253)** | **37** | **149** |
| | **Adjustments for Notables** | | | |
| | Expenses Notables (from prior slide) | | 7 | |
| | Non-Agency MSR FV Change[b] | | (0) | |
| | Agency MSR FV Change, net of macro hedge[b] | | (61) | |
| | NRZ MSR Liability FV Change (Interest Expense) | | 28 | |
| | Reverse Lending FV Change | | 3 | |
| | Other | | (1) | |
| II | **Total Income Statement Notables** | **72** | **(25)** | |
| III | **Pre-Tax Income / (Loss) excluding Income Statement Notables (I+II)** | **(181)** | **12** | |
| IV | Amortization of NRZ Lump-sum Cash Payments | (141) | (26) | |
| V | **Pre-Tax Loss excluding Income Statement Notables and Amortization of NRZ Lump-sum Cash Payments (III+IV)[c]** | **(322)** | **(14)** | **(54)** |

(a) Q2'18 pre-tax loss as per respective Forms 10-Q filed on July 26, 2018 and August 3, 2018, respectively

(b) FV changes that are driven by changes in interest rates, valuation inputs or other assumptions, net of unrealized gains / (losses) on macro hedge. Non-Agency = Total MSR excluding GNMA & GSE MSRs. Agency = GNMA & GSE MSRs

(c) Represents OCN and PHH combined pre-tax loss excluding income statement notables and amortization of NRZ lump-sum cash payments

# Total Other (Income) Expense, Net

| ($ millions) | Q3'19 | Q4'19 | VPQ$ | Comments |
|---|---|---|---|---|
| **Interest Income** | **$(4.1)** | **$(4.6)** | **$(0.5)** | |
| **Pledged MSR Liability Expense** | **256.4** | **68.8** | **(187.6)** | |
| - NRZ Servicing Fees | 111.1 | 102.9 | (8.2) | |
| - MSR Liability[a] runoff and other | (27.1) | (32.3) | (5.2) | |
| - MSR Liability FV Change | 198.5 | 28.0 | (170.5) | Valuation updates |
| - RMSR Liability[b] runoff | (26.7) | (24.9) | 1.8 | Amortization |
| - RMSR Liability FV Change | 2.2 | 1.3 | (0.9) | Valuation updates |
| - Other | (1.6) | (6.2) | (4.6) | NRZ reimbursable expenses |
| Match Funded Financing | 6.2 | 6.0 | (0.2) | |
| Other Secured/Structured Financing | 3.4 | 4.3 | 0.9 | OASIS, Warehouse Lines |
| SSTL (incl. fee amortization) | 7.3 | 6.7 | (0.6) | |
| MSR Financing | 2.2 | 3.3 | 1.0 | |
| 2nd Lien Bonds / Other Debt | 10.4 | 9.1 | (1.3) | |
| **Interest Expense** | **29.5** | **29.5** | **0.0** | |
| Other | (4.7) | (7.8) | (3.1) | $(3) favorable pension adjustment in Q4'19 |
| **Total Other Expense, net** | **$277.1** | **$85.9** | **$(191.2)** | |

Note: "VPQ$" = Dollar variance versus prior quarter

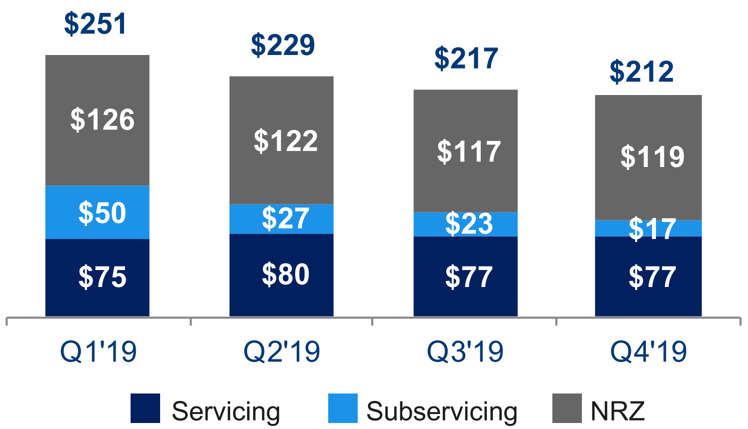
(a) MSR Liability refers to the Original Rights to MSR Agreements

(b) RMSR Liability refers to the 2017 Agreements and New RMSR Agreements

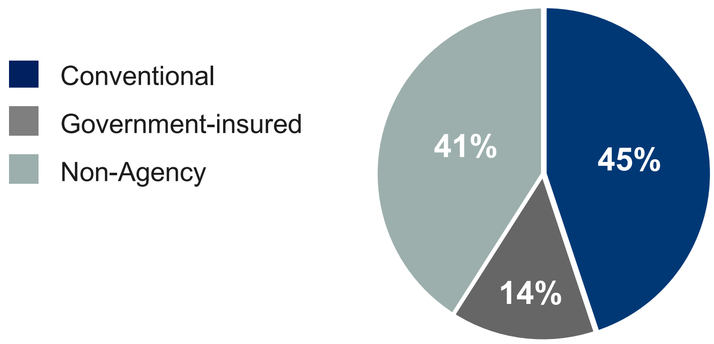
# Servicing Product Overview

($ millions, except UPB)

## UPB by Source[a]




## Q4'19 UPB by Product




## Retained Servicing Revenue

| | Q4'19[b] | % of Total |
|---|---|---|
| • Servicing | $57 | 45 |
| • Subservicing | 4 | 3 |
| • NRZ Retained Fees | 31 | 25 |
| **Total Retained Servicing and Subservicing Fees** | **$92** | **72%** |
| • Late Charges | 14 | 11 |
| • Custodial Accounts (Float Earnings) | 9 | 7 |
| • Other | 12 | 9 |
| **Servicing Ancillary Fees** | **$35** | **28%** |
| **Total Retained Revenue** | **$127** | **100%** |

(a) Q4'19 NRZ UPB includes $6.5B of Pingora subserviced loans, prior quarters it was reported in Subservicing

(b) Does not include $3 Servicing ancillary revenue recorded to Gain on Loans Held for Sale, net and Other Revenues, net. Excludes $29 Originations and Corporate revenue

# MSR Valuation Assumptions

($ in millions)

| | Retained | | | | NRZ Sold | | |
|---|---|---|---|---|---|---|---|
| | FNMA / FHLMC | FHA / VA | Non-Agency | Total Retained | FNMA / FHLMC | Non-GSE | Total NRZ[d] |
| UPB | 29,561 | 14,351 | 25,454 | 69,366 | 35,727 | 72,953 | 108,680 |
| Loan Count (000s) | 202 | 110 | 152 | 464 | 282 | 546 | 828 |
| Fair Value | 307 | 99 | 165 | 571 | 314 | 601 | 915 |
| Fair Value (% of UPB) | 1.04% | 0.69% | 0.65% | 0.82% | 0.88% | 0.82% | 0.84% |
| **Collateral Metrics** | | | | | | | |
| Weighted Average Note Rate | 4.26 | 4.49 | 4.58 | 4.42 | 4.27 | 4.43 | 4.38 |
| Weighted Average Svc Fee | 0.27 | 0.33 | 0.32 | 0.30 | 0.27 | 0.47 | 0.41 |
| % D30 (MBA) | 2% | 8% | 6% | 5% | 2% | 11% | 8% |
| % D60 (MBA) | 1% | 3% | 3% | 2% | 1% | 5% | 4% |
| % D90+ (MBA) | 1% | 6% | 8% | 5% | 1% | 13% | 9% |
| % D30-60-90+ | 4% | 17% | 17% | 11% | 4% | 29% | 21% |
| **Fair Value Assumptions:[a]** | | | | | | | |
| Lifetime CPR[b] | 11.45 | 13.32 | 11.71 | 11.93 | 11.40 | 12.21 | 11.95 |
| Cost to Service[c] | $73 | $122 | $252 | $149 | $76 | $295 | $223 |
| Ancillary Income[c] | $42 | $58 | $145 | $83 | $31 | $136 | $102 |
| Discount Rate | 9.25 | 10.21 | 10.91 | 9.89 | 9.10 | 11.39 | 10.65 |

(a) 3rd part broker assumptions

(b) Total voluntary payoffs and involuntary defaults; does not include scheduled payments

(c) Annual $ per loan

(d) NRZ sale transactions did not achieve sale accounting treatment and MSR remains on balance sheet with offsetting liability. Does not include subservicing UPB

# P&L Impact of Fair Value Changes

| | ($ in millions) | Q3'19 | Q4'19 | VPQ$ |
|---|---|---|---|---|
| | **Non-Agency MSR Fair Value Change** | | | |
| 0 | - Portfolio change (Run-off and collateral) | $ (17.8) | $ (26.3) | $ (8.5) |
| 1 | - Other Assumption Changes | 252.3 | 0.1 | (252.2) |
| 2 | **Total Non-Agency MSR Fair Value Change** | **234.5** | **(26.2)** | **(260.6)** |
| | **Agency MSR Fair Value Change** | | | |
| 3 | - Portfolio change (Run-off and collateral) | $ (36.9) | $ (37.2) | $ (0.3) |
| 4 | - Interest Rate changes | (68.0) | 64.0 | 132.0 |
| 5 | - Other Assumption Changes | 4.6 | - | (4.6) |
| 6 | **Total Agency MSR Fair Value Change** | **(100.3)** | **26.8** | **127.0** |
| | **Total MSR Fair Value Changes** | | | |
| 7 | - Portfolio change (Run-off and collateral) **(0 + 3)** | $ (54.7) | $ (63.5) | $ (8.8) |
| 8 | - Interest Rate changes **(4)** | (68.0) | 64.0 | $ 132.0 |
| 9 | - Other Assumption Changes **(1 + 5)** | 256.9 | $ 0.1 | $ (256.8) |
| 10 | - Unrealized gain/(loss) on Macro hedges | 0.3 | $ 0.2 | $ (0.1) |
| 11 | **Total MSR Valuation Adjustments (7 + 8 + 9 + 10)** | **$ 134.6** | **$ 0.8** | **$ (133.7)** |
| 12 | - Unrealized gain/(loss) on Macro hedges (Revenue) | $ - | $ (3.1) | $ (3.1) |
| 13 | **Macro Hedge P&L (10 + 12)** | **$ 0.3** | **$ (2.9)** | **$ (3.2)** |
| | **NRZ Liability Fair Value Changes** | | | |
| 14 | - Portfolio change (Run-off and collateral) | $ 27.1 | $ 32.3 | $ 5.2 |
| 15 | - Interest Rate changes | $ 36.5 | $ (28.0) | (64.5) |
| 16 | - Other Assumption Changes | $ (235.0) | $ - | 235.0 |
| 17 | **Total MSR Liability Fair Value Changes (impacts interest expense)** | **$ (171.4)** | **$ 4.3** | **$ 175.8** |
| 18 | **NRMLT Liability assumption changes** | **$ -** | **$ (2.0)** | **$ (2.0)** |
| 19 | **Reverse Portfolio Fair value change** | **$ 2.9** | **$ (2.7)** | **$ (5.7)** |
| | **Income Statement Impact of Interest Rate and other Assumption Changes** | | | |
| | -Servicing **(8 + 9 +13 + 15 + 16 + 18)** | $ (9.2) | $ 31.3 | $ 40.5 |
| | -Reverse **(19)** | $ 2.9 | $ (2.7) | $ (5.7) |
| | **Total** | **$ (6.3)** | **$ 28.5** | **$ 34.8** |

Note: Agency includes GNMA and GSE MSRs; Non-Agency = Total MSR excluding GNMA and GSE MSRs

# Debt Facilities Overview

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($ in millions, as of December 31, 2019)

| | Debt Balance | Facility Cap | Available Credit | Interest Rate[e] | Maturity |
|---|---|---|---|---|---|
| **Advance Facilities** | | | | | |
| OMART - VFN | 191 | 200 | | CoF + 1.36% | 12/11/2020 |
| OMART - 2020 Term Notes | 185 | 185 | | 2.62% | 8/17/2020 |
| OMART - 2021 Term Notes | 285 | 285 | | 2.53% | 8/16/2021 |
| OFAF | 19 | 60 | | CoF + 1.57% | 6/5/2020 |
| **Subtotal - Advance Facilities** | **679** | **730** | **-** | | |
| **Warehouse Lines** | | | | | |
| PMC - Lender 1 | 92 | 175 | | 1mL + 1.95%-3.00% | 9/25/2020 |
| PMC - Lender 2 | 139 | 250 | | 1mL+2.25% Forward<br>1mL+2.75% Reverse | 12/4/2020 |
| PMC - Lender 3[a] | 17 | 300 | | WAC-0.25% | 2/3/2020 |
| PMC - Lender 4 | - | 200 | | 1mL + 1.70% | N/A |
| PMC - Lender 5 | 11 | 50 | | 1mL + 3.50% | 12/26/2020 |
| Liberty - Lender 1 | 72 | 100 | | 1mL + 2.50% | 8/14/2020 |
| Liberty - Lender 2[b] | 1 | 50 | | Prime - 0.25% (3.75% floor) | 1/22/2020 |
| **Subtotal - Warehouse Lines** | **332** | **1,125** | **-** | | |
| **MSR Financing** | | | | | |
| OASIS | 58 | 58 | | N/A | 2/28/2028 |
| Agency MSR Financing | 148 | 300 | | 1mL + 3.00% | 6/30/2020 |
| Ginnie Mae MSR Financing | 72 | 100 | | 1mL + 3.95% | 11/26/2021 |
| Ocwen 2019-PLS1 Notes | 94 | 94 | | 5.07% | 5/25/2022 |
| **Subtotal - MSR Financing** | **372** | **552** | **-** | | |
| **Corporate Debt [c]** | | | | | |
| SSTL[d] | 326 | 326 | N/A | 1L (with a floor at 1.00%) + 5.00% | 12/5/2020 |
| 8.375% 2nd Lien Notes | 292 | 292 | N/A | 8.38% | 11/15/2022 |
| PHH Corporation 6.375% Sr. Notes | 22 | 22 | N/A | 6.38% | 8/15/2021 |
| **Subtotal - Corporate Debt** | **639** | **639** | | | |
| **Total** | **$ 2,022** | **$ 3,046** | | | |

(a) Subsequently extended to April
(b) Terminated on maturity
(c) Corporate Debt excludes debt issuance costs and original issue discount
(d) Refinanced in January 2020 to extend to May 2022, at $200 and interest rate of 1L + 6.0%
(e) "CoF" represents Cost of Funds, "1L" represents 1 month LIBOR and "WAC" represents Weighted Average Coupon on underlying mortgage loans