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, 2020

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, 2020: $84,455,889

Number of shares of common stock outstanding as of February 16, 2021: 8,687,750 shares

DOCUMENTS INCORPORATED BY REFERENCE: Portions of our definitive Proxy Statement with respect to our Annual Meeting of Shareholders, which is currently scheduled to be held on May 25, 2021, are incorporated by reference into Part III, Items 10 - 14.

OCWEN FINANCIAL CORPORATION
2020 FORM 10-K ANNUAL REPORT
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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 Coronavirus Disease 2019 (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, increased unemployment, 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;
- our ability to consummate the private placement of senior secured notes with Oaktree Capital Management L.P. and its affiliates (Oaktree);
- our ability to consummate on favorable terms or at all the additional debt financing that is a condition to issuance and sale of the senior secured notes to Oaktree;
- our ability to satisfy the other conditions precedent to the issuance and sale of the senior secured notes to Oaktree;
- our ability to refinance or redeem our corporate debt, including the Senior Secured Term Loan, the 6.375% senior unsecured notes due 2021, and the 8.375% senior secured second lien notes due 2022;
- our ability to obtain regulatory approvals and satisfy the closing conditions under the Transaction Agreement relating to our mortgage servicing right (MSR) joint venture with Oaktree and the timing for doing so;
- our ability to deploy the proceeds of the senior secured notes, if issued to Oaktree, in suitable investments at appropriate returns;
- the extent to which the MSR joint venture (if and when closed), other recent transactions and our enterprise sales initiatives will generate additional subservicing volume;
- 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;
- 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 continue to grow our lending business and increase our lending volumes in a competitive market and uncertain interest rate environment;
- uncertainty related to our long-term relationship and remaining agreements with New Residential Investment Corp. (NRZ), our largest servicing client;
- 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);
- 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;

- our ability to comply with the terms of our settlements with regulatory agencies and the costs of doing so;
- 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;
- 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;
- our ability to interpret correctly and comply with 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, and the requirements of, 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 information technology or other security systems or breach of our 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;
- the loss of the services of our senior managers and key employees;
- 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;
- our ability to effectively transform our operations in response to changing business needs, including our ability to do so without unanticipated adverse tax consequences;
- 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 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 headquartered in West Palm Beach, Florida with offices and operations in the U.S., in the United States Virgin Islands, in India and the Philippines. At December 31, 2020, approximately 70% 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).

As of December 31, 2020, our public shareholders collectively held 8,536,869 shares or 98.3% of our common stock.

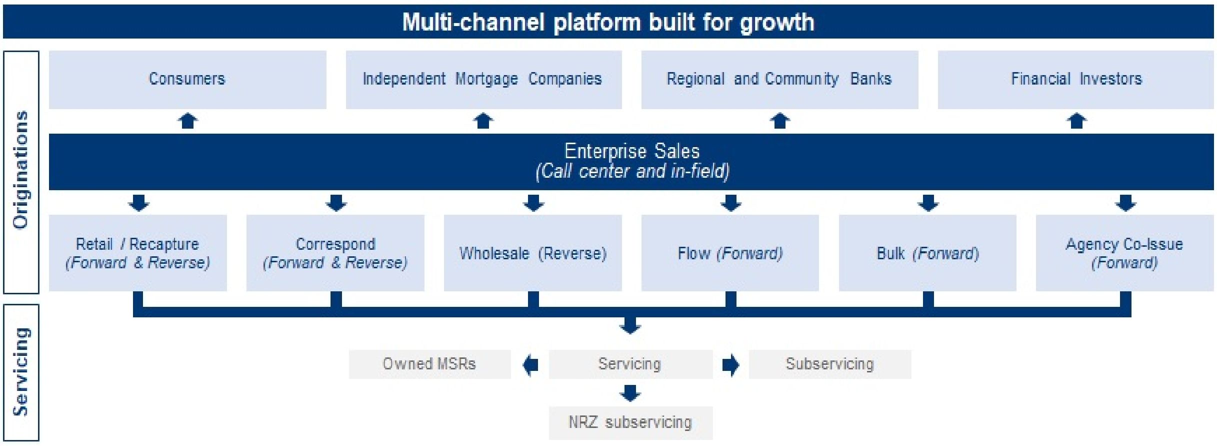
BUSINESS MODEL AND SEGMENTS

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 better balanced and more diversified business. We seek to create value for shareholders through growth, operational efficiency and high quality operational execution. Our core competencies revolve around our Servicing business and we aggressively pursue growth of our servicing portfolio through origination and purchase of servicing volume from multiple sources.

Our servicing portfolio is comprised of three components with different economics - our owned MSRs, our subservicing portfolio, and the NRZ servicing portfolio. 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 subservicing portfolio generates a relatively more stable source of revenue. While subservicing fees are relatively lower, we do not incur any significant capital utilization or funding of advances. Our NRZ servicing portfolio is effectively a subservicing relationship - See New Residential Investment Corp. Relationship. 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, in a relatively seamless manner to subservicing clients and investors.

Our growth strategy is built on our relationships with borrowers, lenders and other market participants. We develop these relationships to grow our existing owned MSR portfolio, or develop new subservicing arrangements. 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.

The chart below summarizes our current business model:



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 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. As of December 31, 2020, our residential servicing portfolio consisted of 1,107,582 loans with an unpaid principal balance (UPB) of $188.8 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 servicer, are required to advance to, or on behalf of, our servicing clients 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. The costs incurred 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 (previously Lending) 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 a 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 (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 GSE Cash Window programs and bulk MSR purchases.

In 2020, our Originations business originated or purchased forward and reverse mortgage loans with a UPB of $7.0 billion and $941.6 million, respectively. Per-loan margins vary by channel, with correspondent typically being the lowest margin and retail the highest. As part of our internal management reporting we renamed the Lending segment as Originations effective in the first quarter 2020, without any other changes to our operating and reporting segments. In addition, effective with the fourth quarter of 2020, we report the results of Reverse Servicing within the Servicing segment (previously within Originations), to align with the change in the management of the business and change in the internal management reporting. Historical segment information has been recast to conform to the current segment structure.

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 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 GSE Cash Window programs and bulk MSR purchases. The GSE 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 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 GSE Cash Window programs.

REGULATION

Our business is subject to extensive oversight and regulation by federal, state and local governmental authorities, including the CFPB, HUD and various state agencies that license and conduct examinations of our loan servicing, origination and collection 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 the policies, procedures and practices of our loan servicing, origination and collection activities. The GSEs and their conservator, the Federal Housing Finance Authority (FHFA), Ginnie Mae, the United States Treasury Department, various investors, non-Agency securitization trustees and others also subject us to periodic reviews and audits.

In the current regulatory environment, we have faced and expect to continue to face heightened regulatory and public scrutiny as an organization as well as stricter and more comprehensive regulation of the entire mortgage sector. We continue to work diligently to assess and understand the implications of the regulatory environment in which we operate and to meet the requirements of this constantly changing environment. 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 laws including, among others, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA), the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Telephone Consumer Protection 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 statutes apply to many facets of our business, including loan origination, default servicing and collections, use of credit reports, safeguarding of non-public personally identifiable information about our customers, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features, and mandate certain disclosures and notices to borrowers. These requirements can and do change as statutes and regulations are enacted, promulgated, amended, interpreted and enforced.

In recent years, the general trend among federal, state and local lawmakers and regulators has been toward increasing laws, regulations and investigative proceedings 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. We also believe there has been a shift among certain regulators towards a broader view of the scope of regulatory oversight responsibilities with respect to mortgage lenders and servicers. In addition to their traditional focus on licensing and examination matters, certain regulators have begun to 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. In 2016, the CFPB issued a special edition supervision report that stressed the need for mortgage servicers to assess and make necessary improvements to their information technology systems to ensure compliance with the CFPB's mortgage servicing requirements. In October 2020 and December 2020, respectively, the CFPB issued final rules revising Regulation F, which implements the Fair Debt Collection Practices Act and which will take effect on November 30, 2021. In December 2020, the CFPB issued two final rules which will become effective on March 1, 2021, one of which amended the definition of a general qualified mortgage loan under Regulation Z and the other of which created a new category of "seasoned" qualified mortgages. The New York Department of Financial Services (NY DFS) also issued Cybersecurity Requirements for Financial Services Companies, which took effect in 2017, and which required banks, insurance companies, and other financial services institutions regulated by the NY DFS to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State's financial services industry. Likewise, the NY DFS has directed New York-regulated depository and non-depository institutions, insurers and pension funds to submit their plans for managing the risks relating to the likely discontinuation of LIBOR. Similarly, the California Consumer Privacy Act, which was enacted in 2018 and became effective on January 1, 2020, created new consumer rights relating to the access to, deletion of, and sharing of personal information. In November 2020, California voters approved Proposition 24, thereby enacting the California Privacy Rights Act, which creates additional privacy protections above and beyond the California Consumer Privacy Act, most of which will take effect on January 1, 2023. 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.

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. In addition, we receive information requests and other inquiries, both formal and informal in nature, from our state regulators as part of their general regulatory oversight of our servicing and lending businesses. We also 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. 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 October 2020, we announced that we had reached an agreement to resolve a lawsuit filed in April 2017 by the Florida Attorney General and the State of Florida Office of Financial Regulation regarding certain legacy servicing activities. Pursuant to that agreement, Ocwen was required to pay the State of Florida $5.16 million within 60 days of the Court entering the final consent judgment between the parties. Ocwen then has an additional two years to provide debt forgiveness totaling at least $1.0 million to certain Florida borrowers. If Ocwen is unable to do so by the completion of the two-year period, it will owe the State of Florida an additional $1.0 million. We anticipate that we will be able to satisfy the debt forgiveness obligation and therefore do not presently anticipate that the additional $1.0 million payment will be required. In addition, Ocwen agreed to certain late fee waivers, a targeted loan modification program for certain eligible Florida borrowers, and certain non-monetary reporting and handling obligations. Ocwen did not admit any fault or liability as part of the settlement. Ocwen satisfied the monetary portions of the settlement in December 2020. Although we believe we had strong defenses to all of Florida's claims, this was an opportunity to resolve one of Ocwen's remaining significant legacy matters, and to do so without incurring further expense in preparing for trial.
- In addition, we have previously settled state regulatory actions against us by 29 states and the District of Columbia 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 entered into regulatory settlements with the NY DFS and the California Department of Business Oversight (CA DBO) 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, and will continue to incur significant costs to comply with the terms of the settlements into which we have entered. In addition, the restrictions imposed under these settlements have significantly impacted how we run our business and will continue to do so.

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, employment, safety, taxes and insurance and laws and regulations that govern the creation, continuation and the winding up of companies as well as the relationships between shareholders, our corporate entities, the public and the government in these countries.

COMPETITION

The financial services markets in which we operate are highly competitive and fragmented. 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 banks, such as Wells Fargo, JPMorgan Chase, Bank of America and Citibank, large non-bank servicers such as Mr. Cooper and PennyMac Loan Services, market disruptors such as Quicken Loans and Loan Depot who are aggressively investing in the digital transformation of their business platforms, and real estate investment trusts, including New Residential Investment Corp.

In the servicing industry, we compete based on price, quality and risk appetite. 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 lower cost to service non-performing loans and our deep know-how as a long-time operator of servicing loans. Notwithstanding these strengths, we have suffered reputational damage as a result of our 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 the lending industry, 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. In addition, 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. We believe our competitive strengths flow from our existing customer relationships and from our focus on providing strong customer service.

The reverse lending market faces many of the same competitive pressures as the forward market. In addition, 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 our competitive advantage flows from the long tenure of Liberty Home Equity Solutions, Inc. (Liberty) in the industry (Liberty began operations in 2004 and we currently operate under the brand name Liberty Reverse Mortgage), which provides us with significant experience and contributes to our 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		
	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	Average	RMS3
Ratings Outlook	N/A	Stable	Negative
Date of last action	August 29, 2019	December 27, 2019	March 24, 2020

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

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 if we fall below their desired servicer ratings.

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.

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 10 — Rights to MSRs.

NRZ is our largest servicing client, accounting for $67.1 billion of UPB or 36% of the UPB of our total servicing portfolio as of December 31, 2020, approximately 62% of all delinquent loans that Ocwen serviced, and approximately 30% of our total servicing and subservicing fees in 2020, net of servicing fees remitted to NRZ (excluding ancillary income). Through April 2020, we have benefited from the amortization of $334.2 million deferred upfront lump-sum cash payments that we received from NRZ in 2017 and 2018 when we renegotiated certain aspects of the legacy Ocwen agreements. We recognized other income of $34.2 million and $95.1 million due to the amortization of these lump sum payments in 2020 and 2019, respectively.

On February 20, 2020, we received a notice of termination from NRZ with respect to the legacy PMC subservicing agreement. This termination was for convenience and not for cause, and provided for loan deboarding fees to be paid by NRZ. We continued to service these loans until deboarding on October 1, 2020. A total of 270,218 loans were deboarded representing $34.3 billion of UPB.

The legacy Ocwen agreements 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. The termination fee is calculated as specified in the Ocwen agreements, 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. After the initial term, these agreements can be renewed for three-month terms at NRZ’s option. 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.

In the ordinary course, we regularly 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. It is possible that NRZ could exercise its rights to early terminate for convenience some or all of the legacy Ocwen servicing agreements. In addition, the agreements may not be renewed in 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 early 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 and title services, among other things. This agreement expires August 31, 2025 and includes renewal provisions. Ocwen and Altisource have also entered into a Master Services Agreement pursuant to which Altisource currently provides title services to Ocwen for reverse mortgage loans. Ocwen also has a General Referral Fee Agreement with Altisource pursuant to which Ocwen receives referral fees which are paid out of the commission that would otherwise be paid to Altisource as the selling broker in connection with real estate sales services provided by Altisource. However, for MSRs that transferred to NRZ, as well as those subject to our Rights to MSRs agreements with NRZ, we are not entitled to REO referral commissions.

In February 2019, Ocwen and Altisource signed a Binding Term Sheet, which among other things, confirmed Altisource’s cooperation with the deboarding of loans from Altisource’s REALServicing servicing system to Black Knight MSP. The

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

Certain services provided by Altisource under these agreements are charged to the borrower and/or mortgage loan investor. Accordingly, such services, while derived from our loan servicing portfolio, are not reported as expenses by Ocwen. These services include residential property valuation, residential property preservation and inspection services, title services and real estate sales-related services.

OAKTREE RELATIONSHIP

We have recently established a strategic alliance with Oaktree Capital Management L.P. and certain of its affiliates and managed investment vehicles (collectively Oaktree) that we expect will 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 to support a comprehensive refinancing at the corporate level and our growth.

On December 21, 2020, we entered into a transaction agreement with Oaktree to form a joint venture for the purpose of investing in GSE MSRs that PMC will subservice. Oaktree and Ocwen will hold 85% and 15% of the venture, respectively, and have agreed to invest equity up to $250 million over three years. The closing of the transaction is expected to occur in the first half of 2021. Upon closing, Ocwen also agreed to issue to Oaktree up to 4.9% of Ocwen's then outstanding common stock at a price of $23.15 per share, and to issue to Oaktree warrants to purchase additional common stock equal to 3% of Ocwen's then outstanding common stock at a purchase price of $24.31 per share, subject to anti-dilution adjustments.

On February 9, 2021, we executed an agreement with Oaktree to issue to Oaktree in a private placement $285 million of Ocwen senior secured notes in two separate tranches. The initial tranche of $199.5 million senior secured notes is subject to certain conditions, including, but not limited to, the contemporaneous consummation by Ocwen or one of its subsidiaries of an additional debt financing not to exceed $450 million. The additional $85.5 million tranche is also subject to certain conditions, including, but not limited to, the closing of the MSR joint venture with Oaktree. Upon issuance of the initial tranche of senior secured notes, Ocwen agreed to issue to Oaktree warrants to purchase common stock equal to 12.0% of Ocwen's then outstanding common stock at an exercise price of $26.82 per share, subject to anti-dilution adjustments.

The net proceeds before expenses from the issuance to Oaktree of the initial tranche of senior secured notes and the warrants will be $175.0 million (after $24.5 million of original issue discount) and are expected to be 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 will be approximately $75.0 million (after $10.5 million of original issue discount) and are expected to be 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.

There can be no assurance that the conditions to the issuance to Oaktree of the senior secured notes will be met, or that any additional debt financing will be consummated. See the Liquidity and Capital Resources section of Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Note 25 – Commitments, and Note 28 — Subsequent Events 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 support our three segments, including a Servicing call center for customer call 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 plan to 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*: Delight Our Customers with Exceptional Service
- *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 5,000 employees at December 31, 2020. At December 31, 2020, approximately 1,500 of our employees were employed in the U.S. and USVI, and approximately 3,500 of our employees were employed in our operations in India and the Philippines. Of our foreign-based employees, more than 70% were engaged in our Servicing operations as of December 31, 2020. Ocwen currently operates through a secure remote workforce model for approximately 98% 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, ensuring our culture enables employees to consistently demonstrate our company values. Important attributes of our human capital strategy include:

Diversity and Inclusion (D&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. D&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 the Company 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 Company.
- *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, 2020, 44% of our employees globally are women, and 36% of our U.S. leadership roles (Director and above) are filled by women. 59% of our U.S. employees are women and 45% are people of color. Our affinity groups like the Ocwen Global Women's Network (OGWN) and mentoring programs, when coupled with a culture of appreciation, help provide a comprehensive ecosystem for diversity to flourish.

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 81% 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 2020, our voluntary turnover was 15.4%. 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.

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 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 Governance (ESG) Practices

We are committed to conducting our business in a way that is mindful of our environmental impact, our impacts on homeowners, our employees and the communities in which we operate, and the highest standards of corporate governance.

Environmental Impact. In December 2020, we announced we remain committed to a primarily remote post-COVID-19 working model that will result in less than one-third of employees commuting to work on a daily basis, significantly reducing the use of natural resources in our facilities and reducing carbon emissions by eliminating a daily commute for thousands of our employees. We recycle office supplies at all U.S. facilities, are converting to LED lighting, and are in the process of transforming to digital mailrooms to reduce paper usage.

Social Responsibility. Ocwen participates in a variety of community outreach and homeowner assistance programs and events with local and national organizations around the country. We remain focused on areas still suffering the effects of the 2008 housing crisis as well those impacted by COVID-19. Since the onset of the pandemic, we implemented a virtual borrower outreach program in partnership with the NAACP and our Community Advisory Council to support borrowers impacted by COVID-19, with 40 borrower outreach events completed in 2020. In addition to giving back to our communities through corporate-level donations, our employee Corporate Social Responsibility group volunteers plan events focused on giving back to our local communities.

Corporate Governance. We ensure all employees, including members of management, are fully trained in and continuously comply with our robust governance policies, including our code of business conduct and ethics, insider trading prevention policy, anti-money laundering program, "Suspicious Activity Report" filing requirements, fraud risk management policy, whistleblower protections, and vendor audit procedures. With the exception of our Chief Executive Officer, our Board of Directors is fully independent of management, and all directors are re-elected annually. In addition to a committee structure that fully meets the governance requirements of the New York Stock Exchange (NYSE), our Board of Directors includes a Risk and Compliance Committee to oversee Ocwen's risk management, compliance management, information security and privacy programs.

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. Within the time period required by the SEC and the New York Stock Exchange, we will post on our website any amendment to or waiver of the Code of Ethics for Senior Financial Officers, as well as any amendment to the Code of Business Conduct and Ethics or waiver thereto applicable to any executive officer or director. We may post information that is important to investors on our website. The information provided on our website is not part of this report and is, therefore, not incorporated herein by reference.

ITEM 1A. RISK FACTORS

An investment in our common stock involves significant risk. We describe below the most significant 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. You should also consider the information set forth above under "Forward Looking Statements." 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 some of the important 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 or results.

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 consummate the transactions we have entered into with Oaktree, including the private placement of senior secured notes and the MSR asset vehicle transaction
- Inability to consummate the additional debt funding that is a condition of the Oaktree debt investment on favorable terms or at all
- Inability to execute our strategic plan to return to 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
- Inability to fund our tail commitments, securitize our Home Equity Conversion Mortgages (HECM or reverse mortgage loans) or fund our Home Equity Conversion Mortgage-Backed Securities (HMBS) repurchase obligations
- Failure to satisfy minimum net worth and liquidity requirements established by regulators, GSEs, Ginnie Mae, lenders, or other counterparties
- Inability to appropriately manage liquidity, interest rate and foreign currency exchange risks, including ineffective hedging strategies
- 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
- Failure to adequately update our technology systems and processes, and interruption or delay in our operations due to cybersecurity breaches or system failures

- Adverse changes in political or economic stability or government policies in India, the Philippines or the U.S. Virgin Islands (USVI)
- Disruption in our operations, including in India, the Philippines, the USVI and Florida, resulting from 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
- Changes in the method of determining LIBOR, or its replacement with an alternative reference rate

Tax Risks

- 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

General Risks - 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 and local 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 profitability.

We must comply with a large number of federal, state and local consumer protection laws including, among others, the Dodd-Frank Act, the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, RESPA, TILA, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Equal Credit Opportunity Act, as well as individual state licensing and foreclosure laws and federal and local bankruptcy rules. These statutes apply to many facets of our business, including loan origination, default servicing and collections, use of credit reports, safeguarding of non-public personally identifiable information about our customers, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features, and mandate certain disclosures and notices to borrowers. These requirements can and do change as statutes 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.

Our actual 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 lawmakers and regulators has been toward increasing laws, regulations and investigative proceedings 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 originations continues to evolve. Individual states, including New York and California, have also been active, as have other regulatory organizations such as the MMC. We also believe there has been a shift among certain regulators towards a broader view of the scope of regulatory oversight responsibilities with respect to mortgage originators and servicers. In addition to their traditional focus on licensing and examination matters, certain regulators have begun to make observations, recommendations or demands with respect to such areas 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 likely discontinuation of LIBOR and communications from debt collectors and the ability of borrowers to repay mortgage loans. In 2016, the CFPB issued a special edition supervision report that stressed the need for mortgage servicers to assess and make necessary improvements to their information technology systems in order to ensure compliance with the CFPB’s mortgage servicing requirements. See Business - Regulation for a description of recent rules issued by the CFPB and NY DFS and recent legislation adopted in California.

Presently, a level of heightened uncertainty exists with respect to the future of regulation of mortgage lending and servicing, including the future of the Dodd Frank Act and CFPB. 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 Dodd Frank Act or 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, with which we are engaged to attempt to resolve certain concerns relating to our mortgage servicing practices, 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. On March 27, 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 are being issued by states, agencies and regulators. These requirements vary across jurisdiction, may conflict in some circumstances, and 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. If the COVID-19 pandemic is prolonged or intensifies due to the emergence of additional viral strains or otherwise, it may lead to 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. 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.

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, 2020. 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. We entered into agreements with all 29 states plus the District of Columbia to resolve these regulatory actions. These agreements generally contained the Multi-State Common Settlement Terms.

In addition, Ocwen entered into settlements with certain states, including on October 15, 2020, with the Florida Attorney General and the Florida Office of Financial Regulation, on different or additional terms, which include making additional communications with and for borrowers, certain restrictions, certain review, reporting and remediation obligations, and requirements to make certain monetary payments.

We have incurred and will continue to incur, 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.

Certain of the state regulators’ cease and desist orders referenced a confidential supervisory memorandum of understanding (MOU) that we entered into with the 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.

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. To the extent PMC does not comply with the terms of the servicing standards, the MMC or state attorneys general could take regulatory action against us, including imposing fines or penalties or otherwise restricting our business activities.

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

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, 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 recent years, we have also entered into significant settlements with the NY DFS, the CA DBO, and the 2013 Ocwen National Mortgage Settlement. These settlements involved payments of significant monetary amounts, monitoring by third-party firms for which we were financially responsible and other restrictions on our business. For example, we recognized $177.5 million in third-party monitoring costs alone relating to these settlements between 2014 and 2017. 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 have begun to 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. For example, our January 2015 consent order with the CA DBO arose out of an alleged failure to respond adequately to requests from the CA DBO as part of a routine regulatory examination. 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 will need to devote, significant resources to establishing 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.

As a participant in the now ended HAMP program, we are subject to review by SIGTARP, which could adversely affect our business, reputation, and financial condition.

A significant portion of Ocwen's loan modifications in recent years have been in connection with the now ended HAMP program. SIGTARP has indicated that it is assessing potential unlawful conduct by servicers in the HAMP program. In May 2017, we received a subpoena from SIGTARP requesting various documents and information relating to Ocwen's participation in the HAMP program, and we have been providing documents and information in response to that subpoena. If SIGTARP were to allege breaches of the HAMP program, such allegations could be referred to the enforcement authorities within the Department of the Treasury or the Department of Justice and if such enforcement authorities elected to take action against Ocwen, it could adversely affect our business, reputation and financial condition, regardless of the outcome of any such enforcement action.

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 predatory 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. For example, as previously disclosed, in 2016, two of our foreign subsidiaries entered into a Consent Order with the Washington State Department of Financial Institutions relating to the activities of those entities in Washington State under the Washington Consumer Loan Act. 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

We may be unable to consummate our previously announced transactions with Oaktree.

On February 10, 2021, we announced that we entered an agreement with Oaktree to issue $285 million principal amount of Senior Secured Notes, in two separate tranches. See Note 28 – Subsequent Events. Closing of the first tranche is subject to conditions including, but not limited to, the contemporaneous consummation by us or one of our subsidiaries of an additional debt financing of up to $450 million. Conditions to the closing of the second tranche include, among others, the closing of the MSR joint venture with affiliates of Oaktree, which joint venture transaction is also subject to closing conditions, including regulatory approvals. See Note 25 — Commitments, Oaktree MAV Transaction. Our ability to consummate the additional debt financing, whether on favorable terms or at all, depends on factors outside our control, including market and interest rate conditions, the financial condition of our potential lenders, and perceptions by third parties of Ocwen or our industry, and cannot be guaranteed. Similarly, our receipt of regulatory approvals relating to the MSR joint venture cannot be guaranteed. If we cannot meet the conditions to the issuance and sale of one or both tranches of the Oaktree notes, it could adversely impact our financial condition, liquidity and results of operations. These adverse impacts could be compounded by reputational damage and negative publicity which could result from a failure to close, which could impair our ability to access sources of liquidity on acceptable terms, worsen the perception of Ocwen by counterparties, and materially adversely affect our ability to execute on our business plan.

Our strategic plan to return to 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 have significantly eroded stockholders' equity and weakened our financial condition. We have 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. See Management's Discussion and Analysis of Financial Condition and Results of Operations-Overview-Business Initiatives.

There can be no assurance that we will successfully execute on these initiatives, or that even if we do 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, 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;
- corporate credit and servicer ratings from rating agencies; and
- 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.

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 one-, two- and three-year revolving periods. At December 31, 2020, we had $581.3 million outstanding under these facilities. The revolving periods for variable funding notes with a total maximum borrowing capacity of $320.0 million end in June 2021.

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 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, 2020, we had $451.7 million outstanding under these warehouse financing arrangements, all under agreements maturing in 2021.

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 commitments and had total capacity of $250.0 million and $125.0 million and borrowed amounts of $210.8 million and $112.0 million, respectively at December 31, 2020. The PLS MSR financing was issued as an amortizing note structure to capital markets investors with an initial principal amount of $100.0 million. The Fannie Mae/Freddie Mac and Ginnie Mae facilities terminate in June 2021 and December 2021, respectively and the PLS MSR facility matures in November 2024. MSR financing structures have become more common in recent years and investor appetite has evolved in both the bank and capital markets. As a result, MSR financing has become a lower cost funding alternative to corporate loans and bonds. Despite these positive developments, MSR financing is not as readily available as secured match funded facilities for servicing advances and whole loans via warehouse facilities. In addition, MSR financing may require a higher level of issuer scrutiny despite being principally an asset-based financing structure.

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 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, monitoring and reporting obligations and restrictions on our ability to engage in various activities, including but not limited to incurring additional debt, paying dividends, repurchasing or redeeming capital stock, transferring assets or making loans, investments or acquisitions. 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 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. We have been incurring losses for the last five years, which has eroded our net worth. In addition, we must structure our business so each subsidiary 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, 2020. 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.

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, 2020, 82% and 72% of our consolidated total assets and liabilities are measured at fair value, respectively, on a recurring and nonrecurring basis, 96% 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 economic hedges that we have entered into in order to limit MSR fair value change exposure may include instruments that require margin, thereby leading to liquidity distributions 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, 2020, we had total advances of $828.2 million. We are also exposed to interest rate risk because a portion of our advance financing and other outstanding debt at December 31, 2020 is at variable rates. Rising interest rates may increase our interest expense. Earnings on float balances partially offset these higher funding costs. At December 31, 2020, we had no interest rate swaps in place to hedge our exposure to rising interest rates in our servicing activities.

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. As a result, the valuation assumptions for MSRs are highly correlated to changes across the yield curve. 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. Beginning in September 2019, we implemented a hedging strategy using economic hedges (derivatives that do not qualify as hedges for accounting purposes) to partially offset the changes in fair value of our MSRs due to interest rate changes. 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 lending business, we are subject to interest rate and 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 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. Our interest rate exposure on our pipeline had previously been economically hedged with freestanding derivatives such as forward contracts. Beginning in September 2019, this exposure is no longer individually hedged, but rather used as an offset to our MSR fair value exposure and managed as part of our MSR hedging strategy described above.

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, we cannot assure you that our risk management policies and procedures will 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 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 the Company. 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.

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.

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 36% of the UPB in our servicing portfolio as of December 31, 2020. 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 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 that provide NRZ with the termination or transfer rights described above, our business, financial condition, results of operations would be significantly impacted if NRZ exercised all or a significant portion of these rights. If this were to occur, 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, which would likely be a complex and expensive undertaking. Such a restructuring of our operations could divert management attention and financial resources required to execute on other strategic objectives, which could delay or prevent our growth or otherwise negatively impact the execution of our plans to return to profitability. In addition, it is possible that the unwinding of all or a significant portion of our relationship 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.

More generally, if NRZ were to decline to continue doing business with us and we were unable to develop relationships with new servicing clients on a similar scale or otherwise acquire sufficient replacement servicing, our business, liquidity, results of operations and financial condition could be materially and adversely affected. In addition, if NRZ were to take actions to limit or terminate our relationship, that could impact perceptions of other servicing clients, lenders, GSEs, regulators or others, which could cause them to take actions that materially and adversely impact our business, liquidity, results of operations and financial condition.

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, 2020, such servicing advances made by NRZ were approximately $575.9 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 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 mail over 2 million letters, 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 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, for a number of key services.

We use the Black Knight MSP servicing system pursuant to a seven-year agreement with Black Knight, 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.

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.

Disagreements with vendors, service providers or other contractual counterparties could materially and adversely affect our business, financing activities, financial condition or results of operations.

We rely on services provided by Black Knight, Altisource and other vendors 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. 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.

In February 2019, Ocwen and Altisource signed a Binding Term Sheet, which among other things, confirmed Altisource's cooperation with the de-boarding of loans from Altisource's REALServicing servicing system to Black Knight's MSP servicing system. In addition, Ocwen and Altisource entered into a letter agreement confirming that, except in relation to Ocwen's transfer off of the REALServicing technology beginning in February 2019 or termination of the REALServicing statement of work, each party reserves its rights and remedies in the event of any disputes between them. While the Binding Term Sheet does not restrict Ocwen's rights to sell MSRs in any way, the letter agreement specifically includes a reservation of each party's rights to assert damage claims against the other party regarding such transactions including any transfer by Ocwen to NRZ (or its affiliates) or any third party of the rights to designate a vendor. Ocwen does not believe its agreements with Altisource restrict Ocwen's rights to sell MSRs or restrict Ocwen from allowing an owner of MSRs, or owner of the economics thereto, the right to designate vendors. As such, Ocwen believes any asserted claims by Altisource against Ocwen arising from Ocwen's sale of MSRs or related to the rights to designate a vendor to a third party, would be without merit and we have so informed Altisource. However, if Altisource were to assert such claims against us, such disputes could cause us to incur costs, divert the attention of management, and potentially disrupt our operations which rely on Altisource-provided services, regardless of whether such claims were ultimately resolved in our favor.

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, we cannot assure that future incidents will not so impact us.

Security breaches, computer viruses, cyberattacks, 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 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 3,100, or 62%, of our employees as of December 31, 2020 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 3,100, or 62%, of our employees as of December 31, 2020 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. 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. Consequently, the occurrence of severe weather events in the future could have a significant adverse effect on our business and results of operations.

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 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, 2020, we had outstanding representation and warranty repurchase demands of $41.2 million UPB (250 loans).

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.

If we are unable to fund our tail commitments or securitize our HECM loans (including tails), this could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We have originated and continue to service HECM loans under which the borrower has additional undrawn borrowing capacity in the form of undrawn lines of credit. We are obligated to fund future borrowings drawn on that capacity. As of December 31, 2020, our commitment to fund additional borrowing capacity was $2.0 billion. In addition, we are required to pay mortgage insurance premiums on behalf of HECM borrowers. We normally fund these obligations on a short-term basis using our cash resources, and regularly securitize these amounts (along with our servicing fees) through the issuance of tails. In January 2021, we renewed our $50.0 million revolving credit facility to fund HECM tail advances. However, to the extent our funding commitments exceed our borrowing capacity under this facility, or if we are unable to renew this 364-day facility on acceptable terms, we will be dependent on our cash resources to meet these commitments. If our cash resources are insufficient to fund these amounts and we are unable to fund them through the securitization of such tails, this could have a material adverse effect on our business, financial condition, liquidity 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.

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.

A significant portion of our business is in the states of California, Florida, Texas, New York and Illinois, 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, Florida, Texas, New York and Illinois. 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.

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, it now appears that the relevant date may be 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 potential deferral, the LIBOR administrator has advised that no new contracts using U.S. dollar LIBOR should be entered into after December 31, 2021. 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.

Increased reporting on corporate responsibility, specifically related to environmental, social and governance (ESG) matters, may impose additional costs and expose us to new risks if we are perceived to lag behind our peers.

Public ESG and sustainability reporting is becoming more broadly expected by investors, shareholders and other third parties. Certain organizations that provide corporate governance and other corporate risk information to investors and shareholders have developed, and others may in the future develop, scores and ratings to evaluate companies and investment funds based upon ESG or "sustainability" metrics. Many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company's ESG or sustainability scores as a reputational or other factor in making an investment decision. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with such company to improve ESG disclosure or performance and may also make voting decisions, or take other actions, to hold these companies and their boards of directors accountable. Board diversity is an ESG topic that is, in particular, receiving heightened attention by investors, shareholders, lawmakers and listing exchanges. Certain states have passed laws requiring companies to meet certain gender and ethnic diversity requirements on their boards of directors. We may face reputational damage in the event our corporate responsibility initiatives or objectives do not meet the standards set by our investors, shareholders, lawmakers, listing exchanges or other constituencies, or if we are unable to achieve an acceptable ESG or sustainability rating from third party rating services. A low ESG or sustainability rating by a third-party rating service could also result in the exclusion of our common stock from consideration by certain investors who may elect to invest with our competition instead. Ongoing focus on corporate responsibility matters by investors and other parties as described above may impose additional costs or expose us to new risks.

Tax Risks

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, 2020, Ocwen had U.S. federal and USVI net operating loss (NOL) carryforwards of approximately $191.2 million, which we estimate to be worth approximately $40.0 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, 2020, Ocwen had state NOL and state tax credit carryforwards which we estimate to be worth approximately $67.3 million, and foreign tax credit carryforwards of $0.1 million in the U.S. jurisdiction. As of December 31, 2020, Ocwen had disallowed interest under Section 163(j) of $92.8 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 2020 between $4.65 per share and $31.03 per share, retroactively adjusted for the effect of the 1-for-15 reverse stock split completed in August 2020, and the closing stock price on February 16, 2021 was $28.98 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 “Risk Factors” and “Forward-Looking Statements.”

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. Further, if the average closing price of our stock over thirty consecutive trading days were to fall below $1.00, as it did during the second quarter of 2020, we would need to take immediate steps to avoid de-listing by the New York Stock Exchange. Such measures could cause us to incur substantial costs and divert management attention, and could include implementing a reverse stock split such as we implemented in August 2020, which would entail additional risk, and success in preventing de-listing would not be assured.

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

Based on SEC filings, certain shareholders, such as investors Deer Park Road Management Company, LP and Leon G. Cooperman, own or control significant amounts of our common stock. These and our other 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 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 U.S. Virgin Islands, India and the Philippines, all of which are leased. The following table sets forth information relating to our principal facilities at December 31, 2020:

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
Rancho Cordova, California (2)	Leased	53,107
Houston, Texas (3)	Leased	9,653
St. Croix, USVI (4)	Leased	6,096
Offshore facilities (4)		
Bangalore, India (5)	Leased	128,606
Mumbai, India (6)	Leased	96,696
Pune, India (7)	Leased	44,328
Manila, Philippines	Leased	39,329
Former operations and support offices no longer utilized		
Westampton, New Jersey (8)	Leased	71,164
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 124,795 square feet as a result of the reduction in headcount in 2019, and ceased using an additional 119,132 square feet in 2020. The second building has 107,774 square feet of space, all of which is subleased.
(2) Primarily supports reverse lending operations. We have provided a termination notice to surrender this facility by June 2021. We are in the process of identifying a smaller facility in California.
(3) Primarily supports commercial and reverse servicing operations.
(4) Primarily supports servicing operations.
(5) We have provided a termination notice to surrender 41,373 square feet of the space by May 2021.
(6) We have provided a termination notice to surrender this facility by June 2021. We will be relocating to a managed service office with less capacity effective June 2021.
(7) We have provided a termination notice to surrender this facility by March 2021. We will be relocating to a managed service office with less capacity effective February 2021.
(8) Former PHH facility is currently subleased until the lease expires in December 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. As part of our reengineering initiatives, we abandoned 153,844 and 398,057 square feet in 2020 and 2019, respectively - refer to Note 3 — Severance and Restructuring Charges to our consolidated financial statements.

ITEM 3. LEGAL PROCEEDINGS

See Note 24 — Regulatory Requirements and Note 26 — Contingencies to the Consolidated Financial Statements. 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

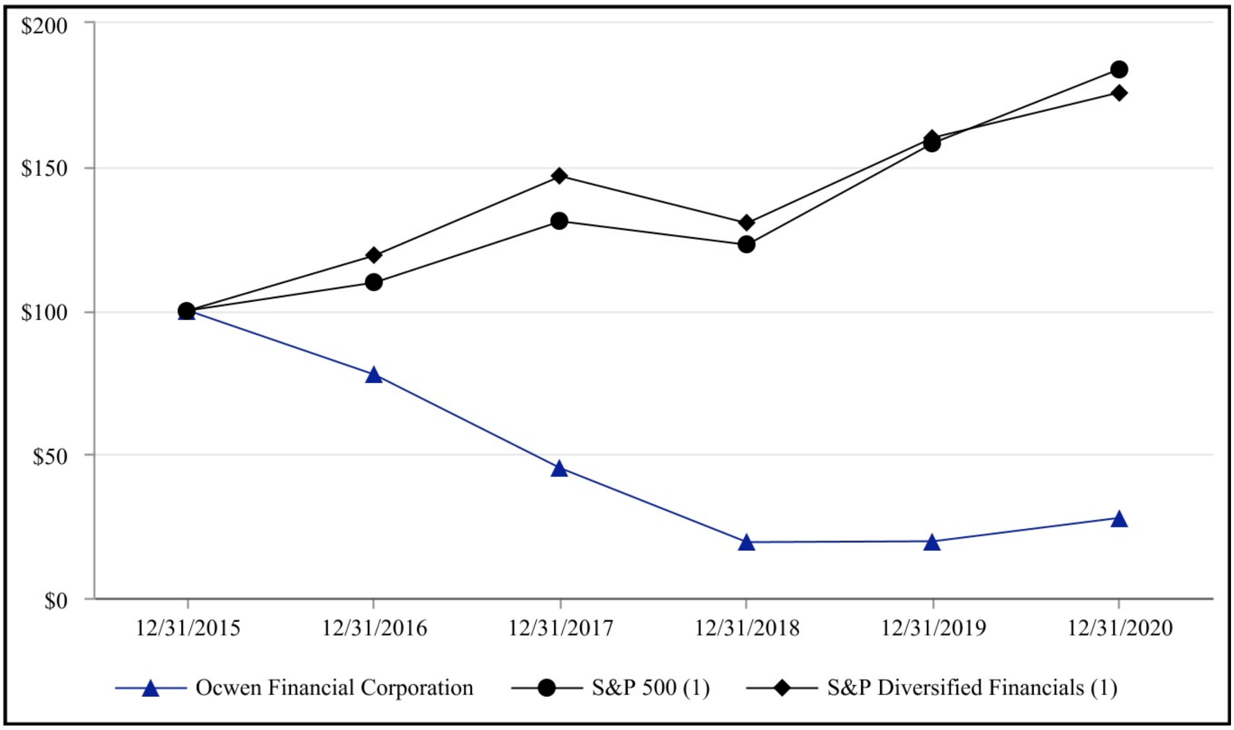
The common stock of Ocwen Financial Corporation is traded under the symbol “OCN” on the NYSE.

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, 2015, 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, 2015 and the reinvestment of all dividends.



Index	Period Ending					
	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Ocwen Financial Corporation	$ 100.00	$ 77.67	$ 45.10	$ 19.31	$ 19.74	$ 27.77
S&P 500	$ 100.00	$ 109.54	$ 130.81	$ 122.65	$ 158.07	$ 183.77
S&P 500 Diversified Financials	$ 100.00	$ 118.83	$ 146.55	$ 130.39	$ 160.18	$ 175.84

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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 16, 2021, 8,687,750 shares of our common stock were outstanding and held by approximately 59 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 have been previously reported.

Purchases of Equity Securities by the Issuer and Affiliates

On February 3, 2020, Ocwen's Board of Directors authorized an open market share repurchase program for an aggregate amount of up to $5.0 million of Ocwen's issued and outstanding shares of common stock. Ocwen purchased $4.5 million of shares prior to the program's termination on February 3, 2021.

Information regarding repurchases of our common stock during 2020 is as follows:

Period	Total number of shares purchased (1)	Average price paid per share (1) (2)	Total number of shares purchased as part of a publicly announced repurchase program (1)	Approximate dollar value of shares that may yet be purchased under the repurchase program
January 1 - January 31	—	$ —	—	$ 5.0 million
February 1 - February 29	—	$ —	—	$ 5.0 million
March 1 - March 31	377,484	$ 11.8995	377,484	$ 0.5 million

(1) Adjusted retroactively to give effect to the 1-for-15 reverse stock split which became effective on August 13, 2020.
(2) Price paid per share does not reflect payment of commissions totaling $0.1 million.

We did not repurchase any shares of our common stock under this program subsequent to the first quarter of 2020 through the termination date.

ITEM 6. SELECTED FINANCIAL DATA (Dollars in millions, except per share data and unless otherwise indicated)

The selected historical consolidated financial information set forth below should be read in conjunction with Business, Management's Discussion and Analysis of Financial Condition and Results of Operations, our Consolidated Financial Statements and the Notes to the Consolidated Financial Statements. The historical financial information presented may not be indicative of our future performance.

	December 31, 2020	2019	2018	2017	2016
Selected Balance Sheet Data					
Total Assets	$ 10,651.1	$ 10,406.2	$ 9,394.2	$ 8,403.2	$ 7,655.7
Loans held for sale	$ 387.8	$ 275.3	$ 242.6	$ 238.4	$ 314.0
Loans held for investment	7,006.9	6,292.9	5,498.7	4,715.8	3,565.7
Advances, net	828.2	1,056.5	1,186.7	1,356.4	1,709.8
Mortgage servicing rights	1,294.8	1,486.4	1,457.1	1,008.8	1,043.0
Total Liabilities	$ 10,235.8	$ 9,994.2	$ 8,839.5	$ 7,856.3	$ 7,000.4
HMBS-related borrowings	$ 6,772.7	$ 6,063.4	$ 5,380.4	$ 4,601.6	$ 3,433.8
Other financing liabilities	576.7	972.6	1,062.1	520.9	497.9
Advance match funded liabilities	581.3	679.1	778.3	998.6	1,281.0
Long-term other secured borrowings	545.6	511.3	632.7	704.1	799.5
Total equity	$ 415.4	$ 412.0	$ 554.7	$ 546.9	$ 655.3
Residential Loans and Real Estate Serviced or Subserviced for Others					
Count	1,107,582	1,419,943	1,562,238	1,221,695	1,393,766
UPB (in billions)	$ 188.8	$ 212.4	$ 256.0	$ 179.4	$ 209.1

	For the Years Ended December 31,				
	2020	2019	2018	2017	2016
Selected Results of Operations Data					
Revenue					
Servicing and subservicing fees	$ 737.3	$ 975.5	$ 937.1	$ 991.6	$ 1,188.2
Gain on loans held for sale, net	137.2	38.3	37.3	57.2	51.0
Reverse mortgage revenue, net	60.7	86.3	60.2	75.5	71.7
Other revenue, net	25.6	23.3	28.4	70.3	76.2
Total revenue	960.9	1,123.4	1,063.0	1,194.6	1,387.2
MSR valuation adjustments, net	(251.9)	(120.9)	(153.5)	(53.0)	(124.0)
Operating expenses	575.7	673.9	779.0	945.7	1,099.2
Other income (expense)					
Interest expense	(109.4)	(114.1)	(103.4)	(126.9)	(178.2)
Pledged MSR liability expense	(152.3)	(372.1)	(171.7)	(236.3)	(234.4)
Bargain purchase gain (1)	—	(0.4)	64.0	—	—
Other, net	22.7	31.5	9.0	23.3	42.3
Other expense, net	(239.0)	(455.1)	(202.0)	(339.9)	(370.3)
Loss from continuing operations before income taxes	(105.7)	(126.5)	(71.5)	(144.0)	(206.4)
Income tax expense (benefit)	(65.5)	15.6	0.5	(15.5)	(7.0)
Loss from continuing operations	(40.2)	(142.1)	(72.0)	(128.5)	(199.4)
Income from discontinued operations, net of tax	—	—	1.4	—	—
Net loss	(40.2)	(142.1)	(70.6)	(128.5)	(199.4)
Net loss (income) attributable to non-controlling interests	—	—	(0.2)	0.5	(0.4)
Net loss attributable to Ocwen stockholders	$ (40.2)	$ (142.1)	$ (70.8)	$ (128.0)	$ (199.8)
Earnings (loss) per share - Basic and Diluted (2)					
Continuing operations	$ (4.59)	$ (15.86)	$ (8.10)	$ (15.10)	$ (24.17)
Discontinued operations	$ —	$ —	$ 0.16	$ —	$ —
Total attributable to Ocwen stockholders	$ (4.59)	$ (15.86)	$ (7.94)	$ (15.10)	$ (24.17)
Weighted average common shares outstanding (2)					
Basic	8,748,725	8,962,961	8,913,558	8,472,138	8,266,047
Diluted (3)	8,748,725	8,962,961	8,913,558	8,472,138	8,266,047

(1) Recognized in connection with the acquisition of PHH on October 4, 2018. See Note 2 — Business Acquisition to the Consolidated Financial Statements for additional information.

(2) In August 2020, Ocwen implemented a reverse stock split of its shares of common stock in a ratio of one-for-15. The number of shares and earnings/loss per share amounts have been retroactively adjusted for all years presented to give effect to the reverse stock split as if it occurred at the beginning of the first period presented. See Note 16 — Stockholders' Equity for additional information.

(3) For 2016 - 2020, we have excluded the effect of all dilutive or potentially dilutive shares from the computation of diluted earnings per share because of the anti-dilutive effect of our reported net loss.

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 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this Form 10-K 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, 2019.

OVERVIEW

We are a financial services company that services and originates mortgage loans. We are a leading mortgage special servicer, servicing 1,107,582 loans with a total UPB of $188.81 billion on behalf of more than 4,179 investors and 127 subservicing clients as of December 31, 2020 . 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 recapture, 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, GSE Cash Window programs, bulk MSR purchase transactions, and subservicing agreements.

We have built a multi-channel, scalable origination platform that creates sustainable sources of replenishment and growth of our servicing portfolio, as detailed in the table below. We determine our target returns for each channel, however, the channel and delivery selection is generally our clients' decision.

We selectively sourced our MSR originations and purchases and subservicing in 2020 through diversified channels, as detailed below:

	2020					2019	
$ In billions	Quarter Ended March 31st	Quarter Ended June 30th	Quarter Ended September 30th	Quarter Ended December 31st	Year Ended December 31st	Year Ended December 31st	2020 vs 2019 $ Change
Recapture (1)	$ 0.20	$ 0.32	$ 0.37	$ 0.43	$ 1.31	$ 0.66	$ 0.65
Correspondent (1)	0.51	0.66	1.93	2.59	5.69	0.49	5.20
Flow and GSE Cash Window MSR purchases (3)	1.34	2.84	4.20	6.73	15.11	0.91	14.20
Reverse originations (2)	0.23	0.21	0.23	0.27	0.94	0.73	0.21
Total	2.28	4.03	6.72	10.01	23.05	2.79	20.26
Bulk MSR purchases (3)	1.54	—	—	15.02	16.57	14.62	1.95
Total MSR additions	3.82	4.03	6.72	25.04	39.62	17.41	22.21
Subservicing additions (4)	3.14	4.59	4.43	5.08	17.24	8.68	8.56
Total servicing additions	$ 6.96	$ 8.62	$ 11.15	$ 30.11	$ 56.86	$ 26.09	$ 30.77

(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 reverse mortgage loans that have been securitized on a servicing retained basis. The loans are recognized on our consolidated balance sheets under GAAP without any separate recognition of MSRs.
(3) Represents the UPB of loans for which the MSR is purchased.
(4) Interim subservicing, excluding 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 de-boarded within the same quarter.

COVID-19 Pandemic Impact on our 2020 Financial Performance

In March 2020, the WHO categorized the Coronavirus Disease 2019 (COVID-19) as a pandemic and the COVID-19 outbreak was declared a national emergency in the U.S. The pandemic has adversely affected economic conditions since March 2020, with high levels of unemployment, and has created uncertainties about the duration and magnitude of the economic downturn. Our financial performance in 2020 has been affected by the pandemic, 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, as discussed further below. 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.

Determining the COVID-19 impact on our financial performance requires management to use judgment, including the estimation of those impacts that are directly attributable to COVID-19 factors. The below discussion includes some comparisons with the financial performance of 2019 and selected noteworthy items to isolate the impact of certain COVID-19 factors and may not be complete.

First, we recorded a $129.1 million fair value loss on our MSR portfolio in our Servicing segment due to rate and assumption updates in 2020 driven by record low interest rates fostering refinancing and voluntary prepayments, partially offset by $44.9 million gains on our MSR macro-hedge strategy.

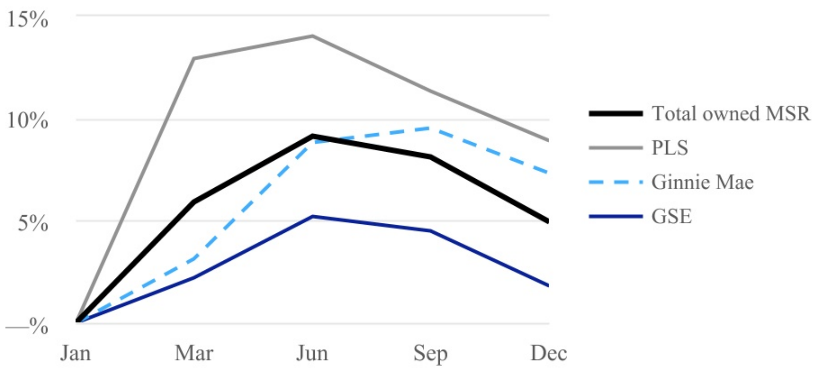
Second, the financial performance of our Servicing business was negatively affected by the loans placed under forbearance, the moratorium on foreclosures and other market conditions. We recognized $51.7 million lower ancillary income in our Servicing segment in 2020 as compared to 2019, with $37.6 million lower float earnings, lower late and collection fees, and lower deferred servicing fee collections. The CARES Act signed in March 2020 allows borrowers with federally backed mortgage loans who are affected by COVID-19 to request temporary loan forbearance, for up to 180 days if requested by the borrower. Borrowers may request an additional forbearance period of up to 180 days for FHA and VA guaranteed loans. During any period of forbearance, servicers must also provide related protection, including, but not limited to, suspension of late fees. In addition, servicers are restricted from pursuing certain foreclosure and eviction activity on all occupied, federally backed mortgage loans until at least March 31, 2021.

Although PLS loans are not explicitly covered under the CARES Act, these loans are subject to various requirements and expectations from state Governors, regulators, and Attorneys General to assist borrowers enduring financial hardship due to COVID-19 with forbearance, moratoria on foreclosure sales and evictions and other requirements, some of which apply regardless of whether the borrower has requested assistance. Ocwen provides payment relief to such borrowers in accordance with these requirements and expectations, as well as our servicing agreements. For example, we generally grant eligible borrowers an initial three months of forbearance and related protection, including suspension of late fees, as well as suspension of foreclosure and eviction activity.

Generally, borrowers are required to repay their suspended or reduced mortgage payments after the forbearance period ends unless an alternate loss mitigation solution is reached, which we anticipate will include extensions of forbearance, payment deferrals, repayment plans, and loan modifications, depending on the borrower’s situation, account status, and applicable investor guidelines. Before the completion of each period of forbearance, Ocwen attempts to contact the borrowers to assess their ability to resume making payments and discuss other options which may be available if their hardship persists.

As of December 31, 2020, we managed 81,900 loans under forbearance, 23,100 of which related to our owned MSRs (excluding NRZ), or 7.39% of our total portfolio and 4.52% of our owned MSR servicing portfolio (excluding NRZ), respectively. The number of loans under forbearance peaked at the end of the second quarter of 2020 and decreased progressively since, while remaining at an elevated level at year end as illustrated by the below chart of forbearance plans during COVID-19 for our owned MSR portfolio (excluding NRZ) by investor.

Loans Under Forbearance as a Percentage of Total Owned MSR Portfolio



Third, offsetting the above negative impact of COVID-19 on our financial performance, our Originations business generated $117.6 million incremental revenues, including $53.8 million incremental gain on loan sale from our Recapture channel. The low interest rate environment discussed above and the continued execution of our originations strategy have led to significantly increased volume in 2020. We continue to recapture, replenish and grow our owned MSR portfolio (excluding NRZ’s MSR portfolio), net of runoff and voluntary prepayments. In addition, we opportunistically purchased MSRs at a discount to fair value in the COVID-19 market conditions and recorded gains on revaluation.

We operate through a secure remote workforce model for approximately 98% of our global workforce and continue to adhere to COVID-19 health and safety-related requirements and best practices across all of our locations. While our operations have not been significantly affected, we incurred an estimated $16.4 million of additional operating expenses in 2020 due to our adjustment to the COVID-19 environment, including additional compensation, technology equipment and legal consulting fees among others, $6.3 million of which is recorded in our Servicing segment.

Looking ahead, the spread of the COVID-19 pandemic may continue. The disruption created by the pandemic and the measures being taken have given rise to elevated unemployment levels. As of today, uncertainties related to the duration and severity of the economic downturn remain, without any indications of a rapid recovery. The business disruption triggered by COVID-19 could ultimately have a material and adverse effect on our business, financial condition, liquidity or results of operations.

Business Initiatives

In 2021, we have established five key operating objectives to drive improved value for shareholders, as our near-term priority remains to return to sustainable profitability. The five objectives are focused on:

- Accelerating growth, by expanding our client base, our product offering 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.

Historical losses have significantly eroded stockholders’ equity and weakened our financial condition. With the acquisition and integration of PHH in late 2018 and 2019, we established a set of key business initiatives intended to achieve our objective of returning to sustainable profitability within an appropriate risk and compliance environment. We have successfully executed on these initiatives and achievements throughout 2020, and we believe they were the foundation for driving stronger financial performance.

These initiatives and accomplishments included the following:

2018/2019 Initiatives	Accomplishments
Expanding our Originations business to replenish and grow our servicing portfolio	We have built a multi-channel, scalable originations platform and have replenished and grown our owned servicing portfolio in 2020. We selectively acquired MSRs that meet or exceed our minimum targeted investment returns, with $16.6 billion UPB in bulk transactions and $15.1 billion UPB through our now well established participation to the GSE Cash Window programs. We successfully re-entered the forward lending correspondent channel in the second quarter of 2019 with $5.7 billion UPB in 2020. We have reduced our client concentration risk with NRZ.
Driving continuous cost improvement to maintain an industry cost competitive position	With the acquisition and integration of PHH in late 2018 and 2019, we successfully implemented cost reduction and continuous improvement initiatives, resulting in approximately $100 million lower operating expenses in 2020 as compared to 2019, and approximately $200 million as compared to 2018. Our continuous cost improvement efforts were focused on reducing operating and overhead costs through facility rationalization, optimizing strategic sourcing and actions and off-shore utilization, lean process design, simplification, automation and other technology-enabled productivity enhancements.
Effectively managing our balance sheet to ensure adequate liquidity, finance our ongoing business needs and provide a solid platform for executing on our growth initiatives	We have managed our liquidity and financing obligations through the most challenging time of the COVID-19 and have enhanced our existing balance sheet and cost of funds. For example, we have extended to May 2022 and prepaid $126.1 million on our senior secured term loan (SSTL) and reduced our OMART cost of funds. We have concluded our strategic review process and announced an expansion of our strategic alliance with Oaktree Capital to support the refinancing of our corporate debt maturing in 2021 and 2022 and to provide capital to accelerate our growth trajectory. In addition, we have established the MSR Asset Vehicle (MAV) to support the future growth of our servicing volume with the most efficient capital allocation for us.
Fulfilling our regulatory commitments and resolving remaining legacy and regulatory matters	On October 15, 2020, we resolved our legacy regulatory matter with the State of Florida Office of the Attorney General and Office of Financial Regulation. Ocwen has now resolved all state regulatory actions from April 2017. The legacy CFPB litigation matter remains pending. We have participated in mediation and settlement discussions with the CFPB, however, the parties were unable to reach a resolution of the litigation on satisfactory terms.

Operations Summary

	Years Ended December 31,			% Change	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Revenue					
Servicing and subservicing fees	$ 737.3	$ 975.5	$ 937.1	(24)%	4 %
Gain on loans held for sale, net	137.2	38.3	37.3	258	3
Reverse mortgage revenue, net	60.7	86.3	60.2	(30)	43
Other revenue, net	25.6	23.3	28.4	10	(18)
Total revenue	960.9	1,123.4	1,063.0	(14)	6
MSR valuation adjustments, net	(251.9)	(120.9)	(153.5)	108	(21)
Operating expenses					
Compensation and benefits	265.3	313.5	298.0	(15)	5
Professional services	106.9	102.6	165.6	4	(38)
Servicing and origination	77.3	109.0	131.3	(29)	(17)
Technology and communications	59.6	79.2	98.2	(25)	(19)
Occupancy and equipment	47.5	68.1	59.6	(30)	14
Other expenses	19.2	1.5	26.3	n/m	(94)
Total operating expenses	575.7	673.9	779.0	(15)	(13)
Other income (expense)					
Interest income	16.0	17.1	14.0	(6)	22
Interest expense	(109.4)	(114.1)	(103.4)	(4)	10
Pledged MSR liability expense	(152.3)	(372.1)	(171.7)	(59)	117
Gain on repurchase of senior secured notes	—	5.1	—	(100)	n/m
Bargain purchase gain	—	(0.4)	64.0	(100)	(101)
Other, net	6.7	9.3	(5.0)	(28)	(286)
Total other expense, net	(239.0)	(455.1)	(202.0)	(47)	125
Loss from continuing operations before income taxes	(105.7)	(126.5)	(71.5)	(16)	77
Income tax expense (benefit)	(65.5)	15.6	0.5	(520)	n/m
Loss from continuing operations, net of tax	(40.2)	(142.1)	(72.0)	(72)	97
Income from discontinued operations, net of tax	—	—	1.4	n/m	(100)
Net loss	(40.2)	(142.1)	(70.6)	(72)	101
Net income attributable to non-controlling interests	—	—	(0.2)	n/m	(100)
Net loss attributable to Ocwen stockholders	$ (40.2)	$ (142.1)	$ (70.8)	(72)	101
Segment income (loss) from continuing operations before taxes:					
Servicing	$ (75.8)	$ (72.7)	$ (47.1)	4 %	54 %
Lending	104.2	(12.2)	(22.7)	(954)	(46)
Corporate Items and Other	(134.1)	(41.6)	(1.7)	222	n/m
	$ (105.7)	$ (126.5)	$ (71.5)	(16)	77

n/m: not meaningful

Year Ended December 31, 2020 versus 2019

Revenue

Total revenue was $960.9 million in 2020, $162.5 million or 14% lower than 2019, mostly due to declines in servicing fee revenue and reverse mortgage revenue, offset in part by an increase in gain on loans held for sale. Servicing and subservicing fee revenue decreased $238.2 million or 24%, as compared to 2019, including a $193.3 million decline in servicing fees collected on behalf of NRZ, primarily due to a lower serviced UPB as a result of run-off and an increase in non-paying forbearance loans as a result of the COVID-19 pandemic. The decline in servicing fees collected on behalf of NRZ is partially offset by a decline in servicing fees remitted to NRZ that are separately reported as Pledged MSR liability expense (Other expense), with a $34.5 million net decline in the NRZ servicing fee retained in 2020 as compared to 2019. The $98.9 million increase in gain on loans held for sale is mostly due to the increase in forward loan production, from both our correspondent channel that we re-started in the second quarter of 2019 and our recapture channel, fueled by industry-wide refinance activity. Reverse mortgage revenue, net decreased $25.6 million, or 30%, as compared to 2019, largely due to the change in our accounting policy related to tails. Tails include accrued interest and insurance premiums on loans together with the commitments to fund borrower draws that we regularly securitize. We recorded a $31.2 million gain on tails upon their funding and securitization in 2019 and nil in 2020 due to our fair value election. We recorded $24.7 million lower fair value gains on our securitized reverse mortgage portfolio and HMBS related borrowings and $28.5 million higher origination gain in 2020.

MSR Valuation Adjustments, Net

We reported a $251.9 million loss in MSR valuation adjustments, net in 2020, driven by a $173.3 million portfolio runoff and a $106.2 million loss due to the decline in interest rates, partially offset by $27.5 million favorable fair value gain from our MSR hedging strategy. The $131.0 million additional loss in 2020 as compared to 2019 is primarily due to a $116.3 million additional loss on the NRZ pledged MSR and $14.7 million additional loss on our owned MSRs. The $116.3 million additional loss on the NRZ pledged MSR is offset by an additional gain recorded as MSR pledged liability expense, and was mostly due to a $147.1 million favorable assumption update recorded in 2019, partially offset by a lower runoff on the NRZ MSR. The lower runoff is driven by the derecognition of MSRs in February 2020 with the termination of the PMC agreement by NRZ. The $14.7 million additional loss on our owned MSR is driven by lower interest rates in 2020 with increased runoff and fair value losses due to rates, partially offset by the effects of our MSR hedging strategy implemented in September 2019, and the revaluation gains of MSR opportunistically purchased at a discount to fair value due to the COVID-19 distressed environment.

Compensation and Benefits

Compensation and benefits expense decreased $48.2 million, or 15%, as compared to 2019, largely due to cost re-engineering initiatives and the scaling of our workforce to our volumes. Servicing compensation and benefits decreased by $30.4 million, mostly due to a 16% decline in average total Ocwen headcount and an increase in our offshore-to-total headcount ratio from 67% to 72%, driving down our average compensation cost. Originations compensation and benefits increased by $18.4 million, mostly due to additional commissions and incentive compensation and additional headcount to accompany our record production levels in 2020. We reduced our average Corporate headcount by 19% globally, driving down base compensation by $14.3 million in 2020 as compared to 2019. We also recognized $35.7 million of compensation and benefits costs during 2019 in connection with our 2019 cost re-engineering plan, as compared to $9.7 million in 2020 related to our 2020 re-engineering initiatives. We recorded $6.7 million additional compensation expenses related to COVID-19 in 2020.

Servicing and Origination Expense

Servicing and origination expense decreased $31.7 million, or 29%, as compared to 2019 primarily due to a $32.8 million decrease in servicing expenses. This decline was largely the result of a reduction in government-insured claim loss provisions and a general decline in servicer-related expenses that was primarily driven by a reduction in our servicing portfolio. The reduction in government-insured claim loss provisions is due to the combined effect of a decline in claim volumes, partially due to COVID-19, and lower loss severity, mostly driven by a reduction in the foreclosure and liquidation timeline of loans. The government-insured claim loss provisions recorded in 2019 included claims of a legacy portfolio with higher severity loans. Government-insured claim loss provisions are generally offset by changes in the fair value of the corresponding MSRs, which are recorded in MSR valuation adjustments, net. The decrease is also attributable to $9.1 million improved advance recoveries, which decreased loss severity rates used in the computation of advance reserves, and the recovery of $3.1 million of expenses in connection with a settlement from a mortgage insurer as well as a $6.8 million release of indemnification reserves related to such settlement.

Other Operating Expenses

Professional services expense increased $4.2 million, or 4%, as compared to 2019 primarily due to the $34.7 million recovery in 2019 of prior expenses from service providers and a mortgage insurer, offset by a $21.4 million decline in legal fees for settlements and defense, and a $6.4 million decline in other professional fees. The decline in legal fees was largely the result of the recovery of $8.0 million prior expenses in connection with a settlement from a mortgage insurer, and a general decline in accruals for expenses related to litigation matters in 2020. Other professional services expense decreased in 2020 as a result of the expenses incurred in 2019 relating to the PHH integration and legal entity reorganization, partially offset by $5.1 million of COVID-19 related expenses in 2020.

Technology and communication expense decreased $19.6 million, or 25%, as compared to 2019 primarily because we no longer license the REALServicing servicing system from Altisource following our transition to Black Knight MSP in June 2019. Our expenses decreased as a result of other factors, including a decline in capitalized technology investments, our closure of U.S. facilities in 2019 and the effects of our other cost reduction efforts, which include bringing technology services in-house and re-engineering initiatives. Depreciation expense decreased $5.0 million as compared to 2019. Technology and communication expenses in 2020 included $3.1 million of COVID-19 related expenses.

Occupancy and equipment expense decreased $20.6 million, or 30%, as compared to 2019, primarily due to the results of our cost reduction efforts, which include consolidating vendors and closing and consolidating certain facilities, and the effect of the decline in the size of the servicing portfolio on various expenses such as postage and mailing services. We partially abandoned two of our leased properties and decided to vacate other leased properties prior to the contractual maturity date of the lease agreements resulting in the recognition of facility-related costs totaling $6.0 million, as compared to $6.6 million of similar costs recognized in 2019 in connection with our decision to vacate other leased properties. Depreciation expense, postage and mailing costs, rent expense and interest on lease liabilities declined $7.8 million, $3.9 million, $3.8 million and $1.9 million, respectively, as compared to 2019. Occupancy and equipment expense in 2020 included $1.4 million of COVID-19 related expenses.

Other expenses increased $17.7 million as compared to 2019 primarily due to a $14.4 million provision release in 2019 for indemnification obligations that was largely the result of favorable updates to default, defect and severity assumptions relative to historical performance, and a $7.2 million expense recovery recorded in 2019 in connection with a settlement with a mortgage insurer, partially offset by $2.8 million lower travel expenses in 2020 due to COVID-19.

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 have 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. In 2019, we incurred a total of $65.0 million PHH integration and re-engineering costs, including $10.1 million facility-related expenses, $35.7 million severance, retention and other employee-related costs and $19.1 million Professional services costs.

Other Income (Loss)

Pledged MSR liability expense decreased $219.8 million as compared to 2019, mostly due to a $116.3 million favorable fair value change and a $158.8 million decline in servicing fee remittance. The decline in net servicing fee remittance to NRZ was driven by the runoff of the portfolio and the termination of the PMC agreement by NRZ in February 2020, which also reduced the servicing fees collected on behalf of NRZ. Partially offsetting the decrease in Pledged MSR liability expense was $60.9 million lower amortization gain of the lump sum payment received from NRZ in 2017 and 2018, as the amortization ended in April 2020.

Income Tax Benefit (Expense)

Although we incurred a pre-tax loss for 2020 of $105.7 million, we recorded an income tax benefit of $65.5 million primarily due to $64.0 million of estimated income tax benefit to be recognized under the CARES Act as a result of 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). We collected $51.4 million in 2020, which represents the tax refund associated with the NOLs generated in 2018 carried back to prior tax years.

Our overall effective tax rates for 2020 and 2019 were 62.0% and (12.4)%, respectively. Under our transfer pricing agreements, our operations in India and Philippines are compensated on a cost-plus basis for the services they provide, such that even when we have a consolidated pre-tax loss from operations these foreign operations have taxable income, which is subject to statutory tax rates in these jurisdictions that are significantly higher than the U.S. statutory rate of 21%.

Financial Condition Summary

	December 31,			
	2020	2019	$ Change	% Change
Cash and cash equivalents	$ 284.8	$ 428.3	$ (143.5)	(34)%
Restricted cash	72.5	64.0	8.5	13
MSRs, at fair value	1,294.8	1,486.4	(191.6)	(13)
Advances, net	828.2	1,056.5	(228.3)	(22)
Loans held for sale	387.8	275.3	112.5	41
Loans held for investment, at fair value	7,006.9	6,292.9	714.0	11
Receivables	187.7	201.2	(13.5)	(7)
Other assets	588.4	601.5	(13.1)	(2)
Total assets	$ 10,651.1	$ 10,406.2	$ 244.9	2 %
Total Assets by Segment				
Servicing	$ 9,847.6	$ 9,580.5	$ 267.1	3 %
Originations	379.2	257.4	121.8	47
Corporate Items and Other	424.3	568.3	(144.0)	(25)
	$ 10,651.1	$ 10,406.2	$ 244.9	2 %
HMBS-related borrowings, at fair value	$ 6,772.7	$ 6,063.4	$ 709.3	12
Advance match funded liabilities	581.3	679.1	(97.8)	(14)
Other financing liabilities, at fair value	576.7	972.6	(395.9)	(41)
SSTL and other secured borrowings, net	1,069.2	1,025.8	43.4	4
Senior notes, net	311.9	311.1	0.8	—
Other liabilities	924.0	942.2	(18.2)	(2)
Total liabilities	10,235.8	9,994.2	241.6	2
Total stockholders' equity	415.4	412.0	3.4	1
Total liabilities and equity	$ 10,651.1	$ 10,406.2	$ 245.0	2 %
Total Liabilities by Segment				
Servicing	$ 9,163.5	$ 8,945.1	$ 218.4	2 %
Originations	428.5	264.1	164.4	62
Corporate Items and Other	643.7	785.0	(141.3)	(18)
	$ 10,235.8	9,994.2	$ 241.5	2 %
Book value per share (1)	$ 47.81	$ 45.83	$ 1.98	4 %

(1) The Common shares outstanding were retroactively adjusted for the effect of the 1-for-15 reverse stock split completed in August 2020.

Total assets increased by $244.9 million, or 2%, between December 31, 2019 and December 31, 2020 with multiple offsetting changes within our asset categories. First, our total assets increased with an additional $714.0 million loans held for investment, or 11%, mostly due to the continued growth of our reverse mortgage business. Second, the $112.5 million increase in our loans held for sale portfolio is mostly due to higher production volumes. Third, our cash balance decreased by $126.1 million to prepay a portion of the outstanding SSTL balance on January 27, 2020. Fourth, the MSR portfolio decreased by $191.6 million or 13%, due to the $263.7 million derecognition of MSRs in February 2020 upon termination by NRZ of the PMC subservicing agreement, a $251.9 million MSR valuation loss due to the decline in interest rates, mostly recognized in the first quarter of 2020 due to the distressed COVID-19 market conditions, partially offset by our MSR replenishment. Fifth, servicing advances declined $228.3 million due to significant payoff activity and a decline in the non-performing loans in our servicing portfolio by $2.2 billion in UPB, replaced by newer-production performing loans for which our advances are lower.

Total liabilities increased $241.6 million, or 2%, with similar effects as described above. First, our HMBS-related borrowings increased by $709.3 million due to the continued growth of our reverse mortgage business and its securitization. Second, borrowings under our mortgage warehouse facilities and MSR financing facilities increased $186.0 million, offset in part by our $126.1 million prepayment of the SSTL on January 27, 2020. Third, the $395.9 million decline in Other financing liabilities is mostly due to the $263.7 million derecognition of NRZ pledged MSR liability in February 2020 upon termination of the PMC subservicing agreement, and MSR valuation adjustments due to interest rates. Fourth, advance match funded liabilities decreased $97.8 million consistent with the decline in servicing advances.

Total equity increased $3.4 million during 2020 mostly due to a $47.0 million adjustment to stockholders' equity on January 1, 2020 as a result of our election to measure future reverse mortgage draw commitments at fair value in conjunction with the application of the new credit loss accounting standard, offset by the $40.2 million net loss for 2020, and our repurchase of shares of our common stock during the first quarter.

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.

Effective with the fourth quarter of 2020, we report the results of Reverse Servicing in the Servicing segment. Historically, the Reverse Servicing business was included in the reported results of the Originations segment. This realignment of our business segments is consistent with a change in our internal management reporting to the chief operating decision maker and the management of the business and risks. Segment results for 2019 and 2018 have been recast to conform to the current segment structure. Reverse Servicing generated Revenue and Income before income taxes of $63.4 million and $53.0 million, respectively, in 2019. For 2018, Revenue and Income before income taxes were $41.7 million and $33.8 million, respectively. Reverse Servicing assets consist primarily of securitized Loans held for investment - Reverse Mortgages, at fair value.

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 delinquency status. As of December 31, 2020, we serviced 1.1 million mortgage loans with an aggregate UPB of $188.8 billion. The average UPB of loans serviced during 2020 declined by 15% or $33.8 billion compared to 2019, mostly due to termination of the PMC agreement by NRZ and deboarding of the loans by October 1, 2020, and portfolio runoff, net of newly originated and purchased MSRs.

We are actively pursuing actions to manage the size of our servicing portfolio through expanding our originations business and selectively purchasing MSRs based on our capital availability that are prudent and well-executed with appropriate financial return targets. We closed MSR purchases with $31.7 billion UPB during 2020. We expect to continue to focus on acquiring Agency and government-insured MSR portfolios that meet or exceed our minimum targeted investment returns. We re-entered the forward lending correspondent channel in the second quarter of 2019 to support the growth of our MSR portfolio and we continue to pursue a number of other MSR purchase options, including driving improved recapture rates within our existing servicing portfolio. We acquired new subservicing in the fourth quarter of 2020 through our enterprise sales. We entered into a subservicing agreement with a new subservicing client that we expect to amount to $13 billion of UPB. In addition, we entered into an agreement with Oaktree to launch an MSR joint-venture, or MAV, where PMC would subservice the loans. Both agreements are expected to generate new subservicing volume in 2021.

NRZ is our largest subservicing client, accounting for 36% and 45% of the UPB and loan count in our servicing portfolio as of December 31, 2020, respectively, and approximately 62% of all delinquent loans that Ocwen serviced. NRZ servicing fees retained by Ocwen represented approximately 30% and 36% of the total servicing and subservicing fees earned by Ocwen, net of servicing fees remitted to NRZ, for 2020 and 2019, respectively (excluding ancillary income). Consistent with a subservicing relationship, NRZ is responsible for funding the advances we service for NRZ. On February 20, 2020, we received a notice of termination from NRZ with respect to the PMC MSR Agreements, and all loans were deboarded by October 1, 2020. This termination was for convenience and not for cause.

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).

Our MSR portfolio is carried at fair value, with changes in fair value recorded in MSR valuation adjustments, net. The value of our MSRs is typically correlated to changes in interest rates; as interest rates decrease, the value of the servicing portfolio typically decreases as a result of higher anticipated prepayment speeds. 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 15 years, exhibiting little response to movements in market interest rates. Valuation is also impacted by loan delinquency rates whereby as delinquency rates rise, the value of the servicing portfolio declines.

For those MSR sale transactions with NRZ that do not achieve sale accounting treatment, we present on a gross basis the pledged MSR as an asset and the corresponding liability amount pledged MSR liability on our balance sheet. Similarly, we present the total servicing fees and the fair value changes related to the MSR sale transactions with NRZ within Servicing and subservicing fees, net and MSR valuation adjustment, net. Net servicing fee remittance to NRZ and the fair value changes of the pledged MSR liability are separately presented within Pledged MSR liability expense and are offset by the two corresponding amounts presented in other statement of operations line items. We record both our pledged MSRs and the associated MSR liability at fair value, the changes in fair value of the pledged MSR liability were offset by the changes in fair value of the associated MSRs pledged, presented in MSR valuation adjustments, net.

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 $169.2 million at December 31, 2020, of which $131.8 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. To the extent we are unable to process a high volume of transactions consistently and systematically, the cost of our servicing activities increases and has a negative impact on our operating results. To the extent we are unable to complete servicing activities in accordance with the requirements of our servicing agreements, we may incur additional costs or fail to recover otherwise reimbursable costs and advances.

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 incur significant costs to finance those advances. 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 normal 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 beginning in 2020. Segment results for 2019 and 2018 have been recast to conform to the current segment presentation. 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 $2.0 billion at December 31, 2020. 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 fair value changes include the contractual interest income earned on securitized reverse mortgage loans, net of interest expense on HMBS-related borrowings, and the change in fair value of these assets and liabilities. The fair value of reverse mortgage loans held for investment includes gains on future tails as a result of our fair value elections. Tails are participations in previously securitized HECMs and are created by additions to principal for borrower draws on lines-of-credit (scheduled and unscheduled), interest, servicing fees, and mortgage insurance premiums.

The fair value of our 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 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	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Revenue					
Servicing and subservicing fees:					
Residential	$ 727.7	$ 970.3	$ 930.0	(25)%	4 %
Commercial	3.5	3.8	5.5	(8)	(31)
	731.2	974.2	935.5	(25)	4
Gain on loans held for sale, net	14.7	5.4	6.0	172	(10)
Reverse mortgage revenue, net	7.6	63.5	44.1	(88)	44
Other revenue, net	4.2	5.4	7.3	(22)	(25)
Total revenue	757.7	1,048.5	992.9	(28)	6
MSR valuation adjustments, net	(276.3)	(120.9)	(153.5)	129	(21)
Operating expenses					
Compensation and benefits	113.6	144.0	154.5	(21)	(7)
Servicing and origination	68.4	101.3	114.6	(32)	(12)
Professional services	28.1	42.2	53.6	(33)	(21)
Occupancy and equipment	31.0	44.3	42.6	(30)	4
Technology and communications	25.2	32.6	45.6	(23)	(28)
Corporate overhead allocations	61.0	197.9	211.7	(69)	(7)
Other expenses	4.5	(14.3)	5.9	(131)	(342)
Total operating expenses	331.9	548.0	628.6	(39)	(13)
Other income (expense)					
Interest income	7.1	10.1	7.1	(30)	42
Interest expense	(90.7)	(102.5)	(90.8)	(12)	13
Pledged MSR liability expense	(152.5)	(372.2)	(172.3)	(59)	116
Gain on sale of MSRs, net	—	0.5	1.3	(100)	(66)
Other, net	10.8	11.8	(3.2)	(8)	(469)
Total other expense, net	(225.3)	(452.3)	(257.9)	(50)	75
Loss from continuing operations before income taxes	$ (75.8)	$ (72.7)	$ (47.1)	4 %	54 %

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

	2020	2019	2018	% Change 2020 vs. 2019	% Change 2019 vs. 2018
Residential Assets Serviced at December 31					
Unpaid principal balance (UPB) in billions:					
Performing loans (1)	$ 177.6	$ 198.9	$ 243.4	(11)%	(18)%
Non-performing loans	10.3	11.2	10.4	(8)	8
Non-performing real estate	0.9	2.2	2.2	(59)	—
Total	$ 188.8	$ 212.4	$ 256.0	(11)	(17)
Conventional loans (2)	$ 77.0	$ 95.3	$ 127.1	(19)%	(25)%
Government-insured loans	34.8	30.1	27.7	16	9
Non-Agency loans	77.0	87.0	101.3	(11)	(14)
Total	$ 188.8	$ 212.4	$ 256.0	(11)	(17)
Servicing portfolio (5)	$ 97.4	$ 76.7	$ 72.4	27 %	6 %
Subservicing portfolio	24.3	17.1	53.1	42	(68)
NRZ (3) (6)	67.1	118.6	130.5	(43)	(9)
	$ 188.8	$ 212.4	$ 256.0	(11)	(17)
Prepayment speed (CPR) (4)					
12-month % Voluntary CPR	15 %	11 %	11 %	36 %	— %
12-month % Involuntary CPR	2	2	2	—	—
Total 12-month % CPR	20	16	13	25	23
Number (in 000's):					
Performing loans (1)	1,048.7	1,344.9	1,499.0	(22)%	(10)%
Non-performing loans	52.2	60.7	52.3	(14)	16
Non-performing real estate	6.7	14.3	11.0	(53)	30
Total	1,107.6	1,419.9	1,562.2	(22)	(9)
Conventional loans (2)	349.6	607.9	677.9	(42)%	(10)%
Government-insured loans	201.9	185.1	182.6	9	1
Non-Agency loans	556.1	627.0	701.7	(11)	(11)
Total	1,107.6	1,419.9	1,562.2	(22)	(9)
Servicing portfolio	511.6	472.8	455.7	8 %	4 %
Subservicing portfolio	96.3	77.3	155.6	25	(50)
NRZ (3)	499.6	869.9	951.0	(43)	(9)
	1,107.6	1,419.9	1,562.2	(22)	(9)

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, 2020 include 89,458 prime loans with a UPB of $16.1 billion which we service or subservice. This compares to 111,246 prime loans with a UPB of $20.4 billion at December 31, 2019. Prime loans are generally good credit quality loans that meet GSE underwriting standards.
(3) Loans serviced or subserviced pursuant to our agreements with NRZ.

(4) Average CPR includes voluntary and involuntary prepayments and scheduled principal amortization (not reflected in the above table).
(5) Includes $6.7 billion UPB of reverse mortgage loans that are recognized in our consolidated balance sheet at December 31, 2020.
(6) Includes $3.1 billion UPB of subserviced loans at December 31, 2020.

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

							% Change	
		2020		2019		2018	2020 vs. 2019	2019 vs. 2018
Reverse Mortgage Loans at December 31								
Unpaid principal balance (UPB) in millions:								
Loans held for investment (1)	$	6,299.6	$	5,658.3	$	4,985.0	11 %	14 %
Active Buyouts (2)		28.4		10.2		2.4	178	325
Inactive Buyouts (2)		60.9		26.4		15.7	131	68
Total	$	6,389.0	$	5,694.9	$	5,003.1	12	14
Inactive buyouts % to total		0.95 %		0.46 %		0.31 %	107	48
Future draw commitments (UBP) in millions:		2,044.4		1,937.4		1,426.8	6	36
Fair value in millions:								
Loans held for investment (1)	$	6,872.3	$	6,120.9	$	5,446.8	12	12
HMBS related borrowings		6,772.7		6,063.4		5,380.4	12	13
Net asset value	$	99.6	$	57.5	$	66.4	73	(13)
Future Value (3)	$	—	$	47.0	$	68.1	(100)	(31)

Securitized loans only; excludes unsecuritized loans as reported within the Originations segment.
Buyouts are reported as Loans held for sale, Accounts Receivable or REO depending on the loan and foreclosure status.
Future Value represented the unrecognized net present value of estimated future cash flows from customer draws of the reverse mortgage loans (tails) and projected performance assumptions based on historical experience and industry benchmarks discounted at 12% related to HECM loans originated prior to January 1, 2019. On January 1, 2020, we made an irrevocable election to account for tails at fair value and recognized the $47.0 million Future Value through stockholders' equity. Excludes the fair value of future draw commitments related to HECM loans purchased or originated after December 31, 2018 that we elected to carry at fair value.

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

	December 31, 2020				December 31, 2019			
Advances by investor type	**Principal and Interest**	**Taxes and Insurance**	**Foreclosures, bankruptcy, REO and other**	**Total**	**Principal and Interest**	**Taxes and Insurance**	**Foreclosures, bankruptcy, REO and other**	**Total**
Conventional	$ 4	$ 30	$ 5	$ 38	$ 4	$ 20	$ 27	$ 51
Government-insured	1	55	28	84	—	47	26	73
Non-Agency	272	279	155	705	410	354	168	932
Total, net	$ 277	$ 365	$ 187	$ 828	$ 415	$ 420	$ 221	$ 1,056

The following table provides the rollforward of activity of our portfolio of residential assets serviced for the years ended December 31, that includes MSR and subserviced loans:

	Amount of UPB *(in billions)*			Count *(in 000's)*		
	2020	2019	2018	2020	2019	2018
Portfolio at beginning of year	$ 212.4	$ 256.0	$ 179.4	1,419.9	1,562.2	1,221.7
Acquisition of PHH	—	—	119.3	—	—	537.2
Other portfolio additions(1)(2)	57.2	26.1	9.4	194.5	100.6	41.0
Total additions	57.2	26.1	128.7	194.5	100.6	578.2
Sales	(0.2)	(1.2)	(0.6)	(1.6)	(8.3)	(3.3)
Servicing transfers (2) (3)	(40.2)	(30.3)	(23.0)	(303.1)	(48.5)	(73.9)
Runoff	(40.3)	(38.3)	(28.5)	(202.1)	(186.0)	(160.4)
Portfolio at end of year	$ 188.8	$ 212.3	$ 256.0	1,107.6	1,420.0	1,562.3

(1) Additions include purchased MSRs on portfolios consisting of 46,794 loans with a UPB of $15.8 billion that have not yet transferred to the Black Knight MSP servicing system as of December 31, 2020. These loans are scheduled to transfer onto Black Knight MSP by April 1, 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) Excludes 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) Includes 270,218 deboarded loans with a UPB of $34.3 billion related to the termination of the subservicing agreement between NRZ and PMC on February 20, 2020. Refer to Note 10 — Rights to MSRs.

Year Ended December 31, 2020 versus 2019

Servicing and Subservicing Fees

	Years Ended December 31,			% Change	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Loan servicing and subservicing fees					
Servicing	$ 216.2	$ 227.5	$ 227.7	(5)%	— %
Subservicing	28.9	15.4	8.9	88	73
NRZ	383.7	577.0	539.0	(34)	7
Servicing and subservicing fees	628.8	820.0	775.6	(23)	6
Ancillary income	102.5	154.2	159.9	(34)	(4)
Total	$ 731.2	$ 974.2	$ 935.5	(25)	4

The 25% decline in total servicing and subservicing fees in 2020 as compared to 2019 is driven by two main factors: the reduction in fees collected on behalf of NRZ, as further discussed below, and the reduction in ancillary and float income which was mostly due to the COVID-19 environment and lower interest rates.

Servicing fees declined $11.3 million or 5% as compared to 2019. As our average volume serviced (MSRs owned) increased by 3% year-over-year, the decline in revenue is mostly due to the shortfall of servicing fee collections on loans under forbearance, and lower collection of deferred servicing fees. We do not recognize any servicing fees on GSE loans under forbearance that were not paying during the period, and have a shortfall of one month of servicing fees for PLS loans under forbearance. We typically collect deferred servicing fees upon loan liquidation and the moratorium and restrictions on foreclosures reduced our collection in 2020 as compared to 2019. The deferral of servicing fee collections due to forbearance is not expected to significantly impact our total cumulative revenue over the life of the loan but will reduce near-term revenue and cash flow. The delay in servicing fee collection is expected to be partially offset by lower runoff in our MSR portfolio, as the deferred servicing fees generally remain projected as future cash flows in the MSR valuation model.

Subservicing fees increased by $13.4 million as compared to 2019, mostly explained by the PMC subservicing agreement with NRZ. Upon notice of termination by NRZ on February 20, 2020, the servicing fees collected on behalf of NRZ net of the remittance to NRZ has been reported as subservicing fees instead of NRZ MSR servicing fees in prior periods, with $15.9 million recognized in 2020. Ocwen performed subservicing of these loans subject to termination and earned subservicing fee until loan deboarding, which occurred on September 1 and October 1, 2020.

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

	Years Ended December 31,			% Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Servicing and subservicing fee					
Servicing fee	$ 216.2	$ 227.5	$ 227.7	(5)%	— %
Average servicing fee (% of UPB)	0.28	0.30	0.32	(7)%	(6)%
Subservicing fee (1)	$ 28.9	$ 15.4	$ 8.9	88	73 %
Average monthly fee per loan (in dollars)	$ 9	$ 12	$ 14	(25)	(14)%
Residential assets serviced					
Average UPB ($ in billions):					
Servicing portfolio	$ 78.30	$ 76.14	$ 72.28	3 %	5 %
Subservicing portfolio	19.84	31.23	15.93	(36)	96 %
NRZ	100.46	125.07	104.77	(20)	19 %
Total	$ 198.60	$ 232.44	$ 192.98	(15)%	20 %
Average number (in 000's):					
Servicing portfolio	466.1	471.8	463.5	(1)%	2 %
Subservicing portfolio	268.5	106.2	53.0	153	100 %
NRZ	561.6	913.2	748.4	(39)	22 %
	1,296.2	1,491.2	1,264.9	(13)%	18 %

(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.

The NRZ servicing fee includes the servicing fee collected on behalf of NRZ relating to the MSRs sold but not derecognized from our balance sheet. Under GAAP, we present servicing fees collected and remitted on a gross basis, with the servicing fees remitted to NRZ reported as Pledged MSR liability expense. The NRZ collected fees declined by $193.3 million as compared to 2019.

The decline in the NRZ fee collection is driven by the decline in the average UPB of 20% as compared to 2019. The volume decline is mostly explained by the NRZ portfolio runoff and the derecognition of the MSRs in connection with the termination of the PMC agreement by NRZ on February 20, 2020. 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 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. See Note 10 — Rights to MSRs for further information.

NRZ Servicing and Subservicing Fees	Years Ended December 31, 2020	2019	2018
Servicing fees collected on behalf of NRZ	$ 383.7	$ 577.0	$ 539.0
Servicing fees remitted to NRZ (1)	(278.8)	(437.7)	(396.7)
Retained subservicing fees on NRZ agreements (2)	$ 104.8	$ 139.3	$ 142.3
Amortization gain of the lump-sum cash payments received (including fair value change) (1) (3)	34.2	95.1	148.9
Total retained subservicing fees and amortization gain of lump-sum payments (including fair value change)	$ 139.0	$ 234.4	$ 291.2
Average NRZ UPB (in billions) (4)	$ 100.5	$ 125.1	$ 104.8
Average retained subservicing fees as a % of NRZ UPB (excluding amortization gain of lump-sum cash payments)	0.10 %	0.11 %	0.14 %

(1) Reported within 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.
(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 10 — Rights to MSRs 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 following table presents the detail of our ancillary income:

Ancillary Income	Years Ended December 31, 2020	2019	2018	% Change 2020 vs 2019	2019 vs 2018
Late charges	$ 47.7	$ 57.2	$ 61.5	(17)%	(7)%
Custodial accounts (float earnings)	9.9	47.5	40.4	(79)	18
Loan collection fees	13.0	15.5	18.4	(16)	(16)
HAMP fees	0.6	5.5	14.3	(90)	(62)
Other	31.3	28.5	25.4	10	12
Ancillary income	$ 102.5	$ 154.2	$ 159.9	(34)%	(4)%
Number of completed modifications	28,322	25,754	39,545	10 %	(35)%
Revenue recognized in connection with loan modifications	$ 30.2	38.5	59.4	(22)	(35)

Ancillary income declined by $51.7 million, as compared to 2019 primarily due to a $37.6 million, or 79% decline in float income that was mainly due to lower interest rates. The average 1-month LIBOR rate dropped over 120 basis points as compared to 2019. The combined effect of lower servicing volume, the COVID-19 environment restricting late fees or collection fees on loans under forbearance, and lower modification fees also contributed to the decline in ancillary income. Revenue recognized in connection with loan modifications, including HAMP fees and other fees, decreased $8.3 million due to the expiration of the program.

Reverse Mortgage Revenue, Net

Reverse mortgage revenue, net is comprised of the net change in fair value of securitized loans held for investment and HMBS-related borrowings. The decline of $55.9 million, or 88%, as compared to 2019 is primarily attributable to the fair value election for future draw commitments and the unfavorable assumption updates due to the COVID-19 environment and increased prepayments.

We recorded a $31.2 million gain on tail draws upon their funding and securitization in 2019 and nil in 2020 due to our fair value election. On January 1, 2020, we elected fair value accounting for future draw commitments on HECM reverse mortgage loans purchased or originated before December 31, 2018. The fair value election resulted in the one-time recognition of $47.0 million gain through stockholders' equity on January 1, 2020. Under this accounting treatment, the fair value of tail draws is recorded together with the loan at the time of lock within the Originations segment, while any subsequent change in fair value is recorded within the Servicing segment. As such, during 2020 we did not recognize any gain on tail draws in the Servicing segment.

We recorded an additional $21.1 million fair value loss in 2020 as compared to 2019 due to unfavorable assumption updates and higher actual prepayments. The unfavorable assumption updates in 2020 were primarily related to elevated levels of projected prepayments in the market, lower tail gains and other COVID-specific updates, including higher mortality and inactive status or delinquency. We did not record any significant change in fair value of securitized loans held for investment net of HMBS-related borrowings relating to interest rates and spreads between 2019 and 2020.

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 pledged MSRs transferred to NRZ that did not achieve sale accounting treatment:

	Years Ended December 31,								
	2020			**2019**			**2018**		
	Total (1)	**Owned MSR (1)**	**Pledged MSR (2) (NRZ)**	**Total (1)**	**Owned MSR (1)**	**Pledged MSR (2) (NRZ)**	**Total (1)**	**Owned MSR (1)**	**Pledged MSR (2) (NRZ)**
Runoff	$ (173.3)	$ (109.5)	$ (63.8)	$ (215.4)	$ (102.0)	$ (113.4)	$ (159.3)	$ (82.0)	$ (77.3)
Rate and assumption change (1)	(147.9)	(129.1)	(18.8)	94.0	(53.1)	147.1	5.9	10.8	(4.9)
Hedging gain	44.9	44.9	—	0.5	0.5	—	—	—	—
Total	$ (276.3)	$ (193.7)	$ (82.6)	$ (120.9)	$ (154.6)	$ 33.8	$ (153.5)	$ (71.2)	$ (82.2)

(1) Excludes gains of $41.7 million for the year ended December 31, 2020 (nil in 2019) on the revaluation of MSRs purchased in disorderly markets, that is reported in the Originations segment.
(2) For those MSR sale transactions with NRZ that do not achieve sale accounting treatment, we present gross the pledged MSR as an asset and the corresponding liability amount pledged MSR liability on our balance sheet. Because we record both our pledged MSRs with NRZ and the associated MSR liability at fair value, the changes in fair value of the pledged MSR liability are offset by the changes in fair value of the associated pledged MSR asset, presented in MSR valuation adjustments, net. Although fair value changes are separately presented in our statement of operations, we are not exposed to any fair value changes of the MSR pledged to NRZ. See Note 10 — Rights to MSRs for further information.

We reported a $276.3 million loss in MSR valuation adjustments, net in 2020, with a $193.7 million loss on our owned MSRs and an $82.6 million loss on the MSRs transferred and pledged to NRZ.

The $193.7 million loss on our owned MSRs in 2020 is comprised of $109.5 million portfolio runoff and a $129.1 million loss due to changes in interest rates and assumptions, partially offset by a $44.9 million hedging gain. The elevated portfolio runoff is driven by high prepayments of our GSE portfolio due to historically low interest rates, with a 98 basis point decline in the 10-year swap rate during 2020, and an 81 basis-point decline in 2019. We implemented a MSR macro-hedge strategy in the fourth quarter of 2019 to partially protect us against interest rate volatility. Refer to the Market Risk sections for further detail on our hedging strategy and its effectiveness.

Ocwen replenished and grew its GSE portfolio in 2020 with total originations and purchases of $36.2 billion UPB of MSR or 66% of the GSE owned portfolio at December 31, 2020, resulting in a weighted average coupon of 3.40% as compared to 4.26% as of December 31, 2019. MSR runoff due to prepayment is generally lower with lower mortgage loan portfolio coupons. Comparatively, most of the non-Agency MSR portfolio relates to loans originated pre-2008 financial crisis and are less sensitive to interest rates. The following table provides information regarding the changes in the fair value and the UPB of our portfolio of owned MSRs during 2020, with the breakdown by investor type.

	Fair Value				UPB ($ in billions)			
	GSEs	Ginnie Mae	Non-Agency	Total	GSEs	Ginnie Mae	Non-Agency	Total
Beginning balance	$ 307.2	$ 99.0	$ 165.1	$ 571.3	$ 30.0	$ 14.4	$ 26.6	$ 71.0
Additions								
New cap.	62.0	6.7	—	68.7	6.3	0.6	—	6.9
Purchases (1)	267.0	18.8	3.1	288.9	30.0	1.6	0.4	32.0
Sales/servicing transfers	(1.3)	(0.2)	(0.1)	(1.6)	(0.2)	—	—	(0.2)
Sales/calls	—	—	—	—	(0.1)	—	—	(0.1)
Change in fair value:								
Runoff	(70.7)	(11.6)	(29.0)	(111.3)	(10.9)	(3.5)	(4.9)	(19.3)
Assumptions (2)	(56.3)	(37.3)	5.4	(88.2)	—	—	—	—
Ending balance	$ 507.9	$ 75.4	$ 144.5	**$ 727.8**	$ 55.1	$ 13.1	$ 22.1	**$ 90.3**
Fair value (% of UPB)	0.92 %	0.58 %	0.65 %	0.81 %				

(1) Includes $15.0 billion UPB of GSE MSRs purchased in bulk transactions in December 2020.
(2) Includes gains of $41.7 million on the revaluation of MSRs purchased in COVID-19 market conditions, that is reported in the Originations segment.

The $82.6 million loss on the MSRs transferred to NRZ does not affect our net income as it is offset by a corresponding $82.6 million gain on the pledged MSR liability, reported as Pledged MSR liability expense. The factors underlying the fair value loss of the NRZ Pledged MSR and its variance between 2019 and 2020 are similar to our owned MSR, discussed above, with the exception of the fair value gain due to assumptions on non-Agency MSR (NRZ pledged) reported in 2019, and the lower UPB due to the termination of the PMC servicing agreement by NRZ in February 2020.

Compensation and Benefits

	Years Ended December 31,			% Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Compensation and benefits	$ 113.6	$ 144.0	$ 154.5	(21)%	(7)%
Average Employment - Servicing					
India and other	2,880	3,360	4,097	(14)%	(18)
U.S.	730	1,158	1,128	(37)	3
Total	3,610	4,518	5,225	(20)	(14)

Compensation and benefits expense declined $30.4 million, or 21% as compared to 2019 due to our efforts to re-engineer our cost structure and align headcount in our servicing operations with the size of our servicing portfolio. Salaries and benefit expenses declined $28.6 million and $6.1 million, respectively, due to a 20% lower average servicing headcount, as compared to 2019, and the change in the composition of our headcount with relatively more offshore, and less U.S. resources. Offshore headcount, whose average compensation cost is relatively lower, increased from 74% to 80% of total headcount, compared to 2019. A $3.6 million decline in commissions also contributed to the decline in expense. Partially offsetting these declines are $1.5 million of costs related to our 2020 re-engineering initiatives, $3.0 million incremental incentive compensation and $4.2 million of compensation expenses related to COVID-19.

Servicing Expense

Servicing expense primarily includes claim losses and interest curtailments on government-insured loans and provision expense for advances and servicing representation and warranties. Servicing expense declined $32.8 million, or 32%, as compared to 2019 primarily due to a $13.0 million decrease in government-insured claim loss provisions on reinstated or modified loans and a general decline in other servicer-related expenses that was primarily driven by a 13% reduction in the average number of loans in our servicing portfolio. The reduction in government-insured claim loss provisions is due to the combined effect of a decline in claims, mostly due to the COVID-19 moratorium, and lower loss severity, mostly driven by a reduction in the foreclosure and liquidation timeline of loans. The government-insured claim loss provisions recorded in 2019 included claims of a legacy portfolio with higher severity loans. Government-insured claim loss provisions are generally offset by changes in the fair value of the corresponding MSRs, which are recorded in MSR valuation adjustments, net. The decrease is also attributable to $9.1 million improved advance recoveries, which decreased loss severity rates used in the computation of advance reserves, and the recovery of $3.1 million previously recognized as Servicing and origination expense in connection with a settlement from a mortgage insurer as well as a $6.8 million release of indemnification reserves related to such settlement.

Other Operating Expenses

Occupancy and equipment expense decreased $13.3 million, or 30% in 2020, as compared to 2019. The decrease is largely due to the effect of the decline in the size of the servicing portfolio on various direct and allocated expenses, including postage and mailing services, which declined by $4.6 million, and the decline in our overall occupancy and equipment expenses due to certain facility closures as part of the integration of PHH.

Professional services expense declined $14.0 million, or 33%, as compared to 2019 due to a $14.5 million decline in legal fees largely due to declines in legal expenses relating to the PHH integration and litigation and a decline in fees incurred in connection with the conversion of NRZ's Rights to MSRs to fully-owned MSRs. Professional services expenses in 2020 included $1.6 million of COVID-19 related expenses

Technology and communication expense declined $7.4 million, or 23%, as compared to 2019. The costs savings were driven by our servicing platform integration as we no longer license the REALServicing servicing system from Altisource following our transition to Black Knight MSP beginning in June 2019.

Corporate overhead allocations declined $136.9 million, as compared to 2019, primarily due to lower compensation and benefits, technology expenses, legal fees, and occupancy and equipment costs. The relative weight of average headcount to the consolidated organization declined as compared to 2019. Furthermore, the allocation methodology of corporate overhead was updated in the first quarter 2020 and resulted in lower expenses being allocated to the Servicing segment. Refer to the Corporate Items and Other segment discussion.

Other expenses increased $18.8 million as compared to 2019 primarily due to a lower provision for indemnification obligations in 2019 that was largely a result of the reversal of a portion of the liability for representation and warranty obligations related to favorable updates to default, defect and severity assumptions relative to historical performance. In addition, Other expenses for 2019 also includes a $7.2 million expense recovery in connection with a settlement with a mortgage insurer.

Other Income (Expense)

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

	Years Ended December 31,			% Change	
	2020	2019	2018	2020 vs 2019	2019 vs 2018
Interest Expense					
Advance match funded liabilities	$ 24.1	$ 26.9	$ 30.7	(10)%	(12)%
Other secured borrowings	21.3	11.6	6.3	84	84 %
Corporate debt interest expense allocation	38.2	54.9	49.0	(30)	12 %
Escrow and other	7.0	9.1	4.8	(23)	90 %
Total interest expense	$ 90.7	$ 102.5	$ 90.8	(12)%	13 %
Average balances					
Average balance of advances	$ 891.3	$ 1,006.3	$ 1,214.4	(11)%	(17)%
Advance match funded liabilities	603.7	671.8	737.0	(10)	(9)%
Other secured borrowings	376.2	191.5	74.6	96	157 %
Effective average interest rate					n/m
Advance match funded liabilities	4.00 %	4.00 %	4.17 %	— %	(4)%
Other secured borrowings	5.66	6.08	8.48	(7)	(28)%
Average one-month LIBOR	0.52 %	1.75 %	2.45 %	(70)%	(29)%

Interest expense declined by $11.9 million, or 12%, compared to 2019. The decline in interest expense is primarily due to the decline in the amount of debt used to fund servicing advances and other servicing assets, as reflected in the decline in the interest expense allocation from the Corporate segment. This decline was offset in part by an increase in interest expense on new MSR financing facilities entered into during the third and fourth quarters of 2019.

Pledged MSR liability expense relates to the MSR sale agreements with NRZ that do not achieve sale accounting and are presented on a gross basis in our financial statements. See Note 10 — Rights to MSRs to the Consolidated Financial Statements. Pledged MSR liability expense includes the servicing fee remittance to NRZ 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,		
	2020	2019	2018
Net servicing fee remitted to NRZ (1)	$ 278.8	$ 437.7	$ 396.7
Pledged MSR liability fair value (gain) loss (2)	(82.6)	33.8	(82.2)
2017/18 lump sum amortization gain	(34.2)	(95.1)	(148.9)
Other	(9.6)	(4.2)	6.7
Pledged MSR liability expense	$ 152.4	$ 372.2	$ 172.3

(1) Offset by corresponding amount recorded in Servicing and subservicing fee. See table below.
(2) Offset by corresponding amount recorded in MSR valuation adjustments, net. See table below.

Pledged MSR liability expense decreased $219.7 million as compared to 2019, largely due to a $116.3 million favorable fair value change and a $158.8 million decline in servicing fee remittance. Pledged MSR liability expense for 2019 included an unfavorable fair value adjustment resulting from, among other factors, an update to our MSR fair value assumptions associated with improved collateral performance and market trade activity. The decline in net servicing fee remittance to NRZ was driven by the runoff of the portfolio and the termination of the PMC agreement by NRZ in February 2020, which also reduced the servicing fees collected on behalf of NRZ. Refer to the above discussions of MSR valuation adjustments, net (Pledged MSR to NRZ) and Servicing and subservicing fee (NRZ).

Partially offsetting the decrease in Pledged MSR liability expense was $60.9 million lower amortization gain related to the lump-sum cash payments received from NRZ in 2017 and 2018. This decrease is due to the lump-sum payments being fully amortized at the end of the second quarter of 2020. Refer to the above discussion of NRZ servicing fees.

The table below reflects the condensed consolidated statement of operations together with the amounts related to the NRZ pledged MSRs that offset each other (nil impact on net income/loss). The table provides information related to the impact of the accounting for the NRZ relationship that did not achieve sale accounting treatment, and is not intended to reflect the profitability of the NRZ relationship. Net servicing fee remittance and pledged MSR fair value changes are presented on a gross basis and are offset by corresponding amounts presented in other statement of operations line items. In addition, because we record both our pledged MSRs and the associated pledged MSR liability at fair value, the changes in fair value of the pledged MSR liability were offset by the changes in fair value of the MSRs pledged, presented in MSR valuation adjustments, net. Accordingly, only the lump sum amortization gain and the amount reported in “Other” in the table above affect our net earnings.

	Years Ended December 31,					
	2020		2019		2018	
	Statement of Operations	NRZ Pledged MSR-related Amounts	Statement of Operations	NRZ Pledged MSR-related Amounts	Statement of Operations	NRZ Pledged MSR-related Amounts
Total revenue	$ 960.9	$ 278.8	$ 1,123.4	$ 437.7	$ 1,063.0	$ 396.7
MSR valuation adjustments, net	(251.9)	(82.6)	(120.9)	33.8	(153.5)	(82.2)
Total operating expenses	575.7	—	673.9	—	779.0	—
Total other expense, net	(239.0)	(196.3)	(455.1)	(471.4)	(202.0)	(314.5)
Loss before income taxes	$ (105.7)	$ —	$ (126.5)	$ —	$ (71.5)	$ —

Originations

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

We originate or purchase conventional loans (conforming to the underwriting standards of Fannie Mae or Freddie Mac; collectively referred to as Agency) and government-insured (FHA or VA) forward mortgage loans. We generally sell and securitize loans on a servicing-retained basis. 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.

Our recapture channel focuses on targeting existing Ocwen customers by offering them competitive mortgage refinance opportunities (i.e., portfolio recapture), where permitted by the governing servicing and pooling agreement. In doing so, we generate revenues for our forward lending business and protect the servicing portfolio by retaining these customers. A portion of our servicing portfolio is susceptible to refinance activity during periods of declining interest rates. Our recapture lending activity partially mitigates this risk. Origination volume and related gains are a natural economic hedge, to a certain degree, to the impact of declining MSR values as interest rates decline. Effective June 1, 2019, we no longer perform any portfolio recapture on behalf of NRZ. Previously under the terms of our agreements with NRZ, to the extent we refinanced a loan underlying the MSRs subject to these agreements, we were obligated to transfer such recaptured MSR to NRZ under the terms of a separate subservicing agreement.

We re-entered the forward lending correspondent channel in the second quarter of 2019 to drive higher servicing portfolio replenishment. We purchase closed loans from our network of correspondent sellers and sell and securitize them. As of December 31, 2020, we have client relationships with 131 approved correspondent sellers, or 85 new sellers since December 31, 2019.

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 HUD. Loans originated under this program are generally insured by the FHA, which provides investors with protection against risk of borrower default. In the second half of 2019, we started originating proprietary reverse mortgage loans that are not FHA-insured and are sold servicing-released to third parties. The financial statement impact of these non-HECM loans was negligible in 2019 and 2020. We retain the servicing rights to reverse HECM loans securitized through the Ginnie Mae HMBS program; however, the securitization program fails sale accounting such that the underlying HECM loans are not de-recognized upon securitization. The activities and financial performance related to reverse mortgage loans that are securitized (internally referred to as Reverse Servicing business) are reflected in the Servicing segment, consistent with how the activities are managed and internally reported beginning in 2020. Segment results for 2019 and 2018 have been recast to conform to the current segment presentation. See Note 23 — Business Segment Reporting for further information.

After origination, we package and sell the loans in the secondary mortgage market, through GSE and Ginnie Mae securitizations on a servicing retained basis and through whole loan transactions on a servicing released basis. Lending 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 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 reverse mortgage 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. No gain or loss is recognized upon securitization. Securitized loans are reflected within the Servicing segment.

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

We purchase MSRs through flow purchase agreements, the GSE Cash Window programs and bulk MSR purchases. The GSE 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 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 GSE Cash Window programs. As of December 31, 2020, we have client relationships with 322 sellers, including 191 MSR co-issue and flow sellers and 131 correspondent sellers.

We initially recognize our MSR origination with the associated economics in our Originations business, and subsequently transfer the MSR to our Servicing segment at fair value. 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 and we intend to grow our subservicing business through our enterprise sales. We do not report any revenue or gain associated with subservicing, as it is reported within the Servicing segment. However, sales efforts and certain costs - marginal compensation and benefits - are managed and reported within the Originations segment.

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	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Revenue					
Gain on loans held for sale, net	$ 105.2	$ 32.9	$ 31.3	220 %	5 %
Reverse mortgage revenue, net	53.1	22.9	16.1	132	42
Other revenue, net	21.0	6.0	4.5	251	33
Total revenue	179.3	61.7	52.0	191	19
MSR valuation adjustments, net	41.7	—	—	n/m	n/m
Operating expenses					
Compensation and benefits	62.2	43.8	37.4	42	17
Servicing and origination	7.2	7.0	16.4	3	(57)
Occupancy and equipment	5.4	6.4	6.0	(16)	7
Technology and communications	5.5	3.2	1.9	72	68
Professional services	9.3	1.3	1.2	615	8
Corporate overhead allocations	18.2	6.0	3.7	203	63
Other expenses	6.5	4.8	6.7	35	(28)
Total operating expenses	114.4	72.5	73.3	58	(1)
Other income (expense)					
Interest income	7.0	5.2	4.4	35	20
Interest expense	(9.8)	(7.6)	(7.3)	29	4
Other, net	0.4	0.9	1.6	(56)	(44)
Total other income (expense), net	(2.5)	(1.5)	(1.4)	67	7
Income (loss) from continuing operations before income taxes	$ 104.2	$ (12.2)	$ (22.7)	(954)	(46)

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

UPB in millions	Years Ended December 31, 2020	2019	2018	% Change 2020 vs. 2019	2019 vs. 2018
Loan Production by Channel					
Forward loans					
Correspondent	$ 5,685.5	$ 494.0	$ 0.4	n/m	n/m
Recapture	1,309.8	656.6	868.1	99	(24)
Wholesale	—	—	1.8	n/m	(100)
	$ 6,995.3	$ 1,150.6	$ 870.3	508	32
% Purchase production	20	18	4	11	350
% Refinance production	80	82	96	(2)	(15)
Reverse loans (1)					
Correspondent	$ 470.3	$ 411.6	$ 360.4	14 %	14 %
Wholesale	300.5	238.2	170.9	26	39
Retail	170.8	79.6	62.4	115	28
	$ 941.6	$ 729.4	$ 593.7	29	23
MSR Purchases by Channel (Forward only)					
GSE Cash Window / Flow MSR purchases	15,111.6	908.3	—	n/m	n/m
Bulk MSR purchases	16,566.2	14,616.7	144.3	13	n/m
	$ 31,677.8	$ 15,525.0	$ 144.3	104	n/m
Total (2)	$ 39,614.7	$ 17,405.0	$ 1,608.3	128	982
Short-term loan commitment (at year end)					
Forward loans	$ 619.7	$ 204.0	132.1	204 %	54 %
Reverse loans	11.7	28.5	18.1	(59)	57
Average Employment - Originations					
U.S.	461	387	425	19 %	(9)%
India and other	177	97	131	82	(26)
Total	638	484	556	32	(13)

(1) Loan production excludes reverse mortgage loan draws by borrowers disbursed subsequent to origination.
(2) Excludes interim subservicing.

Gain on Loans Held for Sale

The following table provides information regarding Gain on loans held for sale by channel and the related origination volume and margin:

	Years Ended December 31,		% Change
	2020	2019	2020 vs 2019
Gain on Loans Held for Sale (1)			
Correspondent	$ 18.6	$ 0.1	n/m
Recapture	86.6	32.8	164
	$ 105.2	$ 32.9	220 %
% Gain on Sale Margin (2)			
Correspondent	0.32 %	0.02 %	n/m
Recapture	5.55	5.00	11
	1.42 %	2.65 %	(46)%
Origination UPB (3)			
Correspondent	$ 5,851.1	$ 584.6	901 %
Recapture	1,560.4	655.5	138
	$ 7,411.5	$ 1,240.1	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 volume 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 $72.3 million, or 220%, as compared to 2019, mostly due to the significant increase (approximately 500%) in our loan production volume. The $5.8 billion new production volume increase in 2020 is driven by both our correspondent channel that we re-started in the second quarter of 2019 and our recapture channel. Our pipeline, or lock commitments, significantly increased in 2020 benefit from the refinance opportunities in the market driven by mortgage rate decrease to historical low levels. Both margins in the correspondent and recapture channels were higher in 2020, as compared to 2019, due to significant volatility attributed to the rate rally and COVID-19 related market disruption. The lower average gain on sale margin is mainly due to our channel mix, with an increased relative weight of our lower-margin correspondent production.

Reverse Mortgage Revenue, Net

The following table provides information regarding the 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
	2020	2019	2020 vs 2019
Origination UPB (1)	$ 915.4	$ 731.4	25 %
Origination margin (2)	5.81 %	3.12 %	86
Reverse mortgage revenue, net (Originations) (3)	$ 53.1	$ 22.9	132 %

(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 Originations gain to origination UPB - see (1) above.
(3) Includes gain on new origination, and loan fees and other.

We reported $53.1 million Reverse mortgage revenue, net in 2020, a $30.3 million or 132% increase as compared to 2019. As detailed in the above table, the increase is driven by both a volume increase and a higher average margin. The higher average margin increase is mostly driven by a change to the channel mix, in addition to market related dynamics driving margins upward in 2020 that we anticipate to abate in 2020 as margins normalize and originations mix wherein the lower margin, higher volume channels weigh down the average margin.

Other revenue, net

Other revenue, net increased $15.0 million as compared to 2019 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 the increased volume of our correspondent channel and flow MSR purchases.

MSR Valuation Adjustments, Net

MSR valuation adjustments, net includes a gain of $41.7 million in 2020 (nil in 2019) due to the revaluation gains on certain MSRs opportunistically purchased through bulk MSR purchases, the GSE Cash Window programs, and flow purchases. Due to the market dislocation created by the COVID-19 environment, we seized the opportunity to purchase certain MSRs with a purchase price at a discount to fair value. Opportunities for fair value discount or margins were larger in the early period of the pandemic and have reduced as markets start to normalize. In addition, as an aggregator of MSRs, we recognized valuation adjustments for differences in the exit markets in accordance with the accounting fair value guidance. We report such initial margin gains, including due to the revaluation to mid-point of the bid-ask spread, within the Originations segment since 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 upon closing.

Operating Expenses

Operating expenses increased $41.9 million, or 58%, as compared to 2019, primarily due to increases in our direct expenses, including an $18.4 million increase in Compensation and benefits, a $12.2 million increase in corporate overhead allocations and an $8.0 million increase in Professional services. Certain expenses are variable, and as a result, as origination volume increased so did the related expenses. Examples include commissions, recorded in Compensation and benefits expense, certain outsourced services to support the surge in our Originations business recorded in Professional services, and advertising expense recorded in Other expenses. Total average headcount increased 32% as compared to 2019, reflecting increases in staffing levels as part of our initiative to increase volume, including our re-entry into the forward lending correspondent channel in the second quarter of 2019, offset in part by our PHH integration and cost re-engineering initiatives. The $18.4 million, or 42% increase in Compensation and benefits expense as compared to 2019 is largely due to increased headcount and higher origination volume. Salaries and benefits expenses increased by $6.2 million, and commissions were $6.1 million higher. In addition, Compensation and benefit expense for 2020 includes $2.4 million related to our 2020 re-engineering initiatives and $1.6 million incremental incentive compensation. The $12.2 million increase in corporate overhead allocations is mostly attributed to the increase in our origination volume and the increase in the relative weight of average headcount to the consolidated organization, as compared to 2019. The increase in corporate overhead allocations due to the allocation drivers is partially offset by the effects of our cost re-engineering initiatives.

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 2019 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, discontinued operations and inactive entities, and our other business activities that are currently individually insignificant, revenues and expenses that are not directly related to other reportable segments, interest income on short-term investments of cash, gain on repurchases of debt, interest expense on 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, while interest expense on the SSTL and the Senior Notes is recorded in Corporate Items and Other and was not allocated. Beginning in the third quarter of 2020, we began allocating interest expense, excluding amortization of debt issuance costs and discount, on such corporate debt used to fund servicing advances and other servicing assets from Corporate Items and Other to Servicing. The interest expense related to the corporate debt has been allocated to the Servicing segment for prior periods to conform to the current period presentation. Our cash balances are included in Corporate Items and Other.

Corporate support services include finance, facilities, human resources, internal audit, legal, risk and compliance and technology functions. Corporate support services costs, specifically compensation and benefits and professional services expense, have been, and continue to be, significantly impacted by regulatory actions against us and by significant litigation matters. We anticipate that our ability to return to sustainable profitability will be significantly impacted by the degree to which we can reduce these costs going forward. Corporate Items and Other also includes severance, retention, facility-related and other expenses incurred 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 50% quote share of premiums and all related losses incurred by the third-party insurer, effective June 2020, and 40% through May 2020. The initial term of the reinsurance agreement expired December 31, 2020 and was automatically renewed for an additional one-year term.

Certain expenses incurred by corporate support services that are not directly attributable to a segment are allocated to the Servicing and Originations segments. Beginning in the first quarter of 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 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, costs related to our re-engineering initiatives, and other costs related to operating as a public company.

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	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Revenue					
Premiums (CRL)	$ 6.2	$ 12.9	$ 16.6	(52)%	(22)%
Other revenue	0.4	0.3	1.6	54	(83)
Total revenue	6.6	13.2	18.1	(50)	(27)
Operating expenses					
Compensation and benefits	89.6	125.7	106.1	(29)	19
Professional services	69.4	59.2	110.7	17	(47)
Technology and communications	28.9	43.4	50.8	(34)	(15)
Occupancy and equipment	11.1	17.4	11.1	(36)	57
Servicing and origination	1.7	0.7	0.3	124	(94)
Other expenses	8.2	11.0	13.7	(25)	(20)
Total operating expenses before corporate overhead allocations	208.8	257.4	292.5	(19)	(12)
Corporate overhead allocations					
Servicing segment	(61.0)	(197.9)	(211.7)	(69)	(7)
Lending segment	(18.2)	(6.0)	(3.7)	202	63
Total operating expenses	129.5	53.5	77.1	142	(31)
Other income (expense), net					
Interest income	1.9	1.8	2.6	9	(31)
Interest expense	(8.9)	(4.0)	(5.3)	121	(24)
Bargain purchase gain	—	(0.4)	64.0	(100)	(101)
Gain on repurchase of senior secured notes	—	5.1	—	(100)	n/m
Other, net	(4.3)	(3.8)	(4.1)	13	(8)
Total other (expense) income, net	(11.2)	(1.3)	57.2	775	(102)
Loss from continuing operations before income taxes	$ (134.1)	$ (41.6)	$ (1.7)	222	n/m

n/m: not meaningful

Revenue

CRL premium revenue decreased $6.7 million, or 52%, as compared to 2019 primarily due to the 54% decline in the number of covered REO properties in our servicing portfolio, consistent with the 53% decline in the total number of REO properties in our Servicing portfolio. Factors contributing to the decline in covered properties include the current moratoria and restrictions on foreclosure procedures due to COVID-19, and the GSE removal of REO coverage requirements.

Compensation and Benefits

Compensation and benefits expense decreased $36.2 million, or 29%, as compared to 2019 mostly due to $35.7 million of severance and retention costs recognized in 2019 in connection with the PHH integration and cost re-engineering plan. The effects of other factors impacting Compensation and benefits expense were largely offsetting. Salaries and benefit expenses declined $14.3 million and $4.3 million, respectively, due to the effects of a 19% decrease in average corporate headcount, including a 40% decrease in average onshore headcount from 511 to 308. These cost savings were largely offset by $5.9 million compensation and benefit costs related to our 2020 re-engineering initiatives, $8.7 million incremental incentive compensation and $1.6 million additional compensation expenses related to COVID-19.

Professional Services

Professional services expense increased $10.3 million, or 17%, as compared to 2019, primarily due to the $34.7 million recovery in 2019 of prior expenses from a service provider and mortgage insurer, offset in part by $19.5 million other professional services expenses incurred in 2019 related to our cost reengineering plan, and a $6.9 million decrease in legal expenses. The net decline in legal expenses is largely due to an $8.0 million recovery in 2020 of prior expenses from a mortgage insurer and a reduction in litigation expenses, partially offset by an additional accrual for the CFPB and Florida matters in 2020. Professional services expense for 2020 includes $3.5 million of COVID-19 related expenses.

Other Operating Expenses

Technology and communications expense decreased $14.5 million, or 34%, as compared to 2019, primarily due to $4.4 million termination fees recorded in 2019 relating to PHH integration, a $4.0 million decline in depreciation expense, and a $3.4 million decline in telephone expense. Technology and communications expense for 2020 includes $3.1 million of COVID-19 related expenses. The expense reductions are primarily due to a decline in capitalized technology investments, the closure of U.S. facilities and our other cost reduction efforts which included bringing technology services in-house and re-engineering initiatives.

Occupancy and equipment expense decreased $6.3 million or 36%, as compared to 2019. The expense reduction is primarily due to the results of our cost reduction efforts, which include consolidating vendors and closing and consolidating certain facilities. The expense reduction is mostly related to depreciation expense, rent expense and interest on lease liabilities, net of the allocation of occupancy costs to other segments. In 2019, occupancy and equipment expense included PHH expenses and accelerated amortization of ROU assets in connection with our decision to vacate leased properties prior to the contractual maturity date of the lease agreements. In 2020, we partially abandoned two of our leased properties and decided to vacate other leased properties prior to contractual maturity, resulting in the recognition of facility-related costs totaling $6.0 million, versus $6.6 million of similar costs recognized in 2019. Occupancy and equipment expense for 2020 includes $0.9 million of COVID-19 related expenses.

Total operating expenses, after corporate overhead allocation, increased by $76.0 million, or 142%, as compared to 2019, primarily due to the $34.7 million recovery in 2019 of amounts previously recognized as expense from a service provider, which was not allocated, $19.2 million costs related to our 2020 re-engineering initiatives, and the effect of our updated methodology to allocate overhead costs which we implemented in 2020. Operating expenses for 2020 include $9.3 million of COVID-19 related expenses. These increases in expenses were partially offset by the effects of a decline in average headcount and our other cost reduction efforts, as well as $65.0 million of costs recognized in 2019 in connection with the PHH integration and cost re-engineering plan.

Other Income (Expense)

Interest expense increased $4.8 million, or 121%, as compared to 2019. A $16.6 million decrease in interest expense allocated to the Servicing segment and an $11.8 million decline in interest expense before allocation resulted in a $4.8 million increase in interest expense retained in the Corporate Items and Other segment. Interest expense allocated to the Servicing segment amounted to $38.2 million and $54.9 million in 2020 and 2019, respectively. The interest allocation represents a charge for the financing of MSRs and servicing advances which are funded by corporate debt. The $11.8 million decline in interest expense before allocation was primarily due to the $126.1 million prepayment of the outstanding SSTL balance in January 2020, the maturity of $97.5 million of our 7.375% senior unsecured notes in September 2019, and the repurchase of $39.4 million of our 8.375% senior secured notes in July and August 2019.

We recognized a bargain purchase gain of $64.0 million in 2018 in connection with the acquisition of PHH representing the excess of the net assets acquired over the consideration paid. The purchase price we negotiated contemplated that PHH would incur losses after the acquisition date. See Note 2 — Business Acquisition to the Consolidated Financial Statements for additional information.

In 2019, we repurchased a total of $39.4 million of our 8.375% Senior secured notes in the open market for a price of $34.3 million and recognized a gain of $5.1 million.

FOURTH QUARTER RESULTS
(Unaudited consolidated statements of operations)

	Quarters Ended December 31,		% Change
	2020	2019	2020 vs. 2019
Revenue			
Servicing and subservicing fees	$ 168.9	$ 230.4	(27)%
Gain on loans held for sale, net	44.5	12.0	271
Reverse mortgage revenue, net	9.7	13.4	(28)
Other revenue, net	8.0	5.8	38
Total revenue	231.0	261.6	(12)
MSR valuation adjustments, net	(20.6)	0.8	n/m
Operating expenses			
Compensation and benefits	69.9	63.1	11
Professional services	29.1	25.4	15
Servicing and origination	16.7	22.2	(25)
Technology and communications	12.4	18.1	(31)
Occupancy and equipment	9.8	15.6	(37)
Other expenses	6.2	(5.1)	(222)
Total operating expenses	144.2	139.3	4
Other income (expense)			
Interest income	3.2	4.6	(30)
Interest expense	(25.8)	(29.5)	(13)
Pledged MSR liability expense	(46.7)	(68.8)	(32)
Other, net	2.1	7.8	(73)
Other expense, net	(67.1)	(85.9)	(22)
Income (loss) before income taxes	**(0.8)**	**37.2**	(102)
Income tax expense	6.4	2.4	167
Net income (loss)	$ (7.2)	$ 34.8	(121)
Segment income (loss) before taxes:			
Servicing	$ (1.5)	$ 53.5	(103)%
Originations	33.0	(0.2)	n/m
Corporate Items and Other	(32.3)	(16.0)	102
	$ (0.8)	$ 37.2	(102)

n/m: not meaningful

We reported a net loss of $7.2 million for the fourth quarter of 2020 as compared to $34.8 million net income for the fourth quarter of 2019. On a pre-tax basis, our results were near breakeven for the fourth quarter of 2020 ($0.8 million loss).

Total revenue was $30.6 million, or 12% lower in the fourth quarter of 2020 as compared to the fourth quarter of 2019 primarily due to a decline in servicing fee revenue, offset in part by an increase in gain on loans held for sale. The decline in Servicing and subservicing fees was mostly driven by a decline in servicing fees collected on behalf of NRZ, primarily due to a lower serviced UPB as a result of the NRZ portfolio runoff and the derecognition of the MSRs in connection with the termination of the PMC agreement by NRZ on February 20, 2020. Also, ancillary income declined largely due to lower interest rates. While the average UPB of our total servicing portfolio increased 11% as compared to the fourth quarter of 2019, a significant amount of portfolio additions occurred at or near the end of the quarter and generated minimal or no servicing fee revenue. Gain on loans held for sale, net, increased $32.5 million largely due to the $2.4 billion increase in total forward loan production, primarily the correspondent channel.

We reported a net $20.6 million loss on MSR valuation adjustments, net in the fourth quarter of 2020 compared to a $0.8 million net gain for the fourth quarter of 2019. The net loss reported in the fourth quarter of 2020 includes a $41.3 million loss due to runoff, a favorable $32.5 million gain mostly due to rates, partially offset by a $11.7 million hedging loss. The $21.4 million decline is primarily due to $43.6 million lower gains in the fourth quarter of 2020 related to interest rates and assumptions, net of hedging loss, and a $22.2 million favorable impact from lower portfolio runoff. The 10-year swap rate increased 21 basis points in the fourth quarter of 2020 as compared to a 33 basis-point increase in the fourth quarter of 2019. Fair value adjustments to our MSRs are offset, in part, by fair value adjustments related to the NRZ financing liabilities, which are recorded in Pledged MSR liability expense. The lower runoff in the fourth quarter of 2020 is mostly driven by the termination of the NRZ PHH servicing agreement in February 2020 and elevated voluntary prepayments.

Operating expenses increased $4.8 million, or 4%,as compared with the fourth quarter of 2019. Operating expenses for the fourth quarter of 2020 includes $13.1 million of accruals for losses recorded in Professional services expense related to the CFPB matter, and $3.3 million of COVID-19 related expenses. Severance, retention, facility-related and other expenses related to our cost re-engineering plans of $5.9 million and $14.4 million were recognized in the fourth quarter of 2020 and 2019, respectively. Our cost reduction efforts include eliminating redundant costs through the integration process including headcount reductions, facility closures and legal entity reorganization as well as bringing technology services in-house. The effects of a 5% reduction in total average headcount on Compensation and benefits expense was more than offset by higher commissions on higher loan origination volume, as well as higher retention and incentive compensation costs. Operating expenses for the fourth quarter of 2020 and 2019 are net of recoveries of $11.9 million and $15.0 million, respectively of amounts recognized as expenses in prior periods.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

- On January 22, 2020, we did not renew and let terminate a $50.0 million uncommitted warehouse facility used to fund reverse mortgage loan draws.
- On January 27, 2020, we executed an amendment to the SSTL agreement which provided for a net prepayment of $126.1 million to reduce the maximum borrowing capacity to $200.0 million, extended the maturity date to May 15, 2022, reduced the contractual quarterly principal payment from $6.4 million to $5.0 million and modified the interest rate.
- On March 12, 2020, we entered into a mortgage loan warehouse agreement to fund reverse mortgage loan draws by borrowers subsequent to origination. Under this agreement, the lender provides financing for up to $100.0 million to PMC on an uncommitted basis. In October 2020, the maturity date was extended to October 29, 2021 and the capacity was temporarily increased to $150.0 million until November 15, 2020 when it was reduced to $100.0 million. Concurrently, we reduced the maximum borrowing capacity of another reverse mortgage loan warehouse agreement from $100.0 million to $1.0 million in connection with Liberty’s transfer of substantially all of its assets, liabilities, contracts and employees to PMC effective March 15, 2020. On August 10, 2020, the maturity date of this agreement was extended to August 13, 2021.
- On May 7, 2020, we renewed the OMART variable funding advance financing facility through June 30, 2021 and increased the borrowing capacity from $200.0 million to $500.0 million. On August 17, 2020, we reduced the total borrowing capacity of the OMART variable-rate notes from $500.0 million to $250.0 million in conjunction with the issuance of new fixed-rate term notes disclosed above.
- On May 7, 2020, we renewed the OFAF advance financing facility through June 30, 2021 and increased the borrowing capacity from $60.0 million to $70.0 million.

- On May 7, 2020, we renewed a mortgage loan warehouse agreement with a maximum borrowing capacity of $175.0 million ($110.0 million of which is committed) through June 30, 2021. On November 25, 2020, we upsized this facility by $100.0 million, which increased the total committed borrowing capacity to $160.0 million.
- On May 7, 2020 we renewed the Agency MSR financing facility through June 30, 2021 and reduced the borrowing capacity from $300.0 million to $250.0 million.
- On June 25, 2020, we renewed and amended a mortgage loan warehouse agreement with an original maximum borrowing capacity of $300.0 million through June 24, 2021 and reduced the borrowing capacity to $210.0 million (a $90 million committed repurchase agreement and a $120.0 million uncommitted participation agreement).
- On June 30, 2020, we amended the Ginnie Mae MSR facility to include servicing advances as eligible collateral, upsized the borrowing capacity to $127.5 million from $100 million, and accelerated the maturity to December 20, 2020. On December 23, 2020, the maturity date was extended to December 27, 2021 and the borrowing capacity was reduced to $125.0 million.
- On August 12, 2020, we issued new OMART fixed-rate term notes with a total borrowing capacity of $475.0 million and an amortization date of August 15, 2022. The existing fixed-rate term notes with a total borrowing capacity of $470.0 million were redeemed on August 17, 2020.
- On September 30, 2020, we entered into a $100.0 million uncommitted repurchase agreement to finance the purchase of EBO loans from Ginnie Mae. This agreement does not have any 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 on the collateral.
- On November 19, 2020, we renewed a mortgage loan warehouse agreement with a total borrowing capacity of $250.0 million to November 18, 2021. The interest rate for this facility was increased to one-month LIBOR plus 3.25% for borrowings secured by forward mortgage loans and one-month LIBOR plus 350% for reverse mortgage loan borrowings.
- On December 24, 2020, we extended the maturity date of the $50.0 million warehouse facility used to fund reverse tails to January 15, 2021, when it was extended for an additional year.
- On February 1, 2021, the borrowing capacity was temporarily increased on our $100.0 million reverse mortgage loan facility to $150.0 million until February 28, 2021 when it will be reduced to $100.0 million.

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, 2020			December 31, 2019		
	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	$ 795.0	$ 213.7	$ —	$ 730.0	$ 50.9	$ —
Mortgage loan warehouse facilities	1,037.0	186.9	398.4	1,125.0	108.4	684.4
MSR financing facilities	375.0	39.2	13.0	400.0	180.0	—
Total	$ 2,207.0	$ 439.8	$ 411.4	$ 2,255.0	$ 339.3	$ 684.4

(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.

The available borrowing capacity under our advance financing facilities increased by $162.8 million as compared to December 31, 2019 due to the $65.0 million net increase in total borrowing capacity and the $97.8 million decline in outstanding borrowings. At December 31, 2020, none could be funded under the available borrowing capacity based on the amount of eligible collateral that had been pledged to our advance financing facilities.

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, 2020, we had no committed borrowing capacity, based on the amount of eligible collateral, and no uncommitted borrowing capacity. 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, 2020, our unrestricted cash position was $284.8 million compared to $428.3 million at December 31, 2019. Throughout 2020, we voluntarily paid down or foregone borrowings on our facilities to reduce interest costs. We typically invest cash in excess of our immediate operating needs in deposit accounts and other liquid assets.

We closely monitor our liquidity position and ongoing funding requirements, and we regularly monitor and project cash flows over various time horizons as a way to anticipate and mitigate liquidity risk. As uncertainties in market conditions decline, we will continue to seek to optimize our cash management and may reduce our unrestricted cash position to further fund our growth.

In assessing our liquidity outlook, our primary focus is on available cash on hand, unused available funding and the following six 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 compared to sources of cash;
- 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;
- Potential payments or recoveries related to legal and regulatory matters, insurance, taxes and MSR transactions; and
- Funding capacity for whole loans and tail draws under our reverse mortgage commitments subject to warehouse eligibility requirements.

COVID-19 Update

The COVID-19 environment created unprecedented changes in the economy, volatility in the capital markets, and uncertainties in the mortgage industry. As of today, while market conditions have stabilized and our prior scenario planning has proven somewhat conservative, uncertainties related to the duration, severity and impact of the economic downturn remain. Two critical factors affect our liquidity management in the current COVID-19 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.

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. We also advance T&I and 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. 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. Refer to Note 25 — Commitments to the Consolidated Financial Statements for further description of servicer advance obligations.

Second, we are generally subject to daily margining requirements under the terms of our MSR financing facilities and daily cash calls for our TBAs and interest rate swap futures. 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.

We are focused on ensuring that we have sufficient liquidity sources to continue to operate through the pandemic as well as after. As such, in 2020 we increased the total borrowing capacity of our OMART and OFAF advance financing facilities from $730.0 million to $795.0 million and extended the amortization dates to June 2021 and August 2022. We also amended our Ginnie Mae MSR facility to include servicing advances as eligible collateral and increased the total borrowing capacity from $100.0 million to $125.0 million. We continuously evaluate alternative financings to diversify our sources of funds, optimize maturities and reduce our funding cost.

Regarding the current maturities of our borrowings, as of December 31, 2020, we have approximately $949.0 million of debt outstanding that would either come due, begin amortizing or require partial repayment in the next 12 months. This amount is comprised of $21.5 million 6.375% senior unsecured notes, $20.0 million in contractual repayments of our SSTL, $451.7 million of borrowings under forward and reverse mortgage warehouse facilities, $106.3 million of variable funding and term notes under advance financing facilities that will enter their respective amortization periods, $322.8 million outstanding under our Agency and Ginnie Mae MSR financing facilities and $26.7 million of scheduled principal amortization on the PLS Notes secured by PLS MSRs.

We have considered the impact of financial projections on our liquidity analysis and have evaluated the appropriateness of the key assumptions in our financial forecasts. As part of this analysis, we have also assessed the cash requirements to operate our business and service our financial obligations coming due. We have assessed the range of potential impacts of the COVID-19 pandemic on our financial projections and projected liquidity under base case, adverse and severely adverse scenarios. We believe the recent issuances, renewals and amendments we have executed will provide sufficient liquidity in all of these scenarios. We expect to renew, replace or extend our borrowings to the extent necessary to finance our business on or prior to their respective maturities consistent with our historical experience.

Use of Funds

Our primary uses of funds in 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 and other asset acquisitions;
- 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.

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

Sources of Funds

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

- Collections of servicing fees and ancillary revenues;
- Collections of advances in excess of new advances;
- Proceeds from match funded advance financing facilities;
- Proceeds from other borrowings, including warehouse facilities and 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 have entered into an agreement with Oaktree Capital Management L.P. (Oaktree) to launch an MSR funding vehicle, MAV, in the first half of 2021 to accelerate the growth of our servicing volume. We also recently entered into an agreement with Oaktree in connection with an additional investment in Ocwen. See Capital Resources Outlook below, Note 25 — Commitments and Note 28 — Subsequent Events for additional information regarding this agreement. Our financing structure actions are targeted at optimizing access to capital and debt financing, improving our cost of funds, enhancing financial flexibility, bolstering liquidity and reducing funding risk while maintaining leverage within our risk tolerances. Historical losses have significantly eroded our stockholders' equity and weakened our financial condition. To the extent we are not successful in achieving our objective of returning to profitability, funding continuing losses will limit our opportunities to grow our business through capital investment.

Capital Resources Outlook

On February 9, 2021 we announced the conclusion of the strategic process we began in May 2020. As a result of this process, we have reached an agreement with Oaktree for a $250.0 million cash investment into Ocwen. This investment is in addition to the previously announced strategic alliance to launch MSR Asset Vehicle, LLC (MAV). These combined investments from Oaktree are expected to contribute approximately $460.0 million into Ocwen and the MSR joint venture to fund growth and strengthen the corporate capital structure.

The debt investment by Oaktree will be structured as senior secured notes. The investment with be an aggregate of $285.0 million principal, with $250.0 million proceeds and $35.0 million of original issue discount (OID) and is subject to certain conditions, including, but not limited to, the contemporaneous consummation by Ocwen or one of its subsidiaries of an additional debt financing not to exceed $450.0 million. The Oaktree notes will bear interest at 12% cash or 13.25% payment-in-kind (PIK), with some limitations on PIK. The investment will be made in two tranches with the first investment of $199.5 million on a date mutually agreed and subject to certain conditions, including the refinancing of our corporate debt. In preparation for this refinancing and investment by Oaktree, on February 2, 2021, we submitted notices of redemption to the trustees of the 6.375% PHH notes and the 8.375% senior secured second lien notes, according to the indentures governing the notes, subject to a “financing condition”. We intend to use $100.0 million of the proceeds from the first tranche of the Oaktree notes to repay a portion of our corporate debt. The second investment of $85.5 million is subject to the launching of MAV and a minimum total net worth of $360.0 million at Ocwen Financial Corporation. We expect to use proceeds from the second tranche of the Oaktree notes to fund our investment in the MAV joint venture and for general corporate purposes, including to accelerate growth of our Originations and Servicing businesses.

If we are successful in the corporate debt refinancing, we expect we will reduce corporate indebtedness at the PHH and PMC level by approximately $100 million, extend overall corporate debt maturities by over three years, and provide greater financial flexibility than we currently have. As part of the MAV transaction and Oaktree financing, we have agreed to issue warrants to Oaktree to purchase shares of our common stock equal to 12.0% of our then outstanding common stock at an exercise price of $26.82 per share, subject to anti-dilution adjustments. In addition, Oaktree will have the option to purchase up to 4.9% of our fully diluted outstanding common stock at the closing of the MAV transaction at a purchase price of $23.15 per share and Oaktree will be issued warrants to purchase additional common stock equal to 3% of our then outstanding common stock at a purchase price of $24.31 per share, subject to anti-dilution adjustments.

There can be no assurance that the issuance and sale of the senior secured notes to Oaktree, or the additional debt refinancing, will be consummated. Similarly, there can be no assurance regarding the timing of the execution of such transactions, or that the anticipated benefits of such transactions will be realized. See Note 28 — Subsequent Events.

Collateral

Our assets held as collateral related to secured borrowings, committed under sale or other contractual obligations and which may be subject to a secured lien under the SSTL are as follows at December 31, 2020:

		Collateral for Secured Borrowings				
Assets	**Total**	**Match Funded Liabilities**	**Financing Liabilities**	**Mortgage Loan Warehouse/MSR Facilities**	**Sales and Other Commitments**	**Other**
Cash	$ 284.8	$ —	$ —	$ —	$ —	$ 284.8
Restricted cash	72.5	14.2	—	5.9	52.3	—
MSRs (1)	1,294.8	—	567.0	728.4	—	—
Advances, net	828.2	651.6	—	82.1	—	94.5
Loans held for sale	387.8	—	—	359.1	—	28.7
Loans held for investment	7,006.9	—	6,882.0	96.3	—	28.6
Receivables, net	187.7	—	—	47.2	—	140.5
Premises and equipment, net	16.9	—	—	—	—	16.9
Other assets	571.5	—	—	6.3	497.6	67.5
Total assets	$ 10,651.1	$ 665.8	$ 7,449.0	$ 1,325.5	$ 549.9	$ 661.5
Liabilities						
HMBS - related borrowings	$ 6,772.7	$ —	$ 6,772.7	$ —	$ —	$ —
Other financing liabilities	576.7	—	576.7	—	—	—
Match funded liabilities	581.3	581.3	—	—	—	—
Other secured borrowings, net	1,069.2	—	—	890.3	—	178.9
Senior notes, net	311.9	—	—	—	—	311.9
Other liabilities	924.0	—	—	—	497.6	426.4
Total Liabilities	$ 10,235.8	$ 581.3	$ 7,349.4	$ 890.3	$ 497.6	$ 917.2
Total Equity	$ 415.3					

(1) Certain MSR cohorts with a net negative fair value of $0.6 million that would be presented as Other are excluded from the eligible collateral of the facilities and are comprised of $16.3 million of positive fair value related to RMBS and $16.9 million of negative fair value related to private EBO and PLS MSRs.

See Note 14 — Borrowings for information on assets held as collateral related to secured borrowings, committed under sale or other contractual obligations and which may be subject to a secured lien under the SSTL.

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 additional debt, paying dividends, repurchasing or redeeming capital stock, transferring assets or making loans, investments or acquisitions. Because of the covenants to which we are subject, we may be limited in the manner in which we conduct our business and may be limited in our ability to engage in favorable business activities or raise additional capital to finance future operations or satisfy future liquidity needs. In addition, breaches or events that may result in a default under our debt agreements include, among other things, nonpayment of principal or interest, noncompliance with our covenants, breach of representations, the occurrence of a material adverse change, insolvency, bankruptcy, certain material judgments and litigation and changes of control. See Note 14 — Borrowings to the Consolidated Financial Statements for additional information regarding our covenants.

Covenants and default provisions of this type are commonly found in debt agreements such as ours. Certain of these covenants and default provisions are open to subjective interpretation and, if our interpretation were contested by a lender, a court may ultimately be required to determine compliance or lack thereof. In addition, our debt agreements generally include cross default provisions such that a default under one agreement could trigger defaults under other agreements. If we fail to comply with our debt agreements and are unable to avoid, remedy or secure a waiver of any resulting default, we may be subject to adverse action by our lenders, including termination of further funding, acceleration of outstanding obligations, enforcement of liens against the assets securing or otherwise supporting our obligations, and other legal remedies, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. We believe that we are in compliance with the qualitative and quantitative covenants in our debt agreements as of the date this Annual Report on Form 10-K is filed with the SEC. Given the current market conditions created by the COVID-19 pandemic, there are no assurances we will be able to maintain compliance with our covenants.

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	Negative	September 11, 2019
S&P	B-	Negative	July 23, 2020

On July 23, 2020, S&P removed the CreditWatch with negative implications that was placed on our ratings on April 3, 2020 as a result of uncertainty around the financial impacts resulting from COVID-19. S&P revised the rating to a Negative Outlook based on our reported preliminary results for the second quarter that showed sufficient liquidity to manage servicing advance requirements from COVID-19-related forbearances, including nearly $314 million of cash and over $750 million of credit availability on our servicing advance, MSR, and mortgage warehouse lines. On August 21, 2020, Moody's reaffirmed their ratings. In addition, Ocwen has been able to maintain cushion on its tangible net worth debt covenants. It is possible that additional actions by credit rating agencies could have a material adverse impact on our liquidity and funding position, including materially changing the terms on which we may be able to borrow money.

Cash Flows

Our operating cash flow is primarily impacted by operating results, changes in our servicing advance balances, the level of mortgage loan production, the timing of sales and securitizations of mortgage loans, and the margin calls required under our MSR financing facilities or derivative instruments. We classify proceeds from the sale of servicing advances, including advances sold in connection with the sale of MSRs, purchase of MSRs through flow purchase agreements, GSE Cash Window and bulk acquisitions as investing activity. 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 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, 2020, 2019 and 2018 includes $35.1 million, $101.0 million and $134.5 million, respectively, of such cash flows and they were offset by corresponding amounts in net cash used in financing activities in the same periods.

Cash flows for the 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 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 $68.5 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 pledged. 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.

Cash flows for the year ended December 31, 2019

Our operating activities provided $151.9 million of cash largely due to $105.1 million of net collections of servicing advances. Net cash paid on loans held for sale during the year was $108.8 million.

Our investing activities used $587.4 million of cash. The primary uses of cash in our investing activities include net cash outflows in connection with our HECM reverse mortgages of $467.4 million. Cash outflows also include $145.7 million to purchase MSRs.

Our financing activities provided $530.8 million of cash. Cash inflows include $962.1 million received in connection with our reverse mortgage securitizations, which are accounted for as secured financings, less repayments on the related financing liability of $549.6 million. We increased borrowings under the SSTL through the issuance of an additional term loan of $120.0 million (before a discount of $0.9 million), less repayments of $25.4 million. In addition, we increased borrowings under our mortgage loan warehouse facilities by $176.5 million and borrowed $314.4 million under new MSR financing facilities. Cash outflows include $99.2 million of net repayments on advance match funded liabilities as a result of advance recoveries, $214.4 million of net payments on the financing liabilities related to MSRs pledged, and $131.8 million to redeem and repurchase Senior notes.

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 the 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 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

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 and interest rate lock commitments (IRLCs). In addition, changes in interest rates could materially and adversely affect our 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 advance financing facilities.

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

Our management-level Market Risk Committee establishes and maintains policies that govern our hedging program, including such factors as market volatility, duration and interest rate sensitivity measures, 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 phase-out of LIBOR, expected to occur by the end of 2021. However, for U.S dollar LIBOR, it now appears that the relevant date may be 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 potential deferral, the LIBOR administrator has advised that no new contracts using U.S. dollar LIBOR should be entered into after December 31, 2021. Many of our debt facilities incorporate LIBOR. These facilities either mature 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. As we renew or replace these debt facilities, we will need to work with our counterparties to incorporate alternative benchmarks. There is presently 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. Consequently, it is difficult to predict what effect, if any, 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, 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.

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. Beginning in September 2019, management implemented a hedging strategy to partially offset the changes in fair value of our net 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 is targeted at mitigating the residual exposure, which we refer to as our net MSR portfolio exposure. We define 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 10 — Rights to MSRs),
- 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 liability, and
- less the net value of our held for sale loan portfolio and lock commitments (pipeline).

We determine and monitor daily the hedge coverage based on the duration and interest rate sensitivity measures of our net MSR portfolio exposure, considering market and liquidity conditions. During 2020, our hedging strategy was targeted to provide partial coverage of our net MSR portfolio exposure of approximately 50%. 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 due to the partial hedge coverage and other factors.

The following table illustrates the composition of our net MSR portfolio exposure at December 31, 2020 with the associated interest rate sensitivity for a hypothetical, instantaneous decrease in interest rate of 25 basis points assuming a parallel shift in interest rate yield curves (refer to the description below under Sensitivity Analysis). The amounts based on market risk sensitive measures are hypothetical and presented for illustrative purposes only. Changes in fair value cannot be extrapolated because the relationship to the change in fair value may not be linear.

	Fair value at December 31, 2020	Hypothetical change in fair value due to 25 bps rate decrease
Agency MSR - interest rate sensitive	$ 579.0	$ (30.9)
Asset value of securitized HECM loans, net of HMBS-related liability	99.5	3.5
Loans held for investment - Unsecuritized HECM loans and tails	124.9	—
Loans held for sale	366.4	3.8
Pipeline IRLCs	22.7	(0.4)
Natural hedges (sum of the above)		6.9
Hypothetical 30% offset by hedging instruments (1)		7.2
Total hedge position (2) (3)		$ 14.1
Hypothetical residual exposure to changes in interest rates		$ (16.8)

(1) Hypothetical 30% offset is calculated in the above table as a percentage of the net MSR exposure, that is, the Agency MSR less natural hedges, i.e., pipeline and economic MSR of reverse mortgage loans.

(2) Total hedge position is defined as the sum of the fair value changes of hedging derivatives and the fair value changes of natural hedges due to interest rate risks, i.e., pipeline and economic MSR of reverse mortgage loans.

(3) We define our hedge coverage ratio as the total hedge position (derivatives and natural hedges) as a percentage of the Agency MSR exposure, or 45% in the above table.

We use forward trades of MBS or Agency TBAs with different banking counterparties and exchange-traded interest rate swap futures as hedging instruments. 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. We report changes in fair value of these derivative instruments in MSR valuation adjustments, net in our consolidated statements of operations.

The TBAs and interest rate swap futures are subject to margin requirements. Ocwen may be required to post or may be entitled to receive cash collateral with its counterparties, 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.

MSRs and MSR Financing Liabilities

Our entire portfolio of MSRs is accounted for using the fair value measurement method. MSRs are subject to interest rate risk as the mortgage loans underlying the MSRs permit borrowers to prepay their loans. The fair value of MSRs generally decreases in periods where interest rates are declining, as prepayments increase, and generally increases in periods where interest rates are increasing, as prepayments decrease.

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

Loans Held for Sale, Loans Held for Investment and IRLCs

In our Originations business, newly-originated forward mortgage loans held for sale and newly originated reverse mortgage loans held for investment that we have elected to carry at fair value and IRLCs are subject to the effects of changes in mortgage interest rates from the date of the commitment through the sale of the loan into the secondary market. IRLCs represent an agreement to purchase loans from a third-party originator or an agreement to extend credit to a mortgage loan applicant, whereby the interest rate on the loan is set prior to funding. We are exposed to interest rate risk and related price risk during the period from the date of the lock commitment through (i) the lock commitment cancellation or expiration date or (ii) through the date of sale of the resulting loan into the secondary mortgage market. Loan commitments for forward loans generally range from 5 to 90 days, but the majority of our commitments are for 60 days. Our holding period for forward mortgage loans from funding to sale is typically less than 30 days. Loan commitments for reverse mortgage loans range from 10 to 30 days. The majority of our reverse loans are variable rate loan commitments. This interest rate exposure had historically been economically hedged with freestanding derivatives, including forward sales of agency “to be announced” securities (TBAs) and forward mortgage-backed securities (Forward MBS). Beginning in September 2019, this exposure is not individually hedged, but rather used as an offset to our MSR exposure and managed as part of our MSR hedging strategy described above.

We elected fair value accounting for newly repurchased loans from securitization trusts or investors after January 1, 2020. We may repurchase loans that have been modified, to facilitate loss reduction strategies, or as otherwise obligated as a Ginnie Mae servicer.

Loans Held for Investment and HMBS-related Borrowings

We elected fair value accounting for the entire reverse mortgage HECM loans, which are held for investment, together with the HMBS-related borrowings. We also elected fair value accounting for non-cancellable draw commitments (tails) of our HECM loans. The fair value of our HECM loan portfolio 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. Both reverse assets (reverse pipeline and HMSR) act as a partial hedge for our forward MSR value sensitivity. Due to this characteristic, beginning in September 2019, this exposure is used as an offset to our MSR exposure and managed as part of our MSR hedging strategy described above.

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, 2020, given hypothetical instantaneous parallel shifts in the yield curve. We used December 31, 2020 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	$ 3.5	$ (3.0)
Loans held for investment - Unsecuritized HECM loans and tails	0.05	(0.04)
Loans held for sale	3.8	(5.8)
TBA / Forward MBS trades / Interest rate swap futures	(2.8)	4.0
Total	4.6	(4.8)
MSRs (1)	(30.6)	31.4
MSRs, embedded in pipeline	(0.4)	0.2
Total MSRs (2)	(31.0)	31.6
Derivatives related to MSRs	11.2	(11.0)
Total MSRs and related derivatives	(19.8)	20.6
Total, net	$ (15.3)	$ 15.8

(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 financing liabilities, which are recorded in Pledged MSR liability expense.
(2) Forward mortgage loans only.

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, 2020 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 $12.3 million resulting from an increase of $22.4 million in annual interest income and an increase of $10.1 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, 2020 and 2019. 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, 2020							
	2021	2022	2023	2024	2025	There- after	Total Balance	Fair Value (1)
Rate-Sensitive Assets:								
Interest-earning cash	$ 261,515	$ —	$ —	$ —	$ —	$ —	$ 261,515	$ 261,515
Average interest rate	*0.30 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*0.30 %*	
Loans held for sale, at fair value	366,364	—	—	—	—	—	366,364	366,364
Average interest rate	*3.33 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*3.33 %*	
Loans held for sale, at lower of cost or fair value (2)	153	—	473	6	17	20,823	21,472	21,472
Average interest rate	*5.00 %*	*— %*	*5.51 %*	*4.61 %*	*3.50 %*	*4.21 %*	*4.23 %*	
Loans held for investment	396,408	385,882	729,032	1,550,187	1,392,130	2,543,488	6,997,127	6,997,127
Average interest rate	*3.26 %*	*3.46 %*	*3.64 %*	*3.52 %*	*3.53 %*	*3.44 %*	*3.39 %*	
Debt service accounts and interest-earning time deposits	20,451	283	—	—	—	—	20,734	20,734
Average interest rate	*0.09 %*	*5.55 %*	*— %*	*— %*	*— %*	*— %*	*0.17 %*	
Total rate-sensitive assets	$ 1,044,891	$ 386,165	$ 729,505	$ 1,550,193	$ 1,392,147	$ 2,564,311	$ 7,667,212	$ 7,667,212
Percent of total	*13.63 %*	*5.04 %*	*9.51 %*	*20.22 %*	*18.16 %*	*33.45 %*	*100.00 %*	
Rate-Sensitive Liabilities:								
Match funded liabilities	$ 106,288	$ 475,000	$ —	$ —	$ —	$ —	$ 581,288	$ 581,997
Average interest rate	*4.10 %*	*1.49 %*	*— %*	*— %*	*— %*	*— %*	*1.96 %*	
Senior notes	21,543	291,509	—	—	—	—	313,052	320,879
Average interest rate	*6.38 %*	*8.38 %*	*— %*	*— %*	*— %*	*— %*	*8.24 %*	
SSTL and other borrowings (3) (4)	821,141	206,662	—	—	—	47,476	1,075,279	1,043,212
Average interest rate	*3.91 %*	*6.48 %*	*— %*	*— %*	*— %*	*— %*	*4.55 %*	
Total rate-sensitive liabilities	$ 948,972	$ 973,171	$ —	$ —	$ —	$ 47,476	$ 1,969,619	$ 1,946,088
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	50,000	—	—	—	—	—	$ 50,000	$ (50)
Average coupon	*2.40 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*2.40 %*	
TBA / Forward MBS Trades	400,000	—	—	—	—	—	400,000	(4,554)
Average coupon	*2.22 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*2.22 %*	
Derivatives futures	593,500	—	—	—	—	—	593,500	504
Average coupon	*0.75 %*	*— %*	*— %*	*— %*	*— %*	*— %*	0.75 %	
IRLCs	631,405	—	—	—	—	—	631,405	22,706
Average coupon	*2.89 %*	*— %*	*— %*	*— %*	*— %*	*— %*	2.89 %	
Total derivatives, net	$ 1,674,905	$ —	$ —	$ —	$ —	$ —	$ 1,674,905	$ 18,606
Forward LIBOR curve (5)	*0.14 %*	*0.13 %*	*0.20 %*	*0.36 %*	*0.60 %*	*0.86 %*		

	Expected Maturity Date at December 31, 2019							
	2020	2021	2022	2023	2024	There- after	Total Balance	Fair Value (1)
Rate-Sensitive Assets:								
Interest-earning cash	$ 433,224	$ —	$ —	$ —	$ —	$ —	$ 433,224	$ 433,224
Average interest rate	*1.74 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*1.74 %*	
Loans held for sale, at fair value	208,752	—	—	—	—	—	208,752	208,752
Average interest rate	*5.41 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*5.41 %*	
Loans held for sale, at lower of cost or fair value (2)	5,009	6	—	559	203	60,740	66,517	66,517
Average interest rate	*4.67 %*	*5.29 %*	*— %*	*— %*	*5.52 %*	*7.06 %*	*4.42 %*	
Loans held for investment	258,058	275,651	608,912	1,231,545	1,566,200	2,329,230	6,269,596	6,269,596
Average interest rate	*4.77 %*	*4.57 %*	*4.71 %*	*4.92 %*	*4.91 %*	*4.95 %*	*4.82 %*	
Debt service accounts and interest-earning time deposits	23,463	203	—	—	—	—	23,666	23,666
Average interest rate	*0.11 %*	*9.90 %*	*— %*	*— %*	*— %*	*— %*	*0.17 %*	
Total rate-sensitive assets	$ 928,506	$ 275,860	$ 608,912	$ 1,232,104	$ 1,566,403	$ 2,389,970	$ 7,001,755	$ 7,001,755
Percent of total	*13.26 %*	*3.94 %*	*8.70 %*	*17.60 %*	*22.37 %*	*34.13 %*	*100.00 %*	
Rate-Sensitive Liabilities:								
Match funded liabilities	$ 394,109	$ 285,000	$ —	$ —	$ —	$ —	$ 679,109	$ 679,507
Average interest rate	*3.02 %*	*2.53 %*	*— %*	*— %*	*— %*	*— %*	*2.81 %*	
Senior notes	—	21,543	291,509	—	—	—	313,052	270,022
Average interest rate	*— %*	*6.38 %*	*8.38 %*	*— %*	*— %*	*— %*	*8.24 %*	
SSTL and other borrowings (3) (4)	832,078	98,971	41,663	—	—	57,594	1,030,306	1,010,789
Average interest rate	*4.96 %*	*3.71 %*	*— %*	*— %*	*5.07 %*	*— %*	*4.74 %*	
Total rate-sensitive liabilities	$ 1,226,187	$ 405,514	$ 333,172	$ —	$ —	$ 57,594	$ 2,022,467	$ 1,960,318
Percent of total	*60.63 %*	*20.05 %*	*16.47 %*	*— %*	*— %*	*2.85 %*	*100.00 %*	

	Expected Maturity Date at December 31, 2019 (Notional Amounts)							
	2020	2021	2022	2023	2024	There- after	Total Balance	Fair Value (1)
Rate-Sensitive Derivative Financial Instruments:								
Derivative assets (liabilities)								
Interest rate caps	$ 27,083	$ —	$ —	$ —	$ —	$ —	$ 27,083	$ —
Average strike rate	*3.00 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*3.00 %*	
Forward MBS trades	60,000	—	—	—	—	—	60,000	(92)
Average coupon	*— %*	*— %*	*— %*	*— %*	*— %*	*— %*	*— %*	
TBA / Forward MBS Trades	1,200,000	—	—	—	—	—	1,200,000	1,121
Average coupon	*3.00 %*	*— %*	*— %*	*— %*	*— %*	*— %*	*3.00 %*	
IRLCs	232,566	—	—	—	—	—	232,566	4,878
Average coupon	3.97 %	*— %*	*— %*	*— %*	*— %*	*— %*	3.97 %	
Total derivatives, net	$ 1,519,649	$ —	$ —	$ —	$ —	$ —	$ 1,519,649	$ 5,907
Forward LIBOR curve (5)	*1.76 %*	*1.51 %*	*1.48 %*	*1.58 %*	*1.68 %*	*1.78 %*		

(1) See Note 5 — 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.

Liquidity Risk

We are exposed to liquidity risk through our ongoing needs to originate and finance mortgage loans, sell mortgage loans into secondary markets, retain 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 monthly 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 profitability, funding continuing losses will limit opportunities to grow our business.

We address liquidity risk by maintaining borrowing capacity in excess of our expected needs and by extending the tenor of our financing arrangements from time to time. For example, to fund additional advance obligations, we have typically "upsized" existing advance facilities or entered into new advance facilities in anticipation of the funding obligation and then pledged additional advances to support the borrowing. In general, we finance our assets and operating requirements through cash on hand, operating cash flow, advance financing facilities and other secured borrowings.

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.

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, 2020, our servicing portfolio included significant client relationships with NRZ which represented 36% and 45% of our servicing portfolio UPB and loan count, respectively. The NRZ servicing portfolio accounts for approximately 62% of all delinquent loans that Ocwen services. During 2020, NRZ-related servicing fees retained by Ocwen represented approximately 30% 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 subservicing 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 continued to service these loans until deboarding, accounting 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 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.

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 some or all of the legacy Ocwen servicing agreements. As of December 31, 2020, these agreements accounted for approximately 36% of our servicing portfolio.

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, Florida, Texas, New York and Illinois, comprising 42% of the number of loans serviced at December 31, 2020. California has the largest concentration with 15% of the total loans serviced.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Contractual Obligations

We have certain contractual obligations which require us to make cash payments. At December 31, 2020, such contractual obligations were primarily comprised of:

	Less Than One Year	After One Year Through Three Years	After Three Years Through Five Years	After Five Years	Total
Senior secured term loan (1)	$ 20,000	$ 165,000	$ —	$ —	$ 185,000
Senior notes (1)	21,543	291,509	—	—	313,052
Other secured borrowings (1)	801,141	41,662	—	47,476	890,279
Contractual interest payments (2)	61,819	28,116	659	—	90,594
Originate/purchase mortgages or securities	631,405	—	—	—	631,405
Reverse mortgage equity draws (3)	2,044,421	—	—	—	2,044,421
Operating leases	14,618	12,929	1,351	—	28,898
	$ 3,594,947	$ 539,216	$ 2,010	$ 47,476	$ 4,183,649

(1) Amounts are exclusive of any related discount, unamortized debt issuance costs or fair value adjustment. Excludes match funded liabilities as these represent debt where the holders only have recourse to the assets that collateralize the debt and such assets are not available to satisfy general claims against Ocwen. Also 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. See Note 14 — Borrowings to the Consolidated Financial Statements for additional information related to these excluded borrowings.

(2) Represents estimated future interest payments on MSR financing facilities, warehouse lines, senior notes and the SSTL, based on applicable interest rates as of December 31, 2020.

(3) Represents additional equity draw obligations in connection with reverse mortgage loans originated or purchased. Because these draws can be made in their entirety, we have classified them as due in less than one year at December 31, 2020.

As of December 31, 2020, we had recorded gross unrecognized tax benefits of $20.6 million and an additional $3.4 million for gross interest and penalties. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with these tax liabilities, including whether or not these tax liabilities will be paid; therefore, such amounts are not included in the above contractual obligation table.

Our forecasting with respect to our ability to satisfy our contractual obligations, including but not limited to our servicing advance obligations, requires management to use judgment and estimates and includes factors that may be beyond our control, such as the conditions created by the COVID-19 pandemic. Our actual results could differ materially from our estimates, and if this were to occur, it could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Off-Balance Sheet Arrangements

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

Mortgage Loan Repurchase and Indemnification Liabilities. We have exposure to representation, warranty and indemnification obligations in our capacity as a loan originator and servicer. We recognize the fair value of representation and warranty obligations in connection with originations upon sale of the loan or upon completion of an acquisition. Thereafter, the estimation of the liability considers probable future obligations based on industry data of loans of similar type segregated by year of origination and estimated loss severity based on current loss rates for similar loans. Our historical loss severity considers the historical loss experience that we incur upon sale or liquidation of a repurchased loan as well as current market conditions. See Note 4 — Securitizations and Variable Interest Entities, Note 15 — Other Liabilities and Note 26 — Contingencies to the Consolidated Financial Statements for additional information.

Unfunded Lending Commitments. We have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of $2.0 billion at December 31, 2020. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. See Note 25 — Commitments to the Consolidated Financial Statements for additional information.

HMBS Issuer Obligations. As an HMBS issuer, we assume certain obligations related to each security issued. The most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount (MCA repurchases). Active repurchased loans are assigned to HUD and payment is received from HUD, typically within 60 days of repurchase. HUD reimburses us for the outstanding principal balance on the loan up to the maximum claim amount. We bear the risk of exposure if the amount of the outstanding principal balance on a loan exceeds the maximum claim amount. Inactive repurchased loans (the borrower is deceased, no longer occupies the property or is delinquent on tax and insurance payments) are generally liquidated through foreclosure and subsequent sale of REO, with a claim filed with HUD for recoverable remaining principal and advance balances. See Note 25 — Commitments to the Consolidated Financial Statements for additional information.

Involvement with VIEs. We use SPEs and VIEs for a variety of purposes but principally in the financing of our servicing advances, in the securitization of mortgage loans and in the financing of our MSRs. We include VIEs in our consolidated financial statements if we determine we are the primary beneficiary. See Note 4 — Securitizations and Variable Interest Entities to the Consolidated Financial Statements for additional information. We generally use match funded securitization facilities to finance our servicing advances. The SPEs to which the receivables for servicing advances are transferred in the securitization transaction are included in our consolidated financial statements either because we have the majority equity interest in the SPE or because we are the primary beneficiary where the SPE is a VIE. Holders of the debt issued by the SPEs have recourse only to the assets of the SPEs for satisfaction of the debt.

Derivatives. We record all derivatives at fair value on our consolidated balance sheets. We use these derivatives primarily to manage our interest rate risk. The notional amounts of our derivative contracts do not reflect our exposure to credit loss. Generally, our derivative instruments require daily margin calls. See Note 17 — Derivative Financial Instruments and Hedging Activities to the Consolidated Financial Statements for additional information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our ability to measure and report our financial position and operating results is influenced by the need to estimate the impact or outcome of future events based on information available at the date of the financial statements. An accounting estimate is considered critical if it requires that management make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. We have processes in place to monitor these judgments and assumptions, and management is required to review critical accounting policies and estimates with the Audit Committee of the Board of Directors. Our significant accounting policies and critical accounting estimates are 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 5 — 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. 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,	
	2020	2019
Loans held for sale	$ 387.8	$ 275.3
Loans held for investment - Reverse mortgages	6,997.1	6,269.6
Mortgage Servicing Rights	1,294.8	1,486.4
Other	35.2	31.9
Assets at fair value	$ 8,715.0	$ 8,063.1
As a percentage of total assets	82 %	77 %
Assets at fair value using Level 3 inputs	$ 8,376.8	$ 7,847.9
As a percentage of assets at fair value	96 %	97 %
HMBS-related borrowings	6,772.7	6,063.4
Financing liability - MSRs pledged	567.0	950.6
Other	14.4	22.0
Liabilities at fair value	$ 7,354.1	$ 7,036.1
As a percentage of total liabilities	72 %	70 %
Liabilities at fair value using Level 3 inputs	$ 7,349.5	$ 7,036.0
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 have elected to 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, 2020, we reported $6.87 billion securitized loans held for investment at fair value and $6.77 billion HMBS-related borrowings at fair value, with a residual, net asset value of $99.5 million. In 2020, we recognized a $7.6 million gain as the net change in fair value of securitized loans held for investment and HMBS-related borrowings, and a $46.3 million gain on new originations of reverse mortgage loans (pre-securitization).

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, voluntary prepayments, defaults and discount rate. The determination of fair value requires management judgment due to the significant unobservable assumptions, including voluntary prepayment speeds, defaults 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, 2020:

Significant unobservable assumptions	**December 31, 2020**	**2019**
Life in years		
Range	0.9 to 8.0	2.4 to 7.8
Weighted average	5.9	6.0
Conditional prepayment rate (1)		
Range	10.6% to 28.8%	7.8% to 28.3%
Weighted average	15.4 %	14.6 %
Discount rate	1.9 %	2.8 %

(1) Includes voluntary and involuntary prepayments.

Valuation of MSRs

MSRs are assets that represent the right to service a portfolio of mortgage loans. We originate MSRs from our lending activities and acquire MSRs through flow purchase agreements, GSE Cash Window programs, bulk purchases, asset acquisitions or business combinations. We elected to account for MSRs using the fair value measurement method. As of December 31, 2020, we reported a $1,294.8 million fair value of MSRs. In 2020, we recognized a $106.2 million fair value loss due to changes in valuation inputs and assumptions.

We determine the fair value of MSRs 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 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 obtained from our valuation experts, amongst other factors.

To assist us 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, 2020:

	Conventional	Government-Insured	Non-Agency
Prepayment speed			
Range	8.8% to 21.1%	9.0% to 24.2%	8.6% to 15.0%
Weighted average	13.1%	15.5%	11.3%
Delinquency			
Range	1.6% to 3.5%	6.8% to 17.9%	27.7% to 29.4%
Weighted average	1.9%	8.8%	28.1%
Cost to service (in dollars)			
Range	$72 to $73	$102 to $122	$226 to $272
Weighted average	$72	$109	$261
Discount rate	9.0%	10.1%	11.4%

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 as a charge to earnings 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, 2020, the allowance for losses on servicing advances was $6.3 million, which represents 1% of total 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 (government-insured loan claims). This allowance represents management's estimate of expected lifetime credit losses and is maintained at a level that management considers adequate based upon continuing assessments of collectability, current trends, historical loss experience, and reasonable and supportable forecasts. At December 31, 2020, the allowance for losses on receivables related to government-insured claims was $38.3 million, which represents 28% of total government-insured claims receivables.

We adopted ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, as amended, on January 1, 2020. The ASU requires the measurement and recording of expected lifetime credit losses on loans and other financial instruments measured at amortized cost and replaces the existing incurred loss model for credit losses. The new guidance requires an organization to measure all current expected credit losses (CECL) for financial assets held and certain off-balance sheet credit exposures at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts.

The transition adjustment related to the allowance for losses on servicing advances and receivables did not result in any significant adjustment to our financial statements.

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, 2020 and 2019, the USVI filing jurisdiction was in a material cumulative loss position. The U.S. jurisdiction was also in a three-year cumulative loss position as of December 31, 2020 and 2019. 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 $182.7 million and $199.5 million on our U.S. deferred tax assets at December 31, 2020 and 2019, respectively, and a full valuation allowance of $0.4 million and $0.4 million on our USVI deferred tax assets at December 31, 2020 and 2019, respectively. The U.S. and USVI jurisdictional deferred tax assets are not considered to be more likely than not realizable based on all available positive and negative evidence. We intend to continue maintaining a full valuation allowance on our deferred tax assets in both the U.S. and USVI until there is sufficient evidence to support the reversal of all or some portion of these allowances. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period in which the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change based on the profitability that we achieve.

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

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

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, 2020, we have recorded a liability for representation and warranty obligations and similar indemnification obligations of $40.4 million. 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. 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 $38.9 million at December 31, 2020. We cannot currently estimate the amount, if any, of reasonably possible losses above amounts that have been recorded at December 31, 2020.

Going Concern

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

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

Our evaluation of whether it is probable that we will be unable to meet our obligations as they become due within one year after the date that our financial statements are issued involves a degree of judgment, including about matters that are, to different degrees, uncertain.

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

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

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

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

Based on our evaluation, we have determined that there are no 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 Consolidated Financial Statements for the year ended December 31, 2020 are issued.

RECENT ACCOUNTING DEVELOPMENTS

Recent Accounting Pronouncements

We adopted new credit loss guidance (ASU 2016-13, as amended) on January 1, 2020 by applying the guidance at the adoption date with a cumulative-effect adjustment to the opening balance of Retained earnings in the period of adoption. The transition adjustment resulted in an adjustment to the opening balance of retained earnings of $47.0 million and we increased our loans held for investment by $47.0 million, representing the recognition of certain non-cancellable draw commitments (tails) associated with our reverse mortgage loans. 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, 2020 did not have a material impact on our consolidated financial statements:

- Intangibles - Goodwill and Other - Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (ASU 2018-15)
- Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13)

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to the Market Risk sections of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for our quantitative and qualitative disclosures about market risk.

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, 2020, 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, 2020, 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, 2020 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, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

There was no information required to be reported on Form 8-K during the fourth quarter of the year covered by this Form 10-K that was not so reported.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to the information contained in our definitive Proxy Statement with respect to our 2021 Annual Meeting, which we intend to file with the SEC no later than April, 30 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 2021 Annual Meeting, which we intend to file with the SEC no later than April, 30 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 2021 Annual Meeting, which we intend to file with the SEC no later than April, 30 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 2021 Annual Meeting, which we intend to file with the SEC no later than April, 30 2021.

ITEM 14. PRINCIPAL ACCOUNTING 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 2021 Annual Meeting, which we intend to file with the Securities and Exchange Commission no later than April, 30 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.

2.1†	Agreement and Plan of Merger, dated as of February 27, 2018, by and among Ocwen Financial Corporation, POMS Corp and PHH Corporation (3)
3.1	Amended and Restated Articles of Incorporation, as amended (30)
3.2	Amended and Restated Bylaws of Ocwen Financial Corporation (31)
4.1	Form of Certificate of Common Stock (2)
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	Indenture, dated as of December 5, 2016, among Ocwen Loan Servicing, LLC, Ocwen Financial Corporation, the other guarantors named therein and Wilmington Trust, National Association (16)
4.4	First Supplemental Indenture, dated as of October 4, 2018, among PHH Corporation, PHH Mortgage Corporation and Wilmington Trust, National Association (21)
4.5	Third Supplemental Indenture, dated August 20, 2013, between PHH Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (22)
4.6	Fifth Supplemental Indenture, dated as of July 3, 2017, among PHH Corporation, as issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (23)
4.7	Form of 6.375% Senior Note due 2021 (22)
4.8	Indenture, dated as of January 17, 2012, between PHH Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (20)
4.9	Description of Common Stock (filed herewith)
10.1*	Ocwen Financial Corporation 1998 Annual Incentive Plan, as amended (25)
10.2*	Ocwen Financial Corporation Deferral Plan for Directors, dated March 7, 2005 (10)
10.3*	Ocwen Financial Corporation 2007 Equity Incentive Plan, dated May 10, 2007 (11)
10.4*	Ocwen Financial Corporation 2017 Performance Incentive Plan (17)
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. (30)
10.6	Services Agreement, dated as of August 10, 2009, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. (9)
10.7	Services Agreement, dated as of October 1, 2012, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. (1)
10.8	First Amendment to Services Agreement, dated as of October 1, 2012, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. (1)
10.9	Second Amendment to Services Agreement, dated as of March 29, 2013, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. (4)
10.10	First Amendment to Services Agreement, dated as of March 29, 2013, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. (4)
10.11	Third Amendment to Services Agreement, dated as of July 24, 2013, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. (5)
10.12	Second Amendment to Services Agreement dated July 24, 2013 by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. (5)
10.13	Agreement dated as of April 12, 2013 by and among Altisource Solutions S.à r.l., Ocwen Financial Corporation and Ocwen Mortgage Servicing, Inc. (12)
10.14	Amended and Restated Senior Secured Term Loan Facility Agreement, dated as of December 5, 2016, by and among Ocwen Loan Servicing, LLC, as Borrower, Ocwen Financial Corporation, as Parent, Certain Subsidiaries of Ocwen Financial Corporation, as Subsidiary Guarantors, the Lender Parties thereto, and Barclays Bank PLC, as Administrative Agent and Collateral Agent (16)
10.15	Pledge and Security Agreement dated as of February 15, 2013 between each of the Grantor Parties thereto, and Barclays Bank PLC, as Collateral Agent (13)
10.16	Second Lien Notes Pledge and Security Agreement, dated as of December 5, 2016, among each of the grantors named therein and Wilmington Trust, National Association (16)
10.17	Junior Priority Intercreditor Agreement, dated as of December 5, 2016, among Ocwen Loan Servicing, LLC, Ocwen Financial Corporation, the other grantors named therein, Barclays Bank PLC and Wilmington Trust, National Association (16)
10.18	Description of USVI Relocation Package of Ocwen Mortgage Servicing, Inc. (14)

10.19*	Form of Indemnification Agreement (15)
10.20*	Form of Undertaking to Repay Advancement of Indemnification Expenses (15)
10.21†	Agreement for the Purchase and Sale of Servicing Rights, dated December 28, 2016, by and between New Residential Mortgage LLC, PHH Mortgage Corporation and, for limited purposes, PHH Corporation (32)
10.22††	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. (18)
10.23††	Subservicing Agreement dated as of July 23, 2017 by and between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (18)
10.24††	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 (3)
10.25††	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. (3)
10.26*	Offer Letter, dated April 17, 2018, between Ocwen Financial Corporation and Glen Messina (19)
10.27	Counterpart Agreement, dated as of October 4, 2018, executed by PHH Corporation and PHH Mortgage Corporation and acknowledged and agreed to by Barclays Bank PLC, as administrative agent and collateral agent (21)
10.28††	Amendment No. 1 to Subservicing Agreement dated as of August 17, 2018 between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (24)
10.29††	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 (24)
10.30††	Subservicing Agreement dated as of August 17, 2018 between New Penn Financial, LLC and Ocwen Loan Servicing, LLC (24)
10.31*	Form of Director Restricted Stock Unit Agreement (2)
10.32*	Amended and Restated Ocwen Financial Corporation United States Basic Severance Plan (29)
10.33*	Amended and Restated Ocwen Financial Corporation United States Change in Control Severance Plan (29)
10.34*	Amendment to April 17, 2018 Offer Letter between Ocwen Financial Corporation and Glen Messina, dated February 27, 2019 (6)
10.35*	Amendment to April 17, 2018 Offer Letter between Ocwen Financial Corporation and Glen Messina, effective September 15, 2020 (30)
10.36*	Offer Letter between Ocwen Financial Corporation and June Campbell, dated January 17, 2019 (6)
10.37	Joinder and Amendment Agreement among Ocwen Financial Corporation, Ocwen Loan Servicing, LLC, as borrower, Barclays Bank PLC as administrative agent, and the other parties thereto, dated as of March 18, 2019 (8)
10.38*	Form of Annual Performance-Based Cash Award Agreement (7)
10.39*	Form of Annual Performance-Based Stock Award Agreement (7)
10.40*	Form of Annual Time-Based Cash Award Agreement (7)
10.41*	Form of Annual Time-Based Stock Award Agreement (7)
10.42*	Form of Transitional Cash Award Agreement (7)
10.45*	Amendment to April 17, 2018 Offer Letter between Ocwen Financial Corporation and Glen Messina, effective April 11, 2019 (7)
10.46††††	Joinder and Second Amendment Agreement, dated as of January 27, 2020, to the Amended and Restated Senior Secured Term Loan Facility Agreement (26)
10.47†††	Amended and Restated Flow Mortgage Loan Subservicing Agreement between New Residential Mortgage LLC and PHH Mortgage Corporation dated March 29, 2019 (7)
10.48	Amendment No. 2, dated as of March 11, 2020, to Agreement for the Purchase and Sale of Servicing Rights, dated as of December 28, 2016, between New Residential Mortgage LLC and PHH Mortgage Corporation (28)
10.49*	Form of Cash Award granted September 10, 2020 (30)
10.50*	Form of Restricted Stock Unit Award granted September 10, 2020 (30)
10.51††††	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 (30)

10.52††††	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 (30)
10.53††††	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 (30)
10.54††††	Transaction Agreement between Ocwen Financial Corporation and Oaktree Capital Management L.P. and affiliates, dated as of December 21, 2020 (filed herewith)
10.55††††	Form of Securities Purchase Agreement between Ocwen Financial Corporation, Opps OCW Holdings, LLC, and ROF8 OCW MAV PT, LLC (filed herewith)
10.56	Form of Registration Rights Agreement between Ocwen Financial Corporation, Opps OCW Holdings, LLC, and ROF8 OCW MAV PT, LLC (filed herewith)
10.57	Form of Warrant issuable to Opps OCW Holdings, LLC and ROF8 OCW MAV PT, LLC (filed herewith)
10.58*	Form of 2020 Annual Time-Based Cash Award Agreement (28)
10.59*	Form of 2020 Annual Performance-Based Cash Award Agreement (28)
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, 2020 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, 2020, formatted in iXBRL (included as Exhibit 101).

* Management contract or compensatory plan or agreement.

† Certain schedules and exhibits have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any referenced schedules 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 and 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.

(1) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on October 5, 2012.

(2) 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.

(3) 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.

(4) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on April 4, 2013.

(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, 2013 filed on March 3, 2014.

(6) 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.

(7) 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.

(8) Incorporated by reference to the similarly described exhibit to the Registrant's Form 8-K filed on March 18, 2019.

(9) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on August 12, 2009.

(10) 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.

(11) Incorporated by reference from the similarly described exhibit to our definitive Proxy Statement with respect to our 2007 Annual Meeting of Shareholders as filed on March 30, 2007.
(12) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on April 18, 2013.
(13) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on February 19, 2013.
(14) 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, 2014 filed on May 2, 2014.
(15) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on March 26, 2015.
(16) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on December 6, 2016.
(17) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on May 24, 2017.
(18) 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.
(19) Incorporated by reference to the similarly described exhibit included with the Registrant's Form 8-K filed on April 19, 2018.
(20) Incorporated by reference to the similarly described exhibit to PHH Corporation's Form 8-K filed on January 17, 2012.
(21) Incorporated by reference to the similarly described exhibit to the Registrant's Form 8-K filed on October 4, 2018.
(22) Incorporated by reference to the similarly described exhibit to PHH Corporation's Form 8-K filed on August 20, 2013.
(23) Incorporated by reference to the similarly described exhibit to PHH Corporation's Form 8-K filed on July 5, 2017.
(24) 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.
(25) 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.
(26) Incorporated by reference from the similarly described exhibit included with the Registrant's Form 8-K filed on January 27, 2020.
(27) Incorporated by reference from the Description of Capital Stock included in the Registrant's Registration Statement on Form S-3 filed on May 9, 2013.
(28) 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.
(29) 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.
(30) 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.
(31) Incorporated by reference to the similarly described exhibit to the Registrant's Form 8-K filed on February 25, 2019.
(32) Incorporated by reference to the similarly described exhibit to PHH Corporation's Form 8-K filed on December 28, 2016.

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 19, 2021

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 19, 2021
/s/ Glen A. Messina Glen A. Messina, President, Chief Executive Officer and Director (principal executive officer)	Date: February 19, 2021
/s/ Alan J. Bowers Alan J. Bowers, Director	Date: February 19, 2021
/s/ Jacques J. Busquet Jacques J. Busquet, Director	Date: February 19, 2021
/s/ Kevin Stein Kevin Stein, Director	Date: February 19, 2021
/s/ Jenne K. Britell Jenne K. Britell, Director	Date: February 19, 2021
/s/ DeForest B. Soaries, Jr. DeForest B. Soaries, Jr., Director	Date: February 19, 2021
/s/ June C. Campbell June C. Campbell, Executive Vice President and Chief Financial Officer (principal financial officer)	Date: February 19, 2021
/s/ Francois Grunenwald Francois Grunenwald, Senior Vice President and Chief Accounting Officer (principal accounting officer)	Date: February 19, 2021

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

December 31, 2020

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES
December 31, 2020

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, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, changes in equity, and cash flows for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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 19, 2021, 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 the 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 5 and 9 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 $1.295 billion at December 31, 2020, 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 5 and 7 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 loans. The Company's reverse mortgage balance was $6.997 billion at December 31, 2020, 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 voluntary prepayment speeds, default rates, 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) voluntary prepayments (2) defaults and (3) discount rate.
- 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 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, 19 2021

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, 2020, 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, 2020, 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, 2020, of the Company and our report dated February 19, 2021, 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 19, 2021

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

	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 284,802	$ 428,339
Restricted cash (amounts related to variable interest entities (VIEs) of $16,791 and $20,434)	72,463	64,001
Mortgage servicing rights, at fair value	1,294,817	1,486,395
Advances, net (amounts related to VIEs of $651,576 and $801,990)	828,239	1,056,523
Loans held for sale ($366,364 and $208,752 carried at fair value)	387,836	275,269
Loans held for investment, at fair value (amounts related to VIEs of $9,770 and $23,342)	7,006,897	6,292,938
Receivables, net	187,665	201,220
Premises and equipment, net	16,925	38,274
Other assets ($25,476 and $8,524 carried at fair value) (amounts related to VIEs of $4,544 and $3,132)	571,483	563,240
Total assets	$ 10,651,127	$ 10,406,199
Liabilities and Stockholders' Equity		
Liabilities		
Home Equity Conversion Mortgage-Backed Securities (HMBS) - related borrowings, at fair value	$ 6,772,711	$ 6,063,435
Other financing liabilities, at fair value (amounts related to VIEs of $9,770 and $22,002)	576,722	972,595
Advance match funded liabilities (related to VIEs)	581,288	679,109
Other secured borrowings, net	1,069,161	1,025,791
Senior notes, net	311,898	311,085
Other liabilities ($4,638 and $100 carried at fair value)	923,975	942,173
Total liabilities	10,235,755	9,994,188
Commitments and Contingencies (Notes 25 and 26)		
Stockholders' Equity		
Common stock, $.01 par value; 13,333,333 shares authorized; 8,687,750 and 8,990,816 shares issued and outstanding at December 31, 2020 and December 31, 2019, respectively	87	90
Additional paid-in capital	556,062	558,057
Accumulated deficit	(131,682)	(138,542)
Accumulated other comprehensive loss, net of income taxes	(9,095)	(7,594)
Total stockholders' equity	415,372	412,011
Total liabilities and stockholders' equity	$ 10,651,127	$ 10,406,199

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,		
	2020	**2019**	**2018**
Revenue			
Servicing and subservicing fees	$ 737,320	$ 975,507	$ 937,083
Gain on loans held for sale, net	137,236	38,300	37,336
Reverse mortgage revenue, net	60,726	86,309	60,237
Other revenue, net	25,630	23,259	28,389
Total revenue	960,912	1,123,375	1,063,045
MSR valuation adjustments, net	(251,921)	(120,876)	(153,457)
Operating expenses			
Compensation and benefits	265,295	313,508	298,036
Servicing and origination	77,265	109,007	131,297
Professional services	106,872	102,638	165,554
Technology and communications	59,592	79,166	98,241
Occupancy and equipment	47,503	68,146	59,631
Other expenses	19,177	1,474	26,280
Total operating expenses	575,704	673,939	779,039
Other income (expense)			
Interest income	15,999	17,104	14,026
Interest expense	(109,367)	(114,129)	(103,371)
Pledged MSR liability expense	(152,334)	(372,089)	(171,670)
Gain on repurchase of senior secured notes	—	5,099	—
Bargain purchase gain	—	(381)	64,036
Other, net	6,731	9,345	(5,046)
Total other expense, net	(238,971)	(455,051)	(202,025)
Loss from continuing operations before income taxes	(105,684)	(126,491)	(71,476)
Income tax expense (benefit)	(65,506)	15,634	529
Loss from continuing operations, net of tax	(40,178)	(142,125)	(72,005)
Income from discontinued operations, net of tax	—	—	1,409
Net loss	(40,178)	(142,125)	(70,596)
Net income attributable to non-controlling interests	—	—	(176)
Net loss attributable to Ocwen stockholders	$ (40,178)	$ (142,125)	$ (70,772)
Earnings (loss) per share attributable to Ocwen stockholders - Basic and Diluted			
Continuing operations	$ (4.59)	$ (15.86)	$ (8.10)
Discontinued operations	—	—	0.16
	$ (4.59)	$ (15.86)	$ (7.94)
Weighted average common shares outstanding			
Basic	8,748,725	8,962,961	8,913,558
Diluted	8,748,725	8,962,961	8,913,558

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

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

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Net loss	$ (40,178)	$ (142,125)	$ (70,596)
Other comprehensive income (loss), net of income taxes			
Reclassification adjustment for losses on cash flow hedges included in net income	158	147	149
Change in unfunded pension plan obligation liability	(1,620)	(3,442)	(3,219)
Other	(39)	(42)	61
Comprehensive loss	(41,679)	(145,462)	(73,605)
Comprehensive income attributable to non-controlling interests	—	—	(176)
Comprehensive loss attributable to Ocwen stockholders	$ (41,679)	$ (145,462)	$ (73,781)

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, 2020, 2019 and 2018
(Dollars in thousands, except per share data)

	Ocwen Stockholders						
	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss, Net of Taxes	Non-controlling Interest in Subsidiaries	Total
Balance at January 1, 2018	8,765,604	$ 88	$ 548,284	$ (2,083)	$ (1,249)	$ 1,834	$ 546,874
Net income (loss)	—	—	—	(70,772)	—	176	(70,596)
Cumulative effect of fair value election - MSRs, net of income taxes	—	—	—	82,043	—	—	82,043
Cumulative effect of adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-16	—	—	—	(5,621)	—	—	(5,621)
Issuance of common stock	125,000	1	5,718	—	—	—	5,719
Equity-based compensation and other	36,891	—	1,304	—	—	—	1,304
Capital distribution to non-controlling interest	—	—	—	—	—	(822)	(822)
Purchase of non-controlling interest	—	—	—	—	—	(1,188)	(1,188)
Other comprehensive loss, net of income taxes	—	—	—	—	(3,008)	—	(3,008)
Balance at December 31, 2018	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	—	—	—	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

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,		
	2020	2019	2018
Cash flows from operating activities			
Net loss	$ (40,178)	$ (142,125)	$ (70,596)
Adjustments to reconcile net loss to net cash provided by operating activities:			
MSR valuation adjustments, net	251,921	120,876	153,457
Gain on sale of MSRs, net	(184)	(453)	(1,325)
Provision for bad debts	25,637	34,867	49,180
Depreciation	19,121	31,911	27,202
Amortization of debt issuance costs and discount	6,992	4,512	4,104
Gain on repurchase of senior secured notes	—	(5,099)	—
Provision for (reversal of) valuation allowance on deferred tax assets	27,880	32,470	(23,347)
Decrease (increase) in deferred tax assets other than provision for valuation allowance	(29,254)	(29,350)	20,058
Equity-based compensation expense	2,401	2,697	2,366
(Gain) loss on valuation of Pledged MSR financing liability	(17,853)	152,986	(19,269)
Net gain on valuation of loans held for investment and HMBS-related borrowings	(10,078)	(55,869)	(18,698)
Bargain purchase gain	—	381	(64,036)
Gain on loans held for sale, net	(137,236)	(38,300)	(32,722)
Origination and purchase of loans held for sale	(7,552,026)	(1,488,974)	(1,715,190)
Proceeds from sale and collections of loans held for sale	7,430,544	1,380,138	1,625,116
Changes in assets and liabilities:			
Decrease in advances and match funded advances	213,293	105,052	258,899
Decrease in receivables and other assets, net	114,089	126,881	144,310
Decrease in other liabilities	(34,181)	(72,182)	(69,207)
Other, net	(9,914)	(8,479)	2,276
Net cash provided by operating activities	260,974	151,940	272,578
Cash flows from investing activities			
Origination of loans held for investment	(1,203,645)	(1,026,154)	(920,476)
Principal payments received on loans held for investment	944,699	558,720	400,521
Purchase of MSRs	(273,197)	(145,668)	(5,433)
Proceeds from sale of MSRs	248	4,984	7,276
Acquisition of advances in connection with the purchase of MSRs	(14)	(1,457)	—
Proceeds from sale of advances and match funded advances	809	14,186	33,792
Proceeds from sale of real estate	7,525	7,548	9,546
Additions to premises and equipment	(4,110)	(1,954)	(9,016)
Net cash acquired in the acquisition of PHH	—	—	64,692
Restricted cash acquired in the acquisition of PHH	—	—	38,813
Issuance of automotive dealer financing notes	—	—	(19,642)
Collections of automotive dealer financing notes	—	—	52,598
Other, net	(190)	2,357	2,464
Net cash used in investing activities	(527,875)	(587,438)	(344,865)
Cash flows from financing activities			
Repayment of match funded liabilities, net	(97,821)	(99,175)	(220,334)
Repayment of other financing liabilities	(101,771)	(218,783)	(219,999)
Proceeds from (repayments of) mortgage loan warehouse facilities, net	119,489	176,511	(128,036)
Proceeds from MSR financing facilities	369,024	343,641	162,617
Repayment of MSR financing facilities	(300,553)	(39,420)	(173,969)
Repayment and repurchase of senior notes	—	(131,791)	(18,482)
Proceeds from issuance of additional senior secured term loan (SSTL)	—	119,100	—
Repayment of SSTL borrowing	(141,067)	(25,433)	(66,750)
Payment of debt issuance costs	(7,701)	(2,813)	—
Proceeds from sale of MSRs accounted for as a financing	—	—	279,586
Proceeds from sale of Home Equity Conversion Mortgages (HECM, or reverse mortgages) accounted for as a financing (HMBS-related borrowings)	1,232,641	962,113	948,917
Repayment of HMBS-related borrowings	(935,778)	(549,600)	(391,985)
Repurchase of common stock	(4,605)	—	—
Capital distribution to non-controlling interest	—	—	(822)
Purchase of non-controlling interest	—	—	(1,188)
Other, net	(32)	(3,522)	(2,818)
Net cash provided by financing activities	131,826	530,828	166,737
Net increase (decrease) in cash, cash equivalents and restricted cash	(135,075)	95,330	94,450
Cash, cash equivalents and restricted cash at beginning of year	492,340	397,010	302,560
Cash, cash equivalents and restricted cash at end of year	$ 357,265	$ 492,340	$ 397,010

Supplemental cash flow information			
Interest paid	$ 97,023	$ 111,144	$ 100,165
Income tax payments (refunds), net	(43,469)	4,075	10,957
Supplemental non-cash investing and financing activities			
Initial consolidation (subsequent deconsolidation) of mortgage-backed securitization trusts (VIEs):			
Loans held for investment	$ (10,715)	$ —	$ 28,373
Other financing liabilities	(9,519)	—	26,643
Derecognition of MSRs and financing liabilities:			
MSRs	$ (263,664)	—	—
Financing liability - MSRs pledged (Rights to MSRs)	(263,664)	—	—
Recognition of future draw commitments for HECM loans at fair value upon adoption of FASB ASU No. 2016-13	47,038	—	—
Transfers from loans held for investment to loans held for sale	3,084	1,892	1,038
Transfers of loans held for sale to real estate owned (REO)	3,657	6,636	4,241
Issuance of common stock in connection with litigation settlement	—	—	5,719
Cumulative effect adjustment for election of fair value for MSRs previously accounted for using the amortization method	—	—	82,043
Recognition of gross right-of-use asset and lease liability:			
Right-of-use asset	3,724	66,231	—
Lease liability	2,902	66,247	—
Supplemental business acquisition information			
Fair value of assets acquired	$ —	$ 262	$ 1,192,155
Fair value of liabilities assumed	—	643	769,723
Total identifiable net assets acquired	—	(381)	422,432
Bargain purchase gain related to acquisition of PHH	—	(381)	64,036
Total consideration	—	—	358,396
Less: Cash consideration paid by PHH	—	—	(325,000)
Cash consideration paid by Ocwen	—	—	33,396
Cash acquired from PHH	—	—	98,088
Net cash acquired by Ocwen	$ —	$ —	$ 64,692

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, 2020	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 284,802	$ 428,339	$ 329,132
Restricted cash and equivalents:			
Debt service accounts	20,141	23,276	26,626
Other restricted cash	52,322	40,725	41,252
Total cash, cash equivalents and restricted cash reported in the statements of cash flows	$ 357,265	$ 492,340	$ 397,010

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, 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). On March 13, 2020, as part of Ocwen's legal entity restructuring, Ocwen’s wholly-owned subsidiary Liberty Home Equity Solutions, Inc. (Liberty) and PMC entered into an asset purchase agreement pursuant to which Liberty transferred substantially all of its assets, liabilities, contracts and employees to PMC effective March 15, 2020. We continue to originate and service reverse mortgage loans under the brand name Liberty Reverse Mortgage.

We perform servicing activities related to our own MSR 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, the GSEs), the Government National Mortgage Association (Ginnie Mae) 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 recapture, retail, wholesale, correspondent, flow MSR purchase agreements, the GSE 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 servicing retained. The GSEs or Ginnie Mae guarantee these mortgage securitizations. We originate 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. In addition to our originated MSRs, we acquire MSRs through flow purchase agreements, the GSE Cash Window programs and bulk MSR purchases, and we acquire new subservicing through our enterprise sales.

We had a total of approximately 5,000 employees at December 31, 2020 of which approximately 3,100 were located in India and approximately 400 were based in the Philippines. Our operations in India and the Philippines primarily provide internal support services, principally to our loan servicing business and our corporate functions. Of our foreign-based employees, more than 70% were engaged in supporting our loan servicing operations as of December 31, 2020.

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 but own 50% or less of the voting securities. Our statements of operations and consolidated balance sheets include the accounts and results of PHH Corporation (PHH) and its subsidiaries since acquisition on October 4, 2018. See Note 2 — Business Acquisition for additional information.

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.

Reverse Stock Split

In August 2020, Ocwen implemented a reverse stock split of its shares of common stock in a ratio of one-for-15. The number of shares, loss per share amounts, repurchase price per share amounts, and Common stock and Additional paid-in capital balances have been retroactively adjusted for all periods presented in these consolidated financial statements to give effect to the reverse stock split as if it occurred at the beginning of the first period presented. See Note 16 — Stockholders' Equity for additional information.

Reclassifications

In our consolidated balance sheet at December 31, 2019, and our consolidated statements of cash flows for 2019 and 2018, we have made the following changes to conform to the current presentation:

- Within the Total assets section of our consolidated balance sheet, we combined Match funded advances and Advances to present all servicing-related advances as a single line item.
- Within the Cash flows from financing activities section of our consolidated statements of cash flows, we now separately present proceeds and repayments on mortgage loan warehouse facilities, net, MSR financing facilities and other financing liabilities. These amounts were previously reported as Proceeds from (Repayment of) mortgage loan warehouse facilities and other secured borrowings.

The above presentation changes had no impact on total assets or total liabilities in our consolidated balance sheet and no impact on operating, investing and financing cash flows in our consolidated statements of cash flows.

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 fair value measurements, allowance for losses, income taxes, indemnification obligations, litigation-related obligations, and our going concern evaluation. In developing estimates and assumptions, management uses all available information; however, actual results could materially differ from those estimates and assumptions.

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 secured borrowings 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, GSE 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. Servicing assets are not recognized for subservicing arrangements entered into with the entity that owns the MSRs.

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. Effective January 1, 2018, we elected fair value accounting for our MSRs previously accounted for using the amortization method, which included Agency MSRs and government-insured MSRs. Effective with this election, our entire portfolio of MSRs is accounted for using the fair value measurement method. We recorded a cumulative-effect adjustment of $82.0 million to retained earnings as of January 1, 2018 to reflect the excess of the fair value over the carrying amount. See Note 9 — Mortgage Servicing for additional information.

We earn fees for servicing and subservicing 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. 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 or when loans are modified or liquidated through the sale of the underlying real estate collateral or otherwise.

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 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. When loans are sold or securitized with servicing retained, the gain on sale includes the MSR retained as non-cash proceeds at the date of sale. 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

Newly 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 (CECL), 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 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) in Financing liabilities 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, 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 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. 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.

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.

In the case of transfers of MSRs and Rights to MSRs 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.

Gains or losses on off-balance sheet 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.

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*.

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.

In December 2017, the Securities and Exchange Commission Staff issued Staff Accounting Bulletin (SAB) 118 (as further clarified by FASB ASU 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118), which provides guidance on accounting for the income tax effects of the Tax Cuts and Jobs Act (Tax Act) signed into law by the President of the United States on December 22, 2017. We adopted the guidance of SAB 118 as of December 31, 2017 and finalized our provisional amounts recognized under SAB 118 in the fourth quarter of 2018. See Note 20 — Income Taxes for additional information.

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 the outstanding options to purchase common stock using the treasury stock method.

Going Concern

In accordance with 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.

The assessment of our ability to meet our future obligations is inherently judgmental, subjective and susceptible to change. Our assessment considers information including, but not limited to, our financial condition, liquidity sources, obligations coming due within one year after the financial statements are issued, funds necessary to maintain current operations and any negative financial trends or other indicators of possible financial difficulty, including adverse regulatory or legal proceedings, adverse counterparty actions or rating agency decisions, and our client concentration.

Based on our evaluation, we have determined that there are no 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 for the year ended December 31, 2020 are issued.

Accounting Standards Adopted in 2020

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 expected phase-out 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 mature 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.

Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU 2016-13 and ASU 2019-04)

This ASU requires the remeasurement and recording of expected lifetime credit losses on loans and other financial instruments measured at amortized cost and replaces the existing incurred loss model for credit losses. The new guidance requires an organization to measure all current expected credit losses (CECL) for financial assets held and certain off-balance sheet credit exposures at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio. Additionally, the new guidance amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

We adopted this standard on January 1, 2020 by applying the guidance at the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings. We used the modified retrospective method for all financial assets in scope of the standard. Our statements of operations for reporting periods beginning after January 1, 2020 are presented under the new guidance, while prior period amounts continue to be reported in accordance with previously applicable GAAP. As permitted by this standard, we made an irrevocable fair value election for certain financial instruments within the scope of the standard. We elected the fair value option for the future draw commitments for HECM loans purchased or originated before January 1, 2019. For the HECM loan future draw commitments, we recorded a $47.0 million cumulative-effect transition gain adjustment (before income taxes) to retained earnings as of January 1, 2020 to recognize the fair value as of that date. We did not record any significant net tax effect related to this adjustment as the increase in the deferred tax liability was offset by a corresponding decrease to the valuation allowance. The transition adjustment related to financial instruments for which we are not electing the fair value option did not result in any significant adjustment to the opening balance of retained earnings. Our measurement of lifetime expected credit losses is based on relevant qualitative and quantitative information about past events, including historical loss experience, current conditions, and reasonable and supportable forecasts that affect collectability.

Intangibles - Goodwill and Other - Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (ASU 2018-15)

This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this ASU. The amendments in this ASU require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The amendments in this ASU require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The amendments in this ASU also require the entity to present the expense related to the capitalized implementation costs in the same line item in the statement of operations as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalized implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting element.

Upon adoption of this standard on January 1, 2020, we elected to apply the amendments in this ASU prospectively to all implementation costs incurred subsequent to that date. Our adoption of this standard did not have a material impact on our consolidated financial statements.

Compensation - Retirement Benefits - Defined Benefit Plans: Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans (ASU 2018-14)

This ASU modifies the disclosure requirements for defined benefit plans in FASB ASC Subtopic 715-20, Compensation-Retirement Benefits-Defined Benefit Plans-General. The main provisions in this ASU include removal of the following disclosure requirements: 1) the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, 2) the amount and timing of plan assets expected to be returned to the employer, 3) related party disclosures about the amount of future annual benefits covered by insurance and annuity contracts and significant transactions between the employer or related parties and the plan, and 4) the effects of a one-percentage-point change in assumed health care cost trend rates on the (a) aggregate of the service and interest cost components of net periodic benefit costs and (b) benefit obligation for postretirement health care benefits.

This ASU adds disclosure requirements to report 1) the weighted-average interest crediting rates for cash balance plans and other plans with promised interest crediting rates and 2) an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The ASU clarifies disclosure requirements in paragraph 715-20-50-3, which state that the 1) projected benefit obligation (PBO) and fair value of plan assets for plans with PBOs in excess of plan assets and 2) accumulated benefit obligation (ABO) and fair value of plan assets for plans with ABOs in excess of plan assets should be disclosed for defined benefit plans.

Our adoption of this standard on January 1, 2020 did not have a material impact on our consolidated financial statements. Upon adoption, we elected to apply the amendments in this ASU prospectively.

Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13)

This ASU modifies the disclosure requirements for fair value measurements in FASB ASC Topic 820, Fair Value Measurement. The main provisions in this ASU include removal of the following disclosure requirements: 1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, 2) the policy for timing of transfers between levels and 3) the valuation processes for Level 3 fair value measurements. This standard adds disclosure requirements to report the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period, and for certain unobservable inputs an entity may disclose other quantitative information in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements.

Our adoption of this standard on January 1, 2020 did not have a material impact on our consolidated financial statements.

Accounting Standards Issued but Not Adopted in 2020

Income Taxes: Simplifying the Accounting for Income Taxes (ASU 2019-12)

On December 18, 2019, the FASB issued this ASU to ASC Topic 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 was effective for us on January 1, 2021 and did not have a material impact on our consolidated financial statements.

Note 2 — Business Acquisition

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

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

The aggregate consideration paid to the former holders of PHH common stock was $358.4 million in cash and was funded by a combination of PHH cash on hand of $325.0 million and Ocwen cash on hand of $33.4 million. At the closing, there were 32,581,485 shares of PHH common stock, par value $0.01, outstanding, all of which were converted into the right to receive $11.00 in cash per share. In connection with the acquisition, all outstanding options to purchase PHH common stock and all PHH equity awards with performance-based vesting conditions were cancelled without any consideration or cash payment. All other PHH equity awards were cancelled in exchange for a cash payment equal to $11.00 per share underlying the award.

We recognized a bargain purchase gain, net of tax, of $63.7 million ($64.0 million in 2018) in connection with the acquisition. The bargain purchase gain results from the fair value of PHH's net assets exceeding the purchase price we paid. The purchase price we negotiated contemplated that PHH would incur losses after the acquisition date. To the extent those losses are realized, they are included in our consolidated statements of operations.

Costs incurred in connection with the transaction are expensed as incurred and are reported in Professional services in the consolidated statements of operations. Such costs were $13.7 million during 2018.

Operations

The following table presents the results of operations of PHH that are included in our consolidated statements of operations from the acquisition date of October 4, 2018 through December 31, 2018:

Revenues	$	72,487
Expenses		84,877
Other income (expense)		(19,132)
Income tax benefit		(6,711)
Net loss from continuing operations	$	(24,811)

Pro Forma Results of Operations (Unaudited)

The following table presents supplemental pro forma information for Ocwen as if the PHH Acquisition occurred on January 1, 2017. Pro forma adjustments for 2018 include:

- Increase in MSR valuation adjustments, net of $24.4 million to conform the accounting for MSRs to the valuation policies of Ocwen related to acquired MSRs;
- Adjust interest expense for a total net impact of $30.6 million. The pro forma adjustments primarily pertain to fair value adjustments of $31.4 million related to the assumed MSR secured liability using valuation assumptions consistent with Ocwen's methodology;
- Adjust depreciation expense to amortize internally developed software acquired from PHH on a straight-line basis based on a useful life of three years;
- Adjust revenue for a total net increase of $120.6 million which primarily include adjusting servicing and subservicing fees for $127.7 million to gross up activity related to PHH MSRs sold accounted for as secured borrowings consistent with Ocwen's presentation. The offset to these adjustments are interest income and interest expense, with no net effect on earnings.
- Income tax benefit of $0.3 million to record lower 2018 current federal tax under the new base erosion and anti-abuse tax (BEAT) provision of the Tax Act assuming Ocwen and PHH would file a consolidated federal tax return beginning January 1, 2017 and the benefit of the additional acquisition-related charges as if they had been incurred in 2017, based on management's estimate of the blended applicable statutory tax rates and observing the continued need for a valuation allowance.

The following proforma adjustments were reported as if the acquisition had occurred in 2017 rather than 2018:

- Report the bargain purchase gain of $63.7 million as if the acquisition had occurred in 2017 rather than 2018;
- Report Ocwen and PHH acquisition-related charges of $18.5 million for professional services as if they had been incurred in 2017 rather than 2018;

		2018
		(Unaudited)
Revenues	$	1,305,972
Loss from continuing operations, net of tax attributable to Ocwen common stockholders	$	(201,382)

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

Note 3 — Severance and Restructuring Charges

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. At December 31, 2020, our remaining facility exit cost liability and employee severance cost liability are $3.5 million and $0.2 million, respectively, and are included in Other accrued expenses, a component of Other liabilities. The majority of expenses were incurred within the Corporate Items and Other segment.

In February 2019, we announced our intention to execute cost re-engineering opportunities in order to drive stronger financial performance and, in the longer term, simplify our operations. Our cost re-engineering plan extended beyond eliminating redundant costs through the PHH integration process and addressed organizational, process and control redesign and automation, human capital planning, off-shore utilization, strategic sourcing and facilities rationalization. Costs for this plan included severance, retention and other incentive awards, facilities-related costs and other costs to execute the reorganization. While we continue to pursue additional cost re-engineering initiatives, this $65.0 million cost re-engineering plan announced in February 2019 was completed by December 31, 2019. Our remaining liability at December 31, 2020 and 2019 is $2.0 million and $11.9 million, respectively, and is included in Other accrued expenses, a component of Other liabilities.

The following table provides a summary of the aggregate activity of the liability for the re-engineering plan costs incurred in the year ended December 31, 2019:

	Employee-related	Facility-related	Other	Total
Balance at January 1, 2019	$ —	$ —	$ —	$ —
Charges	35,704	10,133	19,133	64,970
Payments / Other	(29,449)	(7,202)	(16,414)	(53,065)
Balance at December 31, 2019	6,255	2,931	2,719	11,905
Payments	(6,247)	(960)	(2,719)	(9,925)
Balance at December 31, 2020	$ 8	$ 1,971	$ —	$ 1,980

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

Note 4 — Securitizations and Variable Interest Entities

We securitize, sell and service forward and reverse residential mortgage loans and regularly transfer financial assets in connection with asset-backed financing arrangements. We have aggregated these transfers of financial assets and asset-backed financing arrangements using special purpose entities (SPEs) or VIEs into three groups: (1) securitizations of residential mortgage loans, (2) financings of advances and (3) MSR financings. Financing transactions that do not use SPEs or VIEs are disclosed in Note 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,		
	2020	2019	2018
Proceeds received from securitizations	$ 7,533,284	$ 1,248,837	$ 1,290,682
Servicing fees collected (1)	47,230	50,326	45,046
Purchases of previously transferred assets, net of claims reimbursed	(6,933)	(4,602)	(4,395)
	$ 7,573,581	$ 1,294,561	$ 1,331,333

(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 $68.7 million, $7.5 million and $8.3 million during 2020, 2019 and 2018, 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,	
	2020	2019
Carrying value of assets		
MSRs, at fair value	$ 137,029	$ 109,581
Advances	143,361	141,829
UPB of loans transferred	18,062,856	14,490,984
Maximum exposure to loss	$ 18,343,246	$ 14,742,394

At December 31, 2020 and 2019, 6.8% and 7.7%, respectively, of the transferred residential loans that we service were 60 days or more past due.

Transfers of Reverse Mortgages

We pool HECM loans into HMBS that we sell into the secondary market with servicing rights retained or we sell the loans to third parties with servicing rights released. We have determined that loan transfers in the HMBS program do not meet the definition of a participating interest because of the servicing requirements in the product that require the issuer/servicer to absorb some level of interest rate risk, cash flow timing risk and incidental credit risk. As a result, the transfers of the HECM loans do not qualify for sale accounting, and therefore, we account for these transfers as financings. Under this accounting treatment, the HECM loans are classified as Loans held for investment, at fair value, on our 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.

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 Ocwen is the primary beneficiary of the SPEs. 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.

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

MSR Financings using SPEs

On July 1, 2019, we entered into a $300.0 million 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. On May 7, 2020 we renewed the facility through June 30, 2021 and reduced the borrowing capacity from $300.0 million to $250.0 million. 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 effective July 1, 2019. 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,	
	2020	2019
MSRs pledged (MSRs, at fair value)	$ 476,371	$ 245,533
Unamortized deferred lender fees (Other assets)	1,183	946
Debt service account (Restricted cash)	211	100
Outstanding borrowings (Other secured borrowings, net)	210,755	147,706

On November 26, 2019, we issued $100.0 million 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 effective November 26, 2019. 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,	
	2020	2019
MSRs pledged (MSRs, at fair value)	$ 129,204	$ 146,215
Debt service account (Restricted cash)	2,385	3,002
Outstanding borrowings (Other secured borrowings, net)	68,313	94,395
Unamortized debt issuance costs (Other secured borrowings, net)	894	1,208

Mortgage-Backed Securitizations

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

	December 31,	
	2020	2019
Loans held for investment, at fair value - Restricted for securitization investors	$ 9,770	$ 23,342
Financing liability - Owed to securitization investors, at fair value	9,770	22,002

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

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. Our exposure to loss as a result of our continuing involvement is limited to the carrying values of our investments in the residual securities of the trusts, our MSRs and related advances.

In June 2020, we sold beneficial interests consisting of residual securities with a fair value of $1.2 million that we held in one of the consolidated securitization trusts. Effective with the sale, Ocwen deconsolidated the trust as it is no longer the primary beneficiary.

Note 5 — Fair Value

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

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

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

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,			
		2020		2019	
	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	$ 366,364	$ 366,364	$ 208,752	$ 208,752
Loans held for sale, at lower of cost or fair value (b)	3	21,472	21,472	66,517	66,517
Total Loans held for sale		$ 387,836	$ 387,836	$ 275,269	$ 275,269
Loans held for investment					
Loans held for investment - Reverse mortgages (a)	3	$ 6,997,127	$ 6,997,127	$ 6,269,596	$ 6,269,596
Loans held for investment - Restricted for securitization investors (a)	3	9,770	9,770	23,342	23,342
Total loans held for investment		7,006,897	7,006,897	6,292,938	6,292,938
Advances, net (c)	3	828,239	828,239	1,056,523	1,056,523
Receivables, net (c)	3	187,665	187,665	201,220	201,220
Mortgage-backed securities (a)	3	2,019	2,019	2,075	2,075
Corporate bonds (a)	2	211	211	441	441

		December 31,			
		2020		2019	
	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial liabilities:					
Advance match funded liabilities (c)	3	$ 581,288	$ 581,997	$ 679,109	$ 679,507
Financing liabilities:					
HMBS-related borrowings (a)	3	$ 6,772,711	$ 6,772,711	$ 6,063,435	$ 6,063,435
Financing liability - MSRs pledged (Rights to MSRs) (a)	3	566,952	566,952	950,593	950,593
Financing liability - Owed to securitization investors (a)	3	9,770	9,770	22,002	22,002
Total Financing liabilities		$ 7,349,433	$ 7,349,433	$ 7,036,030	$ 7,036,030
Other secured borrowings:					
Senior secured term loan (c) (d)	2	$ 179,776	$ 184,639	$ 322,758	$ 324,643
Mortgage warehouse and MSR financing (c)	3	889,385	858,573	703,033	686,146
Total Other secured borrowings		$ 1,069,161	$ 1,043,212	$ 1,025,791	$ 1,010,789
Senior notes:					
Senior unsecured notes (c) (d)	2	$ 21,357	$ 20,625	$ 21,046	$ 13,821
Senior secured notes (c) (d)	2	290,541	300,254	290,039	256,201
Total Senior notes		$ 311,898	$ 320,879	$ 311,085	$ 270,022
Derivative financial instrument assets (liabilities)					
Interest rate lock commitments (a) (f)	3, 2	$ 22,706	$ 22,706	$ 4,878	$ 4,878
Forward trades - Loans held for sale (a)	1	(50)	(50)	(21)	(21)
TBA / Forward mortgage-backed securities (MBS) trades and futures- MSR hedging (a)	1	(4,554)	(4,554)	1,121	1,121
Derivatives futures (a)	1	504	504	—	—
MSRs (a)	3	$ 1,294,817	$ 1,294,817	$ 1,486,395	$ 1,486,395

(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 $51.1 million at December 31, 2020 are classified as Level 3. The remaining balance of loans held for sale at fair value at December 31, 2020 is classified as Level 2. The entire balance of Loans held for sale at fair value at December 31, 2019 was classified as Level 2.
(f) Level 3 at December 31, 2020 and Level 2 at December 31, 2019.

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, 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
De-consolidation of mortgage-backed securitization trusts	(10,715)	9,519	—	—	—
Sales	—	—	(137,780)	—	—
Settlements	(2,857)	2,857	—	—	—
Transfers to:					
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)
Transfers in and / or out of Level 3	—	—	—	—
Ending balance	$ 23,342	$ (22,002)	$ 2,075	$ —

Year Ended December 31, 2018	Loans Held for Investment - Restricted for Securitization Investors	Financing Liability - Owed to Securitiza - tion Investors	Mortgage-Backed Securities	Derivatives - Interest Rate Caps
Beginning balance	$ —	$ —	$ 1,592	$ 2,056
Purchases, issuances, sales and settlements				
Purchases	—	—	—	95
Issuances	—	—	—	—
Consolidation of mortgage-backed securitization trusts	28,373	(26,643)	—	—
Sales	—	—	—	—
Settlements	(1,853)	1,828	—	(371)
	26,520	(24,815)	—	(276)
Change in fair value	—	—	(90)	(1,102)
Transfers in and / or out of Level 3	—	—	—	—
Ending balance	$ 26,520	$ (24,815)	$ 1,502	$ 678

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 early buyouts (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 spread gains, voluntary prepayments, defaults, and discount rate. On January 1, 2019, we made an irrevocable fair value election on all future draw commitments for HECM loans that were purchased or originated on or after January 1, 2019. In connection with our adoption of ASU 2016-13 on January 1, 2020, 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 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.

Significant unobservable assumptions include voluntary prepayment speeds, defaults and discount rate. The conditional prepayment speed 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	**2020**	**2019**
Life in years		
Range	0.9 to 8.0	2.4 to 7.8
Weighted average	5.9	6.0
Conditional prepayment rate (1)		
Range	10.6% to 28.8%	7.8% to 28.3%
Weighted average	15.4 %	14.6 %
Discount rate	1.9 %	2.8 %

(1) Includes voluntary and involuntary prepayments.

Significant increases or decreases in any of these assumptions in isolation could result in a significantly lower or higher fair value, respectively. The effects of changes in the assumptions used to value the loans held for investment, 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 determined using the mid-point of the range of prices provided by third-party valuation experts, without adjustment, except in the event we have a potential or completed sale, including transactions where we have executed letters of intent, in which case the fair value of the 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 for Agency MSRs via prepayment speeds by altering the borrower refinance incentive and the non-Agency MSRs due to the impact on advance 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,			
Significant unobservable assumptions	**2020**		**2019**	
	Agency	**Non-Agency**	**Agency**	**Non-Agency**
Weighted average prepayment speed	11.8 %	11.5 %	11.7 %	12.2 %
Weighted average delinquency rate	3.0 %	28.0 %	3.2 %	27.3 %
Weighted average discount rate	9.2 %	11.4 %	9.3 %	11.3 %
Weighted average cost to service (in dollars)	$ 79	$ 270	$ 85	$ 277

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, 2020 given hypothetical shifts in lifetime prepayments and yield assumptions:

Adverse change in fair value	**10%**	**20%**
Weighted average prepayment speeds	$ (39,478)	$ (76,100)
Weighted average discount rate	(24,362)	(47,227)

The sensitivity analysis measures the potential impact on fair values based on hypothetical changes, which in the case of our portfolio at December 31, 2020 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.

Mortgage-Backed Securities (MBS)

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

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

We have elected to measure these borrowings at fair value. These borrowings are not actively traded, and therefore, quoted market prices are not available. We determine fair value 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. 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 yield spread and discount rate. The yield spread and discount rate assumption for these liabilities are primarily based on an assessment of current market yields for newly issued HMBS, expected duration and current market interest rates.

	December 31,	
Significant unobservable assumptions	**2020**	**2019**
Live in years		
Range	0.9 to 8.0	2.4 to 7.8
Weighted average	5.9	6.0
Conditional prepayment rate		
Range	10.6% to 28.8%	7.8% to 28.3%
Weighted average	15.4 %	14.6 %
Discount rate	1.7 %	2.7 %

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.

MSRs Pledged (Rights to MSRs)

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

Significant valuation assumptions	December 31, 2020	December 31, 2019
Weighted average prepayment speed	11.5 %	11.9 %
Weighted average delinquency rate	29.8 %	20.3 %
Weighted average discount rate	11.4 %	10.7 %
Weighted average cost to service (in dollars)	$ 287	$ 223

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.

Other Secured Borrowings

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

Secured Notes

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 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. As of December 31, 2019, IRLCs were classified within Level 2 of the valuation hierarchy as the primary component of the price was obtained from observable values of mortgage forwards for loans of similar terms and characteristics. Fair value amounts of IRLCs are adjusted for expected “fallout” (locked pipeline loans not expected to close) using models that consider cumulative historical fallout rates and other factors. As of December 31, 2020, 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 of our net MSR portfolio. We use derivative instruments, including forward trades of MBS or Agency 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 6 — Loans Held for Sale

Loans Held for Sale - Fair Value	Years Ended December 31, 2020	2019	2018
Beginning balance	$ 208,752	$ 176,525	$ 214,262
Originations and purchases	7,552,026	1,168,885	944,627
Proceeds from sales	(7,344,151)	(1,124,247)	(1,019,211)
Principal collections	(25,976)	(23,116)	(20,774)
Acquired in connection with the acquisition of PHH	—	—	42,324
Transfers from (to):			
Loans held for investment, at fair value	3,084	1,892	1,038
Receivables	(85,001)	(2,480)	(1,132)
REO (Other assets)	(3,657)	(2,520)	(1,886)
Gain on sale of loans	50,248	25,253	34,724
(Decrease) increase in fair value of loans	1,075	(589)	(13,435)
Other	9,964	(10,851)	(4,012)
Ending balance (1) (2)	$ 366,364	$ 208,752	$ 176,525

(1) At December 31, 2020, 2019 and 2018, the balances include $(6.7) million, $(7.8) million and $(7.2) million, respectively, of fair value adjustments.
(2) At December 31, 2020, the balances include $51.1 million of loans that we repurchased from Ginnie Mae guaranteed securitizations pursuant to Ginnie Mae servicing guidelines. As disclosed in Note 5 — Fair Value, effective January 1, 2020, we elected to classify repurchased loans as Loans held for sale at fair value. See table below. 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, 2020	2019	2018
Beginning balance	$ 66,517	$ 66,097	$ 24,096
Purchases (1)	—	320,089	770,563
Proceeds from sales	(58,575)	(221,471)	(569,718)
Principal collections	(1,842)	(11,304)	(15,413)
Transfers from (to):			
Receivables, net	61	(104,635)	(155,586)
REO (Other assets)	—	(4,116)	(2,355)
Gain on sale of loans	11,189	4,974	3,659
Decrease (increase) in valuation allowance	463	4,926	(4,251)
Other	3,659	11,957	15,102
Ending balance (2)	$ 21,472	$ 66,517	$ 66,097

(1) We elected the fair value option for all newly repurchased loans after December 31, 2019.
(2) At December 31, 2020, 2019 and 2018, the balances include $12.5 million, $60.6 million and $51.8 million, respectively, of loans that we repurchased from Ginnie Mae guaranteed securitizations pursuant to Ginnie Mae servicing guidelines.

Valuation Allowance - Loans Held for Sale at Lower of Cost or Fair Value	Years Ended December 31, 2020	2019	2018
Beginning balance	$ 6,643	$ 11,569	$ 7,318
Provision	1,144	2,537	4,033
Transfer from Liability for indemnification obligations (Other liabilities)	68	403	2,021
Sales of loans	(1,675)	(7,866)	(1,824)
Other	—	—	21
Ending balance	$ 6,180	$ 6,643	$ 11,569

Gains on Loans Held for Sale, Net	Years Ended December 31, 2020	2019	2018
Gain on sales of loans, net			
MSRs retained on transfers of forward mortgage loans	$ 68,734	$ 7,458	$ 7,412
Gain on sale of forward mortgage loans	45,459	25,310	34,216
Gain on sale of repurchased Ginnie Mae loans	15,947	4,764	3,659
	130,140	37,532	45,287
Change in fair value of IRLCs	17,479	756	3,809
Change in fair value of loans held for sale	2,280	3,005	(11,569)
(Loss) gain on economic hedge instruments	(10,069)	(2,689)	136
Other	(2,594)	(304)	(327)
	$ 137,236	$ 38,300	$ 37,336

Note 7 – Reverse Mortgages

	Years Ended December 31,					
	2020		2019		2018	
	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings
Beginning balance	$ 6,269,596	$ (6,063,435)	$ 5,472,199	$ (5,380,448)	$ 4,715,831	$ (4,601,556)
Cumulative effect of fair value election (2)	47,038	—	—	—	—	—
Originations	1,203,645	—	1,026,154	—	920,476	—
Securitization of HECM loans accounted for as a financing (incl. realized fair value changes)	—	(1,273,575)	—	(981,199)	—	(990,039)
Repayments (principal payments received)	(944,699)	935,778	(558,720)	549,600	(400,521)	391,985
Transfers to:						
Loans held for sale, at fair value	(3,084)	—	(1,892)	—	(1,039)	—
Receivables, net	(236)	—	(327)	—	(158)	—
REO (Other assets)	(511)	—	(513)	—	(411)	—
Change in fair value (1)	425,378	(371,479)	332,695	(251,388)	238,021	(180,838)
Ending Balance	$ 6,997,127	$ (6,772,711)	$ 6,269,596	$ (6,063,435)	$ 5,472,199	$ (5,380,448)
Securitized loans (pledged to HMBS-Related Borrowings)	$ 6,872,252	$ (6,772,711)	$ 6,120,933	$ (6,063,435)	$ 5,446,768	$ (5,380,448)
Unsecuritized loans	124,875		148,663		$ 25,431	
Total	$ 6,997,127		$ 6,269,596		$ 5,472,199	

(1) The change in fair value adjustments on Loans held for investment for 2020 and 2019 includes $19.8 million and $12.2 million, respectively, in connection with the fair value election for future draw commitments (tails) on HECM reverse mortgage loans purchased or originated after December 31, 2018.

(2) 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.

Reverse Mortgage Revenue, net	Years Ended December 31,		
	2020	2019	2018
Gain on new originations (1)	$ 46,326	$ 17,849	$ 13,064
Change in fair value of securitized loans held for investment and HMBS-related borrowings, net	7,573	63,459	44,119
Loan fees and other	6,827	5,001	3,054
	$ 60,726	$ 86,309	$ 60,237

(1) Includes the changes in fair value of newly originated loans held for investment in the period through securitization date.

Note 8 — Advances

	December 31,	
	2020	2019
Principal and interest	$ 277,132	$ 414,846
Taxes and insurance	364,593	422,383
Foreclosures, bankruptcy, REO and other	192,787	229,219
	834,512	1,066,448
Allowance for losses	(6,273)	(9,925)
Advances, net	$ 828,239	$ 1,056,523

The following table summarizes the activity in net advances:

	Years Ended December 31,		
	2020	2019	2018
Beginning balance	$ 1,056,523	$ 1,186,676	$ 1,389,150
Asset acquisition	14	1,457	—
Acquired in connection with the acquisition of PHH	—	—	96,163
Transfer to Other assets	—	—	(36,896)
New advances	890,389	671,673	684,538
Sales of advances	(834)	(11,791)	(32,081)
Collections of advances and other	(1,121,505)	(804,826)	(910,039)
Net decrease (increase) in allowance for losses (1)	3,652	13,334	(4,159)
Ending balance	$ 828,239	$ 1,056,523	$ 1,186,676

(1) As disclosed in Note 1, there was no significant adjustment as of January 1, 2020 as a result of the adoption of ASU 2016-13.

Allowance for Losses	Years Ended December 31,		
	2020	2019	2018
Beginning balance	$ 9,925	$ 23,259	$ 16,465
Provision	7,790	3,220	5,732
Net charge-offs and other (1)	(11,442)	(16,554)	1,062
Ending balance	$ 6,273	$ 9,925	$ 23,259

(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 9 — 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,								
	2020			2019			2018		
	Agency	Non-Agency	Total	Agency	Non-Agency	Total	Agency	Non-Agency	Total
Beginning balance	$ 714,006	$ 772,389	$ 1,486,395	$ 865,587	$ 591,562	$ 1,457,149	$ 11,960	$ 660,002	$ 671,962
Fair value election - Transfer from MSRs carried at amortized cost	—	—	—	—	—	—	336,882	—	336,882
Cumulative effect of fair value election	—	—	—	—	—	—	82,043	—	82,043
Sales	—	(143)	(143)	(3,578)	(766)	(4,344)	(4,748)	(1,492)	(6,240)
Additions:									
Recognized on the sale of residential mortgage loans	68,734	—	68,734	8,795	—	8,795	8,279	—	8,279
Recognized in connection with the acquisition of PHH	—	—	—	—	—	—	494,348	23,779	518,127
Purchase of MSRs	285,134	—	285,134	153,505	—	153,505	5,433	—	5,433
Servicing transfers and adjustments (1)	(266,248)	403	(265,845)	—	(7,309)	(7,309)	(1,047)	(4,833)	(5,880)
Changes in fair value (2):									
Changes in valuation inputs or assumptions	(133,072)	26,870	(106,202)	(171,050)	265,003	93,953	11,558	(5,705)	5,853
Realization of expected future cash flows and other changes	(89,597)	(83,659)	(173,256)	(139,253)	(76,101)	(215,354)	(79,121)	(80,189)	(159,310)
Ending balance	$ 578,957	$ 715,860	$ 1,294,817	$ 714,006	$ 772,389	$ 1,486,395	$ 865,587	$ 591,562	$ 1,457,149

(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 10 — Rights to MSRs for further information.
(2) Changes in fair value are recognized in MSR valuation adjustments, net in the consolidated statements of operations.

MSR UPB

	UPB at December 31,		
	2020	2019	2018
Owned MSRs	$ 90,174,495	$ 70,973,496	$ 68,236,270
NRZ pledged MSRs (1)	64,061,198	108,837,877	126,643,940
Total MSR UPB	$ 154,235,693	$ 179,811,373	$ 194,880,210

(1) MSRs subject to sale agreements with NRZ that do not meet sale accounting criteria. See Note 10 — Rights to MSRs.

We purchased MSRs with a UPB of $31.7 billion, $14.6 billion and $144.1 million during 2020, 2019 and 2018, respectively. We sold MSRs with a UPB of $80.0 million, $140.8 million and $901.3 million during 2020, 2019 and 2018, respectively, mostly to Freddie Mac under the Voluntary Partial Cancellation (VPC) program for delinquent loans. We sold non-Agency MSRs with a UPB of $140.8 million during 2019.

A significant portion of the servicing agreements for our non-Agency servicing portfolio contain provisions where we could be terminated as servicer without compensation upon the failure of the serviced loans to meet certain portfolio delinquency or cumulative loss thresholds. To date, terminations as servicer as a result of a breach of any of these provisions have been minimal.

At December 31, 2020, the S&P Global Ratings, Inc.’s (S&P) servicer ratings outlook for PMC is stable. 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. 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.

Certain of our servicing agreements require that we maintain specified servicer ratings from rating agencies such as Moody's and S&P. To date, terminations as servicer as a result of a breach of any of these provisions have been minimal.

The geographic concentration of the UPB of residential loans and real estate we serviced at December 31, 2020 was as follows:

	Amount	Count
California	$ 38,640,172	144,717
New York	13,474,135	56,917
Florida	11,443,408	86,518
New Jersey	8,564,107	39,287
Texas	7,476,092	73,382
Other	74,637,779	556,596
	$ 154,235,693	957,417

	Years Ended December 31,		
Servicing Revenue	**2020**	**2019**	**2018**
Loan servicing and subservicing fees			
Servicing	$ 216,263	$ 227,490	$ 227,639
Subservicing	28,886	15,459	8,904
NRZ	383,685	577,015	539,039
Total loan servicing and subservicing fees	628,834	819,964	775,582
Ancillary income			
Late charges	47,687	57,194	61,453
Home Affordable Modification Program (HAMP) fees (1)	565	5,538	14,312
Custodial accounts (float earnings)	9,939	47,562	40,115
Loan collection fees	12,919	15,539	18,392
Other	37,376	29,710	27,229
Total ancillary income	108,486	155,543	161,501
	$ 737,320	$ 975,507	$ 937,083

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

Float balances (balances in custodial accounts, which represent collections of principal and interest that we receive from borrowers) are held in escrow by unaffiliated banks and are excluded from our consolidated balance sheets. Float balances amounted to $1.74 billion, $1.71 billion and $1.68 billion at December 31, 2020, 2019 and 2018, respectively.

Note 10 — Rights to MSRs

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. In the case of Ocwen Rights to MSRs transactions, while the majority of the risks and rewards of ownership were transferred in 2012 and 2013, legal title was retained by Ocwen, causing the Rights to MSRs transactions to be accounted for as secured financings. In the case of the PMC transactions, and for those Ocwen MSRs where consents were subsequently received and legal title was transferred to NRZ, due to the length of the non-cancellable term of the subservicing agreements, the transactions did not qualify for sale accounting treatment which resulted in such transactions being 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 revenue and changes in the fair value of the MSRs and related financing liability in our consolidated statements of operations. Changes in fair value of the Rights to MSRs are recognized in MSR valuation adjustments, net in the consolidated statements of operations. Changes in fair value of the MSR related financing liability are reported in Pledged MSR liability expense.

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

	Years Ended December 31,		
	2020	2019	2018
Balance Sheets			
MSRs, at fair value (1)	$ 566,952	$ 915,148	$ 894,002
Due from NRZ (Receivables)			
Sales and transfers of MSRs (2)	—	24,167	23,757
Advance funding, subservicing fees and reimbursable expenses	4,611	9,197	30,845
	$ 4,611	$ 33,364	$ 54,602
Due to NRZ (Other liabilities)	$ 94,691	$ 63,596	$ 53,001
Financing liability - MSRs pledged, at fair value			
Original Rights to MSRs Agreements	$ 566,952	$ 603,046	$ 436,511
2017 Agreements and New RMSR Agreements	—	35,445	138,854
PMC MSR Agreements (1)	—	312,102	457,491
	$ 566,952	$ 950,593	$ 1,032,856
Statements of Operations			
Servicing fees collected on behalf of NRZ (1)	$ 383,685	$ 577,015	$ 539,039
Less: Subservicing fee retained (1)	104,848	139,343	142,334
Net servicing fees remitted to NRZ	278,837	437,672	396,705
Less: Reduction (increase) in financing liability			
Changes in fair value:			
Original Rights to MSRs Agreements	(21,964)	(229,198)	171
2017 Agreements and New RMSR Agreements	(903)	(5,866)	14,369
PMC MSR Agreements (1)	40,720	82,078	4,729
	17,853	(152,986)	19,269
Runoff and settlement:			
Original Rights to MSRs Agreements	56,302	48,729	58,837
2017 Agreements and New RMSR Agreements	35,121	101,003	134,509
PMC MSR Agreements (1)	7,492	64,631	18,420
	98,915	214,363	211,766
Other	9,735	4,206	(6,000)
Pledged MSR liability expense	$ 152,334	$ 372,089	$ 171,670

(1) 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.

(2) Balance represented the holdback of proceeds from PMC MSR sales and transfers to address indemnification claims and mortgage loan document deficiencies. These sales were executed by PMC prior to Ocwen's acquisition of PHH.

	Year Ended December 31, 2020			
Financing Liability - MSRs Pledged	**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:				
Original Rights to MSRs Agreements	21,964	—	—	21,964
2017 Agreements and New RMSR Agreements	—	903	—	903
PMC MSR Agreements	—	—	(40,720)	(40,720)
Runoff and settlement:				
Original Rights to MSRs Agreements	(56,302)	—	—	(56,302)
2017 Agreements and New RMSR Agreements	—	(35,121)	—	(35,121)
PMC MSR Agreements	—	—	(7,492)	(7,492)
Derecognition of Pledged MSR financing liability due to termination of PMC MSR Agreements	—	—	(263,664)	(263,664)
Calls (1):				
Original Rights to MSRs Agreements	(1,756)	—	—	(1,756)
2017 Agreements and New RMSR Agreements	—	(1,227)	—	(1,227)
PMC MSR Agreements	—	—	—	—
Ending balance	$ 566,952	$ —	$ —	$ 566,952

	Year Ended December 31, 2019			
Financing Liability - MSRs Pledged	**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:				
Original Rights to MSRs Agreements	229,198	—	—	229,198
2017 Agreements and New RMSR Agreements	—	5,866	—	5,866
PMC MSR Agreements	—	—	(82,078)	(82,078)
Runoff and settlement:				
Original Rights to MSRs Agreements	(48,730)	—	—	(48,730)
2017 Agreements and New RMSR Agreements	—	(101,003)	—	(101,003)
PMC MSR Agreements	—	—	(64,631)	(64,631)
Calls (1):	—	—	—	
Original Rights to MSRs Agreements	(13,933)	—	—	(13,933)
2017 Agreements and New RMSR Agreements	—	(8,272)	—	(8,272)
PMC MSR Agreements	—	—	—	—
Ending balance	$ 603,046	$ 35,445	$ 312,102	$ 950,593

Financing Liability - MSRs Pledged	Year Ended December 31, 2018 Original Rights to MSRs Agreements	2017 Agreements and New RMSR Agreements	PMC MSR Agreements	Total
Beginning balance	$ 499,042	$ 9,249	$ —	$ 508,291
Additions	—	—	667	667
Assumed in connection with the acquisition of PHH	—	—	481,020	481,020
Receipt of lump-sum cash payments	—	279,586	—	279,586
Changes in fair value:				
Original Rights to MSRs Agreements	(171)	—	—	(171)
2017 Agreements and New RMSR Agreements	—	(14,369)	—	(14,369)
PMC MSR Agreements	—	—	(4,729)	(4,729)
Runoff and settlement:				
Original Rights to MSRs Agreements	(58,837)	—	—	(58,837)
2017 Agreements and New RMSR Agreements	—	(134,509)	—	(134,509)
PMC MSR Agreements	—	—	(18,420)	(18,420)
Calls (1):				
Original Rights to MSRs Agreements	(3,523)	—	—	(3,523)
2017 Agreements and New RMSR Agreements	—	(1,103)	—	(1,103)
PMC MSR Agreements	—	—	(1,047)	(1,047)
Ending balance	$ 436,511	$ 138,854	$ 457,491	$ 1,032,856

(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. Ocwen derecognizes the MSRs and the related financing liability upon collapse of the securitization.

As of December 31, 2020, the UPB of loans serviced on behalf of NRZ comprised the following:

Ocwen servicer of record (MSR title retained by Ocwen) - Ocwen MSR (1) (2)	$ 14,114,602
NRZ servicer of record (MSR title transferred to NRZ) - Ocwen MSR (1)	49,866,082
Ocwen subservicer	3,130,704
Total NRZ UPB at December 31, 2020	$ 67,111,388

(1) The MSR sale transactions did not achieve sale accounting treatment.
(2) NRZ's associated outstanding servicing advances were approximately $575.9 million as of December 31, 2020.

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 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.

Following the Initial Term, NRZ may extend the term of the Subservicing Agreements and Servicing Addendum for additional three-month periods by providing proper notice. Following the Initial Term, the Subservicing Agreements and Servicing Addendum can be cancelled by Ocwen on an annual basis. NRZ and Ocwen have the ability to terminate the Subservicing Agreements and Servicing Addendum for cause if certain specified conditions occur. The terminations must be terminations in whole (i.e., cover all the loans under the relevant 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, 2020, the UPB of MSRs subject to the Servicing Agreements and the New RMSR Agreements is $67.1 billion, including $16.3 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 $16.3 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, as noted above, during the Initial Term, NRZ has the right to terminate the $16.3 billion New RMSR Agreements for convenience, in whole but not in part, subject to payment of a termination fee and 180 days' notice. 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.

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 subservicing 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, and accounted for them as a subservicing relationship. Accordingly, during 2020, we recognized subservicing fees of $15.9 million 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 11 — Receivables

	December 31, 2020	December 31, 2019
Servicing-related receivables:		
Government-insured loan claims - Forward	$ 103,058	$ 122,557
Government-insured loan claims - Reverse	32,887	14,123
Due from custodial accounts	19,393	27,175
Reimbursable expenses	4,970	13,052
Advance funding, subservicing fees and reimbursable expenses - Due from NRZ	4,611	9,197
Sales and transfers of MSRs - Due from NRZ	—	24,167
Other	1,087	4,970
	166,006	215,241
Income taxes receivable	57,503	37,888
Other receivables	3,200	5,963
	226,709	259,092
Allowance for losses	(39,044)	(57,872)
	$ 187,665	$ 201,220

At December 31, 2020 and 2019, 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 loan claims) was $38.3 million and $56.9 million at December 31, 2020 and 2019, respectively. The government-insured loan claims are guaranteed by the U.S. government.

Allowance for Losses - Government-Insured Loan Claims	Years Ended December 31, 2020	2019	2018
Beginning balance	$ 56,868	$ 52,497	$ 53,340
Provision	18,145	29,034	37,352
Charge-offs and other, net	(36,674)	(24,663)	(38,195)
Ending balance	$ 38,339	$ 56,868	$ 52,497

Note 12 — Premises and Equipment

	December 31, 2020	December 31, 2019
Computer hardware	$ 33,585	$ 32,747
Operating lease ROU assets	26,930	31,329
Leasehold improvements	21,272	22,019
Computer software	16,371	24,377
Office equipment	6,958	6,929
Furniture and fixtures	3,463	3,506
Buildings	—	8,550
Other	123	44
	108,702	129,501
Less accumulated depreciation and amortization	(91,777)	(91,227)
	$ 16,925	$ 38,274

Note 13 — Other Assets

	December 31, 2020	December 31, 2019
Contingent loan repurchase asset	$ 480,221	$ 492,900
Derivatives, at fair value	23,246	6,007
Prepaid expenses	21,176	21,996
Prepaid representation, warranty and indemnification claims - Agency MSR sale	15,173	15,173
Prepaid lender fees, net	9,556	8,647
REO	7,771	8,556
Deferred tax assets, net	3,543	2,169
Security deposits	2,222	2,163
Mortgage-backed securities, at fair value	2,019	2,075
Other	6,556	3,554
	$ 571,483	$ 563,240

Note 14 — Borrowings

Advance Match Funded Liabilities			**Borrowing Capacity**		**December 31, 2020**		**December 31, 2019**	
Borrowing Type	**Maturity (1)**	**Amortization Date (1)**	**Total**	**Available (2)**	**Weighted Average Int. Rate**	**Balance**	**Weighted Average Int. Rate**	**Balance**
Advance Financing Facilities								
Advance Receivables Backed Notes - Series 2015-VF5 (3)	Jun. 2051	Jun. 2021	$ 250,000	$ 160,604	4.26 %	$ 89,396	3.36 %	$ 190,555
Advance Receivables Backed Notes, Series 2020-T1 (4)	Aug. 2052	Aug. 2022	475,000	—	1.49	475,000	—	—
Advance Receivables Backed Notes, Series 2019-T1 (4)	Aug. 2050	Aug. 2020	—	—	—	—	2.62	185,000
Advance Receivables Backed Notes, Series 2019-T2 (4)	Aug. 2051	Aug. 2021	—	—	—	—	2.53	285,000
Total Ocwen Master Advance Receivables Trust (OMART)			725,000	160,604	1.93 %	564,396	2.79 %	660,555
Ocwen Freddie Advance Funding (OFAF) - Advance Receivables Backed Notes, Series 2015-VF1 (5)	Jun. 2051	Jun. 2021	70,000	53,108	3.26	16,892	3.53	18,554
			$ 795,000	$ 213,712	1.96 %	$ 581,288	2.81 %	$ 679,109

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

(2) Borrowing capacity under the OMART and OFAF facilities is available to us provided that we have sufficient eligible collateral to pledge. At December 31, 2020, 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) On May 7, 2020, we renewed this facility through June 30, 2021, and increased the total borrowing capacity of the Series 2015-VF5 variable notes from $200.0 million to $500.0 million, with interest computed based on the lender's cost of funds plus a margin of 400 bps. On August 17, 2020, we reduced the total borrowing capacity to $250.0 million in conjunction with the issuance of new fixed-rate term notes with a borrowing capacity of $475.0 million, as disclosed in (4) below.

(4) On August 12, 2020, we issued fixed-rate term notes with a total borrowing capacity of $475.0 million (Series 2020 T-1). The weighted average rate of the notes at December 31, 2020 is 1.49% with rates on the individual classes of notes ranging from 1.28% to 5.42%. The Series 2019-T1 and 2019-T2 fixed-rate term notes were redeemed on August 17, 2020.
(5) On May 7, 2020, we renewed this facility through June 30, 2021 and increased the borrowing capacity from $60.0 million to $70.0 million with interest computed based on the lender's cost of funds plus a margin of 300 bps.

Financing Liabilities				**Outstanding Balance at December 31,**	
Borrowing Type	**Collateral**	**Interest Rate**	**Maturity**	**2020**	**2019**
HMBS-related borrowings, at fair value (1)	Loans held for investment	1ML + 245 bps	(1)	$ 6,772,711	$ 6,063,435
Other financing liabilities, at fair value					
MSRs pledged (Rights to MSRs), at fair value:					
Original Rights to MSRs Agreements (2)	MSRs	(2)	(2)	566,952	603,046
2017 Agreements and New RMSR Agreements (3)	MSRs	(3)	(3)	—	35,445
PMC MSR Agreements (2)	MSRs	(2)	(2)	—	312,102
				566,952	950,593
Financing liability - Owed to securitization investors, at fair value:					
IndyMac Mortgage Loan Trust (INDX 2004-AR11) (4)	Loans held for investment	(4)	(4)	—	9,794
Residential Asset Securitization Trust 2003-A11 (RAST 2003-A11) (4)	Loans held for investment	(4)	(4)	9,770	12,208
				9,770	22,002
Total Other financing liabilities, at fair value				576,722	972,595
				$ 7,349,433	$ 7,036,030

(1) Represents amounts due to the holders of beneficial interests in Ginnie Mae guaranteed HMBS which 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 sheet 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 have no maturity dates, and the borrowings mature as the related loans are repaid.
(2) This pledged MSR liability is recognized due to the accounting treatment of MSR sale transactions with NRZ which did not qualify as sales for accounting purposes. Under this accounting treatment, the MSRs transferred to NRZ remain on the consolidated balance sheet and the proceeds from the sale are recognized as a financing liability, which is recorded at fair value consistent with the related MSRs. This financing liability has no contractual maturity or repayment schedule. The PMC liability was derecognized upon termination of the agreement by NRZ on February 20, 2020. See Note 10 — Rights to MSRs for additional information.
(3) Represented a liability which arose in connection with lump sum payments received in 2017 upon transfer of legal title of the MSRs related to the Rights to MSRs transactions to NRZ and in 2018 in connection with the execution of the New RMSR Agreements as compensation for foregoing certain payments under the Original Rights to MSRs Agreements. The balance of the liability was adjusted each reporting period to its fair value through the term of the original agreements on April 30, 2020. See Note 10 — Rights to MSRs for additional information.
(4) Consists of securitization debt certificates due to third parties that represent beneficial interests in trusts that we include in our consolidated financial statements, as more fully described in Note 4 — Securitizations and Variable Interest Entities. In June 2020, we sold the beneficial interests held in the INDX 2004-AR11 securitization trust and deconsolidated the trust. The certificates in the RAST 2003-A11 Trust pay interest based on fixed rates ranging between 4.25% and 5.75% and a variable rate based on 1ML plus 0.45%. The maturity of the certificates occurs upon maturity of the loans held by the trust. The remaining loans in the RAST 2003-A11 Trust have maturity dates extending through October 2033.

Other Secured Borrowings				**Available Borrowing Capacity**		**Outstanding Balance December 31,**	
Borrowing Type	**Collateral**	**Interest Rate (1)**	**Maturity**	**Uncommitted**	**Committed (2)**	**2020**	**2019**
SSTL (3)	(3)	1-Month Euro-dollar rate + 600 bps; Euro-dollar floor 100 bps (3)	May 2022	$ —	$ —	$ 185,000	$ 326,066
Master repurchase agreement (4)	Loans held for sale (LHFS)	1ML + 220 - 375 bps	June 2021	79,227	—	195,773	91,573
Mortgage warehouse agreement (5)	LHFS (reverse)	Greater of 1ML + 250 bps or 3.50%; LIBOR floor 0%	August 2021	—	1,000	—	72,443
Master repurchase agreement (6)	LHFS (forward and reverse)	1ML + 325 bps forward; 1ML + 350 bps reverse	Nov. 2021	50,000	119,919	80,081	139,227
Master repurchase agreement (7)	LHFS (reverse)	Prime + 0%; 4.0% floor	January 2020	—	—	—	898
Master repurchase agreement (8)	N/A	SOFR + 190 bps; SOFR floor 25 bps	N/A	50,000	—	—	—
Participation agreement (9)	LHFS	(9)	June 2021	120,000	—	—	17,304
Master repurchase agreement (9)	LHFS	(9)	June 2021	—	26,719	63,281	—
Master repurchase agreement	LHFS	1 ML + 250 bps	March 2021	—	1,000	—	—
Mortgage warehouse agreement (10)	LHFS	1ML + 350 bps; 5.25% floor	Jan. 2022	—	38,285	11,715	10,780
Mortgage warehouse agreement (11)	LHFS (reverse)	1ML + 250 bps; 3.25% floor	Oct. 2021	26,866	—	73,134	—
Mortgage warehouse agreement (12)	LHFS	(12)	N/A	72,271	—	27,729	—
Total Mortgage loan warehouse facilities		3.33% (17)		398,364	186,923	451,713	332,225

Other Secured Borrowings				Available Borrowing Capacity		Outstanding Balance December 31,	
Borrowing Type	**Collateral**	**Interest Rate (1)**	**Maturity**	**Uncommitted**	**Committed (2)**	**2020**	**2019**
Agency MSR financing facility (13)	MSRs, Advances	1ML + 450 bps	June 2021	—	39,245	210,755	147,706
Ginnie Mae MSR financing facility (14)	MSRs, Advances	1ML + 450 bps; 0.50% floor	Dec. 2021	12,978	—	112,022	72,320
Ocwen Excess Spread-Collateralized Notes, Series 2019-PLS1 (15)	MSRs	5.07%	Nov. 2024	—	—	68,313	94,395
Secured Notes, Ocwen Asset Servicing Income Series Notes, Series 2014-1 (16)	MSRs	(16)	Feb. 2028	—	—	47,476	57,594
Total MSR financing facilities		4.82% (17)		12,978	39,245	438,566	372,015
				$ 411,342	$ 226,168	1,075,279	1,030,306
Unamortized debt issuance costs - SSTL and PLS Notes (18)						(5,761)	(3,381)
Discount - SSTL						(357)	(1,134)
						$ 1,069,161	$ 1,025,791
Weighted average interest rate						4.55 %	4.74 %

(1) 1ML was 0.14% and 1.76% at December 31, 2020 and 2019, respectively.

(2) 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, 2020 based on the amount of eligible collateral that could be pledged.

(3) On January 27, 2020, we entered into a Joinder and Second Amendment Agreement (the Amendment) which amends the Amended and Restated SSTL Facility Agreement dated as of December 5, 2016, as amended by a Joinder and Amendment Agreement dated as of March 18, 2019. The Amendment provided for a net prepayment of $126.1 million of the outstanding balance at December 31, 2019 such that the facility has a maximum outstanding balance of $200.0 million. The Amendment also (i) extended the maturity of the remaining outstanding loans under the SSTL to May 15, 2022, (ii) provides that the loans under the SSTL bear interest at the one-month Eurodollar Rate or the Base Rate (as defined in the SSTL), at our option, plus a margin of 6.00% per annum for Eurodollar Rate loans or 5.00% per annum for Base Rate loans (increasing to a margin of 6.50% per annum for Eurodollar Rate loans or 5.50% per annum for Base Rate loans on January 27, 2021), (iii) provides for a prepayment premium of 2.00% until January 27, 2022 and (iv) requires quarterly principal payments of $5.0 million. The applicable interest rate was 7.0% at December 31, 2020.

(4) The maximum borrowing under this agreement is $275.0 million, of which $110.0 million is available on a committed basis and the remainder is available at the discretion of the lender.

(5) On March 12, 2020, we voluntarily reduced the maximum borrowing capacity from $100.0 million to $1.0 million to in connection with Liberty’s transfer of substantially all of its assets, liabilities, contracts and employees to PMC effective March 15, 2020. On August 10, 2020, the maturity date of this agreement was extended to August 13, 2021. The participation agreement allows the lender to acquire a 100% beneficial interest in the underlying mortgage loans. The transaction does not qualify for sale accounting treatment and is accounted for as a secured borrowing.

(6) The maximum borrowing under this agreement is $250.0 million, of which $200.0 million is available on a committed basis and the remainder is available on an uncommitted basis. The agreement allows the lender to acquire a 100% beneficial interest in the underlying mortgage loans. The transaction does not qualify for sale accounting treatment and is accounted for as a secured borrowing. On November 19, 2020, the maturity date was extended to November 18, 2021 and the interest rate was increased to 1ML plus 3.25% for borrowings secured by forward mortgage loans and 1ML plus 3.50% for reverse mortgage loans.

(7) This facility expired on January 22, 2020 and was not renewed.

(8) 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).

(9) Under the original terms, the lender provided $300.0 million of borrowing capacity on an uncommitted basis. On June 25, 2020, this facility was amended to be comprised of two lines, a $120.0 million uncommitted participation agreement and a $90.0 million committed repurchase agreement. The maturity date of the facility was extended to June 24, 2021. The agreements allow the lender to acquire a 100% beneficial interest in the underlying mortgage loans. The transactions do not qualify for sale accounting treatment and are accounted for as secured borrowings. The lender earns the stated interest rate of the underlying mortgage loans less 35 bps with a floor of 3.50%, while the loans are financed under both the participation and repurchase agreements.

(10) Under this agreement, the lender provides financing for up to $50.0 million on a committed basis. On January 15, 2021, the maturity date of this facility was extended to January 15, 2022.

(11) On March 12, 2020, we entered into a mortgage loan warehouse agreement to fund reverse mortgage loan draws by borrowers subsequent to origination. Under this agreement, the lender provides financing for up to $100.0 million on an uncommitted basis. In October 2020, the maturity date was extended to October 24, 2021 and the capacity was temporarily increased to $150.0 million until

December 4, 2020 when it was reduced to $100.0 million. On February 1, 2021, the capacity was temporarily increased to $150.0 million until February 28, 2021 when it will be reduced to $100.0 million.

(12) On September 30, 2020, we entered into a $100.0 million uncommitted repurchase agreement to finance the purchase of EBO loans from Ginnie Mae. 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 on the collateral.

(13) PMC's obligations under this facility are secured by a lien on the related MSRs. Ocwen guarantees the obligations of PMC under this facility. On May 7, 2020, we renewed the facility through June 30, 2021 and reduced the maximum amount which we may borrow pursuant to the repurchase agreements from $300.0 million to $250.0 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 4 — Securitizations and Variable Interest Entities for additional information. We are subject to daily margining requirements under the terms of our MSR financing facilities. 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.

(14) 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. Ocwen guarantees the obligations of PMC under the facility. On June 30, 2020, we amended the facility to increase the borrowing capacity from $100.0 million to $127.5 million on an uncommitted basis, accelerate the maturity date to December 27, 2020 and include Ginnie Mae servicing advances as additional collateral. On December 23, 2020, the maturity date was extended to December 27, 2021 and the borrowing capacity was reduced to $125.0 million. See (13) above regarding daily margining requirements.

(15) 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 pre-determined schedule subject to modification under certain events. See Note 4 — Securitizations and Variable Interest Entities for additional information. See (13) above regarding daily margining requirements.

(16) 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.

(17) Weighted average interest rate at December 31, 2020, excluding the effect of debt issuance costs and discount.

(18) Includes $4.9 million and $2.2 million at December 31, 2020 and 2019, respectively, related to SSTL.

Senior Notes			**Outstanding Balance at December 31,**	
	Interest Rate	**Maturity**	**2020**	**2019**
Senior unsecured notes (1) (3)	6.375%	Aug. 2021	21,543	21,543
Senior secured notes (2) (3)	8.375%	Nov. 2022	291,509	291,509
			313,052	313,052
Unamortized debt issuance costs			(968)	(1,470)
Purchase accounting fair value adjustments (1)			(186)	(497)
			$ 311,898	$ 311,085

(1) These notes were originally issued by PHH and subsequently assumed by Ocwen in connection with its acquisition of PHH. We are amortizing the fair value purchase accounting adjustments over the remaining term of the notes. We have the option to redeem the notes, in whole or in part, at a redemption price equal to 100.0% of the principal amount plus any accrued and unpaid interest.

(2) During July and August 2019, we repurchased a total of $39.4 million of our 8.375% Senior secured notes in the open market for a price of $34.3 million. We recognized a gain of $5.1 million on these repurchases which is reported in Gain on repurchases of senior secured notes in the consolidated statement of operations.

(3) See Note 28 — Subsequent Events for information regarding our intention to redeem our senior notes.

At any time, we may redeem all or a part of the 8.375% Senior secured notes, upon not less than 30 nor more than 60 days' notice at a specified redemption price, plus accrued and unpaid interest to the date of redemption. We may redeem all or a part of these notes at the redemption prices (expressed as percentages of principal amount) specified in the Indenture of 102.094% during the twelve-month period beginning on November 15th 2020, and 100% thereafter.

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

The Indenture contains certain covenants, including, but not limited to, limitations and restrictions on Ocwen's ability and the ability of its restricted subsidiaries (including PMC as the surviving entity in the merger with OLS) to (i) incur additional debt or issue preferred stock; (ii) pay dividends or make distributions on or purchase equity interests of Ocwen (iii) repurchase or redeem subordinated debt prior to maturity; (iv) make investments or other restricted payments; (v) create liens on assets to secure debt of PMC or any Guarantor; (vi) sell or transfer assets; (vii) enter into transactions with affiliates; and (viii) enter into mergers, consolidations, or sales of all or substantially all of the assets of Ocwen and its restricted subsidiaries, taken as a whole. As of the date of the Indenture, all of Ocwen's subsidiaries are restricted subsidiaries. The restrictive covenants set forth in the Indenture are subject to important exceptions and qualifications. Many of the restrictive covenants will be suspended if (i) the Senior Secured Notes achieve an investment grade rating from both Moody's and S&P and (ii) no default or event of default has occurred and is continuing under the Indenture. Covenants that are suspended as a result of achieving these ratings will again apply if one or both of Moody's and S&P withdraws its investment grade rating or downgrades the rating assigned to the Senior Secured Notes below an investment grade rating.

Credit Ratings

Credit ratings are intended to be an indicator of the creditworthiness of a company's debt obligation. At December 31, 2020, the S&P issuer credit rating for Ocwen was "B-". On April 13, 2020, S&P placed Ocwen's ratings outlook on CreditWatch with negative implications due to the uncertain economic impact of COVID-19 on liquidity. The CreditWatch was removed on July 23, 2020 and the Outlook was revised to Negative. On August 21, 2020, Moody's reaffirmed their ratings. It is possible that additional actions by credit rating agencies could have a material adverse impact on our liquidity and funding position, including materially changing the terms on which we may be able to borrow money.

Covenants

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

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

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

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

- a 40% loan to collateral value ratio (i.e., the ratio of total outstanding loans under the SSTL to certain collateral and other assets as defined under the SSTL) as of the last date of any fiscal quarter; and
- specified levels of tangible net worth and liquidity.

Certain financial covenants were added as part of the amendment and extension of our SSTL on January 27, 2020. These include i) maintaining a minimum unencumbered asset coverage ratio (i.e., the ratio of unrestricted cash and certain first priority perfected collateral to total outstanding loans under the SSTL) as of the last day of any fiscal quarter of 200% increasing to 225% after December 31, 2020 and ii) maintaining minimum unrestricted cash of $125.0 million as of the last day of each fiscal quarter.

As of December 31, 2020, the most restrictive consolidated tangible net worth requirements contained in our debt agreements were for a minimum of $200.0 million in consolidated tangible net worth, as defined, under certain of our advance match funded debt, MSR financing facilities and mortgage warehouse agreements. The most restrictive liquidity requirements were for a minimum of $125.0 million in consolidated liquidity, as defined, under certain of our advance match funded debt and mortgage warehouse agreements. In addition, as amended, the SSTL limits our capacity to repurchase our securities and prepay certain junior debt to a combined total of $10.0 million, among other restrictions. Our current repurchase capacity has been reduced to the extent of repurchases executed under Ocwen's share repurchase program announced in February 2020. See Note 16 — Stockholders' Equity for additional information regarding share repurchases.

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 qualitative and quantitative covenants in our debt agreements as of the date of these financial statements.

Collateral

Our assets held as collateral related to secured borrowings, committed under sale or other contractual obligations and which may be subject to secured liens under the SSTL and Senior Secured Notes are as follows at December 31, 2020:

		Collateral for Secured Borrowings				
	Total Assets	Match Funded Liabilities	Financing Liabilities	Mortgage Loan Warehouse/MSR Facilities	Sales and Other Commitments (1)	Other (2)
Cash	$ 284,802	$ —	$ —	$ —	$ —	$ 284,802
Restricted cash	72,463	14,195	—	5,945	52,323	—
MSRs (3)	1,294,817	—	566,952	728,420	—	—
Advances, net	828,239	651,576	—	82,147	—	94,516
Loans held for sale	387,836	—	—	359,131	—	28,705
Loans held for investment	7,006,897	—	6,882,022	96,302	—	28,573
Receivables, net	187,665	—	—	47,187	—	140,478
Premises and equipment, net	16,925	—	—	—	—	16,925
Other assets	571,483	—	—	6,334	497,616	67,533
Total assets	$ 10,651,127	$ 665,771	$ 7,448,974	$ 1,325,466	$ 549,939	$ 661,532

(1) Sales and Other Commitments include Restricted cash and deposits held as collateral to support certain contractual obligations, and Contingent loan repurchase assets related to the Ginnie Mae EBO program for which a corresponding liability is recognized in Other liabilities.

(2) The borrowings under the SSTL are secured by a first priority security interest in substantially all of the assets of Ocwen, PHH, PMC and the other guarantors thereunder, excluding among other things, 35% of the voting capital stock of foreign subsidiaries, securitization assets and equity interests of securitization entities, assets securing permitted funding indebtedness and non-recourse indebtedness, REO assets, as well as other customary carve-outs (collectively, the Collateral). The Collateral is subject to certain permitted liens set forth under the SSTL and related security agreement. The Senior Secured Notes are guaranteed by Ocwen and the other guarantors that guarantee the SSTL, and the borrowings under the Senior Secured Notes are secured by a second priority security interest in the Collateral. Assets securing borrowings under the SSTL and Senior Secured Notes may include amounts presented in Other as well as certain assets presented in Collateral for Secured Borrowings and Sales and Other Commitments, subject to permitted liens as defined in the applicable debt documents. The amounts presented here may differ in their calculation and are not intended to represent amounts that may be used in connection with covenants under the applicable debt documents.

(3) MSRs pledged as collateral for secured borrowings in connection with the Rights to MSRs transactions with NRZ which are accounted for as secured financings. Certain MSR cohorts with a negative fair value of $0.6 million that would be presented as Other are excluded from the eligible collateral of the facilities and are comprised of $16.3 million of positive fair value related to RMBS and $16.9 million of negative fair value related to private EBO and PLS MSRs.

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) (3)							
	2021	2022	2023	2024	2025	Thereafter	Total Balance	Fair Value
Advance match funded liabilities	$ 106,288	$ 475,000	$ —	$ —	$ —	$ —	$ 581,288	$ 581,997
Other secured borrowings	821,141	206,662	—	—	—	47,476	1,075,279	1,043,212
Senior notes	21,543	291,509	—	—	—	—	313,052	320,879
	$ 948,972	$ 973,171	$ —	$ —	$ —	$ 47,476	$ 1,969,619	$ 1,946,088

(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.
(3) Excludes financing liabilities recognized in connection with asset sales transactions accounted for as financings, including $567.0 million recorded in connection with sales of Rights to MSRs and MSRs and $6.8 billion recorded in connection with the securitizations of HMBS. These financing liabilities have no contractual maturity and are amortized over the life of the underlying assets.

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,	
	2020	2019
Contingent loan repurchase liability	$ 480,221	$ 492,900
Due to NRZ - Advance collections and servicing fees	94,691	63,596
Other accrued expenses	87,898	67,241
Liability for indemnification obligations	41,920	52,785
Accrued legal fees and settlements	38,932	30,663
Checks held for escheat	35,654	31,959
Servicing-related obligations	35,237	88,167
Lease liability	27,393	44,488
MSR purchase price holdback	20,923	9,129
Liability for uncertain tax positions	16,188	17,197
Liability for unfunded pension obligation	12,662	13,383
Liability for unfunded India gratuity plan	6,051	5,331
Accrued interest payable	4,915	5,964
Derivatives, at fair value	4,638	100
Liability for mortgage insurance contingency	—	6,820
Other	16,652	12,450
	$ 923,975	$ 942,173

Accrued Legal Fees and Settlements	Years Ended December 31, 2020	2019	2018
Beginning balance	$ 30,663	$ 62,763	$ 51,057
Accrual for probable losses (1)	26,468	3,011	19,774
Payments (2)	(14,826)	(30,356)	(12,983)
Assumed in connection with the acquisition of PHH	—	—	9,960
Issuance of common stock in settlement of litigation (3)	—	—	(5,719)
Net increase (decrease) in accrued legal fees	(3,433)	(4,884)	(1,917)
Other	60	129	2,591
Ending balance	$ 38,932	$ 30,663	$ 62,763

(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.
(3) See Note 16 — Stockholders' Equity for additional information.

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.

On April 8, 2020, Ocwen was notified by the New York Stock Exchange (the NYSE) that the average per share trading price of its common stock was below the NYSE's continued listing standard rule relating to minimum average share price. The NYSE generally requires that a company's common stock trade at a minimum average closing price of $1.00 over a consecutive 30 trading-day period. 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. On September 1, 2020, Ocwen was notified by the NYSE that it has regained compliance with the NYSE's continued listing standard rule relating to minimum average share price.

In 2017, Ocwen agreed to issue an aggregate of 166,667 shares of common stock in connection with a mediated settlement of litigation. Ocwen issued 41,667 of the shares in December 2017 and the remaining 125,000 shares in January 2018. The shares have not been registered under the Securities Act of 1933 and were issued in reliance upon the exemption from registration set forth in Section 3(a)(10) of the Act.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss (AOCL), net of income taxes, were as follows:

	December 31, 2020	2019
Unfunded pension plan obligation, net	$ 8,409	$ 6,789
Unrealized losses on cash flow hedges, net	674	832
Other	12	(27)
	$ 9,095	$ 7,594

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, 2020 and 2019:

	December 31, 2020			December 31, 2019		
	Maturities	Notional	Fair value	Maturities	Notional	Fair value
Derivative Assets						
Forward sales of Reverse loans	Jan. 2021	$ 30,000	$ 34	Jan. 2020	$ 40,000	$ 8
Forward loans IRLCs	Apr. 2021	619,713	22,224	Mar. 2020	204,020	4,745
Reverse loans IRLCs	Jan. 2021	11,692	482	Jan. 2020	28,546	133
TBA forward MBS trades	N/A	—	—	Jan to Mar. 2020	1,200,000	1,121
Interest rate swap futures	Mar. 2021	593,500	504	N/A	—	—
Other		—	2	N/A	—	—
Total		$ 1,254,905	$ 23,246		$ 1,472,566	$ 6,007
Derivative Liabilities						
Forward sales of Reverse loans	Jan. 2021	$ 20,000	$ (84)	Jan. 2020	$ 20,000	$ (29)
TBA forward MBS trades	Jan. 2021	400,000	(4,554)	N/A	—	—
Borrowings - Interest rate caps	N/A	—	—	May 2020	27,083	—
Other	N/A	—	—	N/A	—	(71)
Total		$ 420,000	$ (4,638)		$ 47,083	$ (100)

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

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Gain / (Loss)		Gain / (Loss)	
	Amount	Financial Statement Line	Amount	Financial Statement Line
Derivative Instruments				
Forward loans IRLCs	$ 17,479	Gain on loans held for sale, net	$ 756	Gain on loans held for sale, net
Reverse loans IRLCs	349	Reverse mortgage revenue, net	543	Reverse mortgage revenue, net
Forward LHFS trades	—		(3,833)	Gain on loans held for sale, net (Economic hedge)
Interest rate swap futures and TBA forward MBS trades	(10,140)	Gain on loans held for sale, net (Economic hedge)	471	Gain on loans held for sale, net (Economic hedge)
Interest rate swap futures and TBA forward MBS trades	27,538	MSR valuation adjustments, net	525	MSR valuation adjustments, net
Forward sales of Reverse loans	(29)	Reverse mortgage revenue, net	91	Reverse mortgage revenue, net
Borrowings - interest rate caps	—	Other, net	(358)	Other, net
Other	73	Gain on loans held for sale, net	673	Gain on loans held for sale, net (Economic hedge)
	$ 35,270		$ (1,132)	

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, among other factors. Beginning in September 2019, management implemented a hedging strategy to partially offset the changes in fair value of our net MSR portfolio to interest rate changes. We define 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 10 — Rights to MSRs),
- 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).

We determine and monitor daily a hedge coverage based on the duration and interest rate sensitivity measures of our net MSR portfolio exposure, considering market and liquidity conditions. At December 31, 2020, our hedging strategy provides for a partial coverage of our net MSR portfolio exposure.

We use forward trades of MBS or Agency TBAs with different banking counterparties and exchange-traded interest rate swap futures as hedging instruments. 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. Interest rate swap futures are exchange-traded and centrally cleared. We report changes in fair value of these derivative instruments in MSR valuation adjustments, net in our consolidated statements of operations.

The TBAs and interest rate swap futures are subject to margin requirements. Ocwen may be required to post or may be entitled to receive cash collateral with its counterparties, 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.

Interest Rate Lock Commitments

A loan commitment binds us (subject to the loan approval process) to fund the loan at the specified rate, regardless of whether interest rates have changed between the commitment date and the loan funding date. As such, outstanding IRLCs are subject to interest rate risk and related price risk during the period from the date of the commitment through the loan funding date or expiration date. The borrower is not obligated to obtain the loan; thus, we are subject to fallout risk related to IRLCs, which is realized if approved borrowers choose not to close on the loans within the terms of the IRLCs. Our interest rate exposure on these derivative loan commitments had previously been economically hedged with freestanding derivatives such as forward contracts. Beginning in September 2019, this exposure is not individually hedged, but rather used as an offset to our MSR exposure and managed as part of our MSR hedging strategy described above.

Loans Held for Sale, at Fair Value

Mortgage loans held for sale that we carry at fair value are subject to interest rate and price risk from the loan funding date until the date the loan is sold into the secondary market. Generally, the fair value of a loan will decline in value when interest rates increase and will rise in value when interest rates decrease. To mitigate this risk, we had previously entered into forward MBS trades to provide an economic hedge against those changes in fair value on mortgage loans held for sale. Forward MBS trades were primarily used to fix the forward sales price that would be realized upon the sale of mortgage loans into the secondary market. Beginning in September 2019, this exposure is not individually hedged, but rather used as an offset to our MSR exposure and managed as part of our MSR hedging strategy described above.

Advance Match Funded Liabilities

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

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 losses were $1.0 million, $0.2 million and $3.2 million during the years ended December 31, 2020, 2019 and 2018, respectively, and are reported in Other, net in the consolidated statements of operations.

Note 18 — Interest Income

	Years Ended December 31,		
	2020	2019	2018
Loans held for sale	$ 13,929	$ 14,669	$ 10,756
Interest earning cash deposits and other	2,070	2,435	3,270
	$ 15,999	$ 17,104	$ 14,026

Note 19 — Interest Expense

	Years Ended December 31,		
	2020	2019	2018
Senior notes	$ 26,634	$ 31,804	$ 31,280
Advance match funded liabilities	24,122	26,902	31,870
Other secured borrowings	51,589	46,278	35,412
Other	7,022	9,145	4,809
	$ 109,367	$ 114,129	$ 103,371

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 this time, we estimate that modifications to the tax rules for the carryback of NOLs and business interest expense limitations will 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 of $64.0 million in our consolidated financial statements for the year ended December 31, 2020. As of December 31, 2020, we collected $51.4 million, which represents the tax refund associated with the NOLs generated in 2018 carried back to prior tax years, and recognized a $24.0 million receivable which represents the tax refund associated with the NOLs generated in 2019. We collected this $24.0 million tax refund receivable from the U.S. Internal Revenue Service in January 2021.

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,		
	2020	2019	2018
Domestic	$ (118,043)	$ (93,487)	$ 11,477
Foreign	12,359	(33,004)	(82,953)
	$ (105,684)	$ (126,491)	$ (71,476)

The components of income tax expense (benefit) were as follows:

	Years Ended December 31,		
	2020	2019	2018
Current:			
Federal	$ (67,080)	$ 873	$ (7,670)
State	348	4,460	356
Foreign	2,600	7,181	11,132
	(64,132)	12,514	3,818
Deferred:			
Federal	(25,762)	(40,429)	23,991
State	(2,047)	(914)	319
Foreign	(1,445)	11,993	(4,252)
Provision for (reversal of) valuation allowance on deferred tax assets	27,880	32,470	(23,347)
	(1,374)	3,120	(3,289)
Total	$ (65,506)	$ 15,634	$ 529

Ocwen is a global company with operations in the 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,		
	2020	2019	2018
Expected income tax expense (benefit) at statutory rate	$ (22,194)	$ (26,563)	$ (15,010)
Differences between expected and actual income tax expense:			
CARES Act	(63,954)	—	—
Provision for (reversal of) valuation allowance on deferred tax assets (1)	27,880	32,470	(23,347)
Provision for (reversal of) liability for uncertain tax positions	(2,033)	4,198	(3,987)
Other provision to return differences	(3,347)	1,242	(6,559)
Foreign tax differential including effectively connected income (2)	(2,511)	15,979	22,990
State tax, after Federal tax benefit	(1,700)	(784)	675
Executive compensation disallowance	594	1,344	959
Excess tax benefits from share-based compensation	424	381	(356)
Other permanent differences	382	66	122
Foreign tax credit (generation) utilization	(13)	263	(25,601)
Revaluation of deferred tax assets related to legal entity mergers	(2)	(25,509)	—
U.S. Tax Reform - Global Intangible Low-Taxed Income (GILTI) inclusion	182	11,859	—
U.S. Tax Reform - Change in Federal rate	—	—	(10,666)
U.S. Tax Reform - Transition Tax	—	—	14,412
U.S. Tax Reform - BEAT Tax	—	(555)	1,076
Reduction in tax attributes for Section 382 & 383 limitations	—	—	55,668
Bargain purchase gain disallowance	—	80	(13,448)
Subpart F income	—	—	3,222
Other	786	1,163	379
Actual income tax expense (benefit)	$ (65,506)	$ 15,634	$ 529

(1) The benefit recorded for the provision for valuation allowance in 2018 relates primarily to a reduction in the valuation allowance necessary as a result of the reduction in tax attributes due to Section 382 & 383 limitations. This benefit is partially offset by an

increase in valuation allowance necessary for current year losses and for adjustments to provisional amounts recorded under SAB 118 at December 31, 2017 when accounting for the effects of tax reform passed on December 22, 2017.

(2) The foreign tax differential includes expense recognized in 2019 and a benefit recognized in 2018 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 and 2018 was $2.6 million and $(3.3) million, respectively.

Net deferred tax assets were comprised of the following:

	December 31, 2020	December 31, 2019
Deferred tax assets		
Net operating loss carryforwards - federal and foreign	$ 40,557	$ 64,817
Net operating loss carryforwards and credits - state and local	67,293	70,254
Interest expense disallowance	23,112	12,423
Reserve for servicing exposure	10,273	7,711
Accrued legal settlements	9,200	6,028
Partnership losses	7,316	7,029
Stock-based compensation expense	6,486	5,297
Accrued incentive compensation	6,240	5,063
Accrued other liabilities	5,722	6,377
Lease liabilities	4,943	5,459
Intangible asset amortization	4,541	4,946
Foreign deferred assets	3,731	3,620
Tax residuals and deferred income on tax residuals	2,968	2,885
Foreign tax credit	107	94
Bad debt and allowance for loan losses	—	2,530
Deferred income	—	8,493
Other	5,928	8,708
	198,417	221,734
Deferred tax liabilities		
Mortgage servicing rights amortization	8,123	16,358
Bad debt and allowance for loan losses	1,951	—
Foreign undistributed earnings	287	1,615
Other	864	1,151
	11,225	19,124
	187,192	202,610
Valuation allowance	(183,649)	(200,441)
Deferred tax assets, net	$ 3,543	$ 2,169

As of December 31, 2020, we had a deferred tax asset, net of deferred tax liability, including $182.7 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, 2020. 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 $182.7 million and $199.5 million on our U.S. net deferred tax assets at December 31, 2020 and 2019, respectively, and a valuation allowance of $0.4 million and $0.4 million on our USVI net deferred tax assets at December 31, 2020 and 2019, respectively. 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 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, 2020, we had U.S. NOL carryforwards of $190.5 million, and state NOL and tax credit carryforwards valued at $67.3 million.

These U.S. federal and state NOL carryforwards will expire beginning 2021 through 2040 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 $40.0 million and $67.3 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, 2020 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 $7.9 million at December 31, 2020 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).

Generally, a Section 382 ownership change occurs if, over a rolling three-year period, there has been an aggregate increase of 50 percentage points or more in the percentage of our stock owned by one or more “5-percent shareholders.”

We have evaluated whether we experienced an ownership change, as defined under Section 382, and determined that an ownership change did occur in the U.S. jurisdiction in January 2015 and in December 2017, which also results in an ownership change under Section 382 in the USVI jurisdiction. In addition, a Section 382 ownership change occurred at PHH when Ocwen acquired the stock of PHH in October 2018. PHH was a loss corporation as defined under Section 382 at the date of the acquisition. PHH also had an existing Section 382 ownership change on March 31, 2018. For certain states, an additional Section 382 ownership change occurred on August 9, 2017. These Section 382 ownership changes may limit our ability to fully utilize NOLs, tax credit carryforwards, deductions and/or certain built-in losses that existed as of each respective ownership change date in various jurisdictions.

Due to the Section 382 and 383 limitations and the maximum carryforward period for our NOLs and tax credits, we will be unable to fully recognize certain deferred tax assets. Accordingly, as of December 31, 2018, we reduced our gross deferred tax asset related to our U.S. federal and USVI NOLs by $160.9 million, our foreign tax credit deferred tax asset by $29.5 million, and corresponding valuation allowance by $55.7 million. The realization of all or a portion of our remaining deferred income tax assets (including NOLs and tax credits) is dependent upon the generation of future taxable income during the statutory carryforward periods. In addition, the limitation on the utilization of our NOL and tax credit carryforwards could result in Ocwen incurring a current tax liability in future tax years.

Ocwen is continuing to monitor the ownership in its stock to evaluate information that will become available in 2021 and that may result in a different outcome for Section 382 purposes and our future cash tax obligations. 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, 2017 through the present, our USVI corporate tax return for the years ended December 31, 2013 through the present, and our India corporate tax returns for the years ended March 31, 2010 through the present. We are currently under audit in the USVI jurisdiction for tax years 2013 - 2016 due to the carryback of losses generated in 2015 and 2016 to tax years 2013 and 2014, respectively.

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,		
	2020	2019	2018
Beginning balance	$ 10,589	$ 9,622	$ 2,281
Additions for tax positions of current year	—	207	412
Additions for tax positions of prior years	15,242	3,110	1,354
Reductions for tax positions of prior years	(219)	—	(236)
Reductions for settlements	(3,067)	(1,293)	(3,188)
Lapses in statute of limitations	(1,907)	(1,057)	(4,109)
Additions - PHH acquisition	—	—	13,108
Ending balance (1)	$ 20,638	$ 10,589	$ 9,622

(1) $12.8 million of the balance at December 31, 2020 is included in the Liability for uncertain tax positions in Other liabilities, with the remaining $7.8 million balance included as a reduction of Income taxes receivable in Receivables. The balance at December 31, 2019 is included in the Liability for uncertain tax positions in Other liabilities.

We recognized total interest and penalties of $(1.6) million, $2.7 million and $2.9 million as income tax expense or (benefit) in 2020, 2019 and 2018, respectively. At December 31, 2020 and 2019, accruals for interest and penalties were $3.4 million and $6.6 million, respectively, and are included in the Liability for uncertain tax positions in Other liabilities. As of December 31, 2020 and 2019, we had unrecognized tax benefits for uncertain tax positions, excluding accrued interest and penalties, of $20.6 million and $10.6 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 $11.6 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, 2020, we have recognized a deferred tax liability of $0.3 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 stock options and restricted stock awards. For 2020, 2019 and 2018, we have excluded the effect of all stock options and common stock awards from the computation of diluted loss per share because of the anti-dilutive effect of our reported net loss.

	Years Ended December 31,		
	2020	2019	2018
Loss from continuing operations, net of tax attributable to Ocwen common stockholders	$ (40,178)	$ (142,125)	$ (72,181)
Income from discontinued operations, net of tax	—	—	1,409
Net loss attributable to Ocwen stockholders	$ (40,178)	$ (142,125)	$ (70,772)
Weighted average shares of common stock outstanding - Basic and Diluted	8,748,725	8,962,961	8,913,558
Earnings (loss) per share - Basic and Diluted			
Continuing operations	$ (4.59)	$ (15.86)	$ (8.10)
Discontinued operations	$ —	$ —	$ 0.16
Total attributable to Ocwen stockholders	$ (4.59)	$ (15.86)	$ (7.94)
Stock options and common stock awards excluded from the computation of diluted earnings per share			
Anti-dilutive (1)	199,079	211,175	332,648
Market-based (2)	125,395	52,480	44,722

(1) Includes stock options that are anti-dilutive because their exercise price was greater than the average market price of Ocwen's stock, and stock awards that are anti-dilutive based on the application of the treasury stock method.
(2) Shares that are issuable upon the achievement of certain market-based performance criteria related to Ocwen's stock price.

As disclosed in Note 16 — Stockholders' Equity, Ocwen implemented a reverse stock split in a ratio of one-for-15 effective on August 13, 2020. The above computations of earnings (loss) per share reflect the number of common stock shares after consideration for the reverse stock split. All common share and loss per share amounts have been adjusted retrospectively to give effect to the reverse stock split as if it occurred at the beginning of the first period presented.

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) plan) 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 $8,550 for 2020. 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 $5.2 million, $5.9 million and $4.8 million for the years ended December 31, 2020, 2019 and 2018, 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 the 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,	
	2020	2019
Benefit obligation	$ 58,965	$ 54,603
Fair value of plan assets	46,303	41,220
Unfunded status recognized in Other liabilities	$ (12,662)	$ (13,383)
Amounts recognized in Accumulated other comprehensive income	$ 8,484	$ 6,864

The rate used to discount the projected benefit obligation of the PHH pension plan decreased from 3.25% in 2019 to 2.25% in 2020, resulting in an increase of $6.8 million in the plan's benefit obligation. The net periodic benefit cost related to the defined benefit pension plans, included in Other expenses, was $(0.2) million, $(2.0) million and $0.4 million for 2020, 2019 and 2018 respectively.

As of December 31, 2020, 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, 2021 and 2023, $2.8 million for each of the years ending December 31, 2022 and 2024 and $3.0 million for the year ending December 31, 2025. The expected benefit payments to be made for the subsequent five years ending December 31, 2026 through 2030 are $15.7 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 $2.1 million, $0.8 million and $0.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. On October 4, 2018, Ocwen assumed all benefit obligations associated with PHH's defined benefit pension plan as a result of its completed acquisition of PHH and no contribution was required to be made during the post-acquisition period ended December 31, 2018.

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,	
	2020	2019
Benefit obligation	$ 6,091	$ 5,370
Fair value of plan assets	40	39
Unfunded status recognized in Other liabilities	$ (6,051)	$ (5,331)

During the years ended December 31, 2020, 2019 and 2018, benefits of $0.8 million, $0.9 million, and $0.3 million were paid by OFSPL. As of December 31, 2020, 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, $0.8 million, $0.8 million and $0.6 million for the years ending December 31, 2021, 2022, 2023, 2024 and 2025, respectively. The expected benefit payments to be made for the subsequent five years ending December 31, 2026 through 2030 are $2.1 million.

Annual Incentive Plan

The Ocwen Financial Corporation Amended 1998 Annual Incentive Plan and the 2017 Performance Incentive Plan (the 2017 Equity Plan) are our primary incentive compensation plans for executives and other eligible employees. Previously issued equity awards remain outstanding under 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 $25.7 million, $16.6 million and $20.5 million of compensation expense during 2020, 2019 and 2018, respectively, related to annual incentive compensation awarded in cash.

The 2007 Equity Plan and the 2017 Equity 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 2017 Equity Plan by Ocwen shareholders on May 24, 2017, no new awards have been, or will be, granted under the 2007 Equity Plan. The number of remaining shares available for award grants under the 2007 Equity Plan became available for award grants under the 2017 Equity Plan effective upon shareholder approval. At December 31, 2020, there were 249,746 shares of common stock remaining available for future issuance under these plans. Effective August 13, 2020, Ocwen implemented a one-for-15 reverse stock split. The number of units, exercise price, fair value, and market price conditions have been retroactively adjusted for all periods presented to give effect to the reverse stock split as if it occurred at the beginning of the first period presented. See Note 16 — Stockholders' Equity for additional information.

Equity Awards

Outstanding equity awards granted under the 2007 Equity Plan and the 2017 Equity Plan had the following characteristics in common:

Type of Award	Percent of Total Equity Award	Vesting Period
2011 - 2014 Awards:		
Options:		
Servicing Condition - Time-based	43 %	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	7	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:		
Options:		
Service Condition - Time-based	100 %	Ratably over four years (25% vesting on each of the first four anniversaries of the grant date.)
2017 - 2020 Awards:		
Options:		
Service Condition - Time-based	9 %	Ratably over three years (1/3 vesting on each of the first three anniversaries of the grant date).
Stock Units:		
Service Condition - Time-based	47	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	18	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	26	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 Ocwen's compensation 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	**2020**		**2019**		**2018**	
	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	131,962	$ 282.30	139,507	$ 288.30	447,244	$ 149.55
Granted (1)	—	—	3,427	31.20	23,226	54.90
Exercised	—	—	—	—	—	—
Forfeited / Expired (2)	(7,096)	423.80	(10,972)	280.35	(330,963)	84.30
Outstanding at end of year (3)(4)	124,866	$ 274.30	131,962	$ 282.30	139,507	$ 288.30
Exercisable at end of year (3)(4)(5)	110,484	$ 283.08	105,384	$ 302.40	101,336	$ 319.35

(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. Stock options granted in 2018 include 17,799 options awarded to Ocwen’s current Chief Executive Officer (CEO) at an exercise price of $61.80 equal to the closing price of our common stock on the effective date of his employment, which was the closing date of the PHH acquisition.

(2) Includes 0 and 4,913 options which expired unexercised in 2020 and 2019, because their exercise price was greater than the market price of Ocwen’s stock.

(3) At December 31, 2020, 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, 2020 have a net aggregate intrinsic value of $0. A total of 51,563 market-based options were outstanding at December 31, 2020, of which 46,396 were exercisable.

(4) At December 31, 2020, the weighted average remaining contractual term of options outstanding and options exercisable was 3.06 years and 2.66 years, respectively.

(5) The total fair value of stock options that vested and became exercisable during 2020, 2019 and 2018, based on grant-date fair value, was $0.3 million, $0.6 million and $0.6 million, respectively.

	Years Ended December 31,					
Stock Units - Equity Awards	**2020**		**2019**		**2018**	
	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	177,275	$ 39.45	196,453	$ 56.25	183,595	$ 55.35
Granted (1)(2)	150,000	8.78	83,797	30.00	120,625	53.55
Vested (3)(4)	(62,954)	42.25	(75,846)	46.20	(53,124)	41.70
Forfeited/Cancelled (1)	(2,674)	26.85	(27,129)	143.70	(54,642)	68.55
Unvested at end of year (5)(6)	261,647	$ 21.74	177,275	$ 39.45	196,453	$ 56.25

(1) Upon the resignation of Ocwen’s former CEO on June 30, 2018, 25,168 unvested stock units which would have been forfeited immediately were modified to allow continued vesting in accordance with the original terms. This had the equivalent effect of canceling the original award and granting a new award.

(2) Stock units granted in 2020 and 2019 include 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 2018 include 65,534 units granted to Ocwen’s current CEO on the effective date of his employment, which was the closing date of the PHH acquisition.

(3) The total intrinsic value of stock units vested, which is defined as the market value of the stock on the date of vesting, was $1.0 million, $2.1 million and $3.3 million for 2020, 2019 and 2018, respectively.

(4) The total fair value of the stock units that vested during 2020, 2019 and 2018, based on grant-date fair value, was $2.7 million, $3.5 million and $2.2 million, respectively.

(5) Excluding the 125,395 market-based stock awards that have not met their performance criteria, the net aggregate intrinsic value of stock awards outstanding at December 31, 2020 was $3.9 million. At December 31, 2020, 2,666, 6,201 and 3,840 stock units with a market condition for vesting based on an average common stock trading price of $175.80, $87.00 and $65.10, respectively, 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 75,000 stock units is measured based on TSR relative to Ocwen's compensation peer group TSR over the four performance periods.

(6) At December 31, 2020, the weighted average remaining contractual term of share units outstanding was 1.4 years.

Liability Awards

In 2019, Ocwen established an 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 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, performance is measured based on TSR relative to Ocwen's compensation peer group. 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.

Of the awards granted under the LTI program in 2020 and 2019, 50% and 74%, respectively, were performance-based with a market condition and the remaining 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 - Liability Awards	**2020**	**2019**
Unvested units at beginning of year	243,441	—
Granted	601,787	251,076
Vested	(21,909)	—
Forfeited/Cancelled	(94,954)	(7,635)
Conversion of fractional stock units on reverse stock split	8	—
Unvested units at end of year	728,373	243,441

The number of performance-based awards that will vest under the LTI program awards for 2020 is determined by Ocwen's TSR relative to its compensation peer group (18 companies selected by the Committee) during each performance period. Median (50^{th} percentile) TSR performance will earn the target number of performance-based awards. The award uses four distinct weighted performance periods to measure overall performance – 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 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,				
	2020	2019		2018	
	Monte Carlo	Black-Scholes	Monte Carlo	Black-Scholes	Monte Carlo
Risk-free interest rate	0.08% - 0.29%	2.60%	1.16% - 2.40%	2.79% – 3.14%	1.15% – 1.18%
Expected stock price volatility (1)	88.7% - 94.1%	68%	72.5% - 75.9%	67%	71% - 74%
Expected dividend yield	—%	—%	—%	—%	—%
Expected life (in years) (2)	(3)	8.5	(3)	8.5	(3)
Contractual life (in years)	N/A	N/A	N/A	N/A	N/A
Fair value	\$24.36 - \$38.75	\$20.55 - \$23.25	\$26.25 - \$33.75	\$22.95 - \$44.40	\$27.60 - \$72.00

(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 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 year ended December 31, 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,		
	2020	2019	2018
Compensation expense - Equity awards			
Stock option awards	\$ (431)	\$ (121)	\$ (368)
Stock awards	2,832	2,818	2,734
	\$ 2,401	\$ 2,697	\$ 2,366
Compensation expense - Liability awards	5,642	1,082	—
(Tax deficiency) excess tax benefit related to share-based awards	(424)	(381)	294

As of December 31, 2020, unrecognized compensation costs related to non-vested stock options amounted to \$0.3 million, which will be recognized over a weighted-average remaining requisite service period of 0.81 years. Unrecognized compensation costs related to non-vested stock units as of December 31, 2020 amounted to \$3.3 million, which will be recognized over a weighted-average remaining life of 1.40 years. Unrecognized compensation costs related to unvested liability awards as of December 31, 2020 amounted to \$15.7 million, which will be recognized over a weighted-average remaining life of 1.54 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 79% of our total revenues in 2020. We provide residential and commercial mortgage loan servicing, special servicing and asset management services. We earn fees for providing these services to owners of the mortgage loans and foreclosed real estate. In most cases, we provide these services either because we purchased the 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.

Effective with the fourth quarter of 2020, we report the results of Reverse Servicing within the Servicing segment. Historically, the Reverse Servicing business was included in the reported results of the Originations segment. This alignment of our business segments is consistent with a change in the management of the business and a change in the internal management reporting to the chief operating decision maker. Segment results for 2019 and 2018 have been recast to conform to the current segment presentation. Reverse Servicing generated Revenue and Income before income taxes of $63.4 million and $53.0 million, respectively, in 2019, and $41.7 million and $33.8 million, respectively in 2018. Reverse Servicing assets consist primarily of securitized Loans held for investment - Reverse Mortgages.

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 GSE Cash Window programs and bulk MSR purchases. Accordingly, as part of our internal management reporting we renamed the Lending segment as Originations effective in the first quarter of 2020.

Corporate Items and Other. Corporate Items and Other includes revenues and expenses of corporate support services, CR Limited (CRL), our wholly-owned captive reinsurance subsidiary, discontinued operations and inactive entities, business activities that are individually insignificant, revenues and expenses that are not directly related to other reportable segments, interest income on short-term investments of cash and interest expense on unallocated corporate debt. 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 that are not directly attributable to a segment to each business segment. 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 plan, 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. Beginning in the third quarter of 2020, we began allocating interest expense on corporate debt, including the SSTL and Senior Notes, used to fund servicing advances and other servicing assets from Corporate Items and Other to Servicing. Amortization of debt issuance costs and discount are excluded from the interest expense allocation. The interest expense related to the corporate debt has been allocated to the Servicing segment for prior periods to conform to the current period presentation. The interest expense allocation for 2020, 2019 and 2018 is $38.2 million, $54.9 million and $49.0 million, respectively.

Financial information for our segments is as follows:

Results of Operations	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
Year Ended December 31, 2020				
Revenue (1)	$ 757,665	$ 179,298	$ 23,949	$ 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	$ (75,784)	$ 104,162	$ (134,062)	$ (105,684)
Year Ended December 31, 2019				
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 repurchase of senior secured notes	—	—	5,099	5,099
Bargain purchase gain	—	—	(381)	(381)
Other, net	12,294	892	(3,758)	9,428
Other expense, net	(452,318)	(1,455)	(1,278)	(455,051)
Loss before income taxes	$ (72,668)	$ (12,226)	$ (41,597)	$ (126,491)

Results of Operations	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
Year Ended December 31, 2018				
Revenue	$ 992,913	$ 51,983	$ 18,149	$ 1,063,045
MSR valuation adjustments, net	(153,457)	—	—	(153,457)
Operating expenses (2)	628,613	73,303	77,123	779,039
Other income (expense):				
Interest income	7,079	4,365	2,582	14,026
Interest expense	(90,787)	(7,311)	(5,273)	(103,371)
Pledged MSR liability expense	(172,342)	672	—	(171,670)
Bargain purchase gain	—	—	64,036	64,036
Other, net	(1,858)	908	(4,096)	(5,046)
Other income (expense), net	(257,908)	(1,366)	57,249	(202,025)
Loss from continuing operations before income taxes	$ (47,065)	$ (22,686)	$ (1,725)	$ (71,476)

(1) Revenue in the Corporate Items and Other segment for 2020 includes an inter-segment derivatives elimination of $17.4 million with a corresponding offset in MSR valuation adjustments, net.

(2) Compensation and benefits expense in the Corporate Items and Other segment for 2020, 2019 and 2018 includes $2.7 million, $20.3 million and $11.9 million, respectively, of severance expense attributable to PHH integration-related headcount reductions of primarily U.S.-based employees in 2019, as well as our overall efforts to reduce costs.

(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, 2020	$ 9,847,603	$ 379,233	$ 424,291	$ 10,651,127
December 31, 2019	9,580,466	257,416	568,317	10,406,199
December 31, 2018	8,762,681	147,008	484,527	9,394,216

Depreciation and Amortization Expense	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
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
Year Ended December 31, 2018:				
Depreciation expense	$ 4,601	$ 103	$ 22,498	$ 27,202
Amortization of debt discount and issuance costs	—	—	4,104	4,104

Note 24 — Regulatory Requirements

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

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, and safeguarding of non-public personally identifiable information about our customers. 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. 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, 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 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, 2020. 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 $269.8 million at December 31, 2020. PMC’s net worth was $352.9 million at December 31, 2020. The most restrictive of the various liquidity requirements for licensing and seller/servicer obligations referenced above was $27.5 million at December 31, 2020. PMC’s liquid assets were $257.8 million at December 31, 2020.

We have faced and expect to continue to face heightened 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 and local 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 Business Oversight (CA DBO). In January 2015 and February 2017, OLS entered into consent orders with the CA DBO 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 DBO 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 DBO 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 reverse mortgage loans under which the borrowers have additional borrowing capacity of $2.0 billion and $1.9 billion at December 31, 2020 and 2019, respectively. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. In 2020, we funded $197.0 million out of this $1.9 billion borrowing capacity as of December 31, 2019. We also had short-term commitments to lend $619.7 million and $11.7 million in connection with our forward and reverse mortgage loan IRLCs, respectively, outstanding at December 31, 2020. 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, 2020					
	Active		Inactive		Total	
	Number	Amount	Number	Amount	Number	Amount
Beginning balance	62	$ 10,546	258	$ 25,147	320	$ 35,693
Additions (1)	222	59,589	295	44,847	517	104,436
Recoveries, net (2)	(134)	(38,093)	(245)	(12,246)	(379)	(50,339)
Transfers	(9)	(2,233)	9	2,233	—	—
Changes in value	—	43	—	(3,532)	—	(3,489)
Ending balance	141	$ 29,852	317	$ 56,449	458	$ 86,301

(1) Total repurchases during the year ended December 31, 2020, includes 423 loans totaling $95.3 million related to MCA repurchases.
(2) Includes amounts received upon assignment of loan to HUD, loan payoff, REO liquidation and claim proceeds less any amounts charged off as unrecoverable.

Active loan repurchases are classified as Receivables as reimbursement from HUD is generally received within 60 days and are initially recorded at fair value. Inactive loan repurchases are classified as Loans held for sale and 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, 2020, the weighted average remaining term of our leases was 2.4 years. A maturity analysis of our lease liability as of December 31, 2020 is summarized as follows:

2021	$	14,618
2022		10,960
2023		1,969
2024		697
2025		654
Thereafter		—
		28,898
Less: Adjustment to present value		(1,505)
Total lease payments, net	$	27,393

(1) At December 31, 2020, the weighted average of the discount rate used to estimate the present value was 7.5% based on our incremental borrowing rate.

Operating lease cost for 2020 and 2019 and rent expense for 2018 was $14.6 million, $26.1 million and $16.6 million, respectively. The operating lease cost for 2020 and 2019 includes $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. The required amount of the letter of credit will be reduced each month beginning in January 2021 through the lease expiration on December 31, 2022.

NRZ Relationship

Our Servicing segment has exposure to concentration risk and client retention risk. As of December 31, 2020, our servicing portfolio included significant client relationships with NRZ which represented 36% and 45% of our servicing portfolio UPB and loan count, respectively, and approximately 62% of all delinquent loans that Ocwen services. The current terms of our agreements with NRZ extend through July 2022. Currently, subject to proper notice (generally 180 days' notice), the payment of termination fees and certain other provisions, NRZ has rights to terminate the legacy Ocwen agreements for convenience. 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 might need to right-size or restructure certain aspects of our servicing business as well as the related corporate support functions. Selected assets and 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 10 — Rights to MSRs.

Oaktree MAV (MSR Asset Vehicle, LLC) Transaction

On December 21, 2020, Ocwen entered into a transaction agreement (the Transaction Agreement) with Oaktree Capital Management L.P. and certain affiliates (collectively Oaktree) and OCW MAV Holdings, LLC (OMH), a special purpose entity managed by Oaktree. The Transaction Agreement provides for Ocwen and OMH to form a strategic relationship for the purpose of investing in MSRs pertaining to mortgage loans held or securitized by Fannie Mae and Freddie Mac, subject to certain terms and conditions. The Transaction Agreement includes customary representations, warranties, covenants and closing conditions, including receipt of required regulatory approvals. The closing of the transaction is expected to occur in the first half of 2021. The Transaction Agreement may be terminated on or prior to closing by mutual written agreement of Ocwen and OMH, and upon the occurrence of certain conditions including if the closing has not occurred by July 1, 2021, subject to the ability of either OMH or Ocwen to extend such date for up to an additional 60 days to obtain any outstanding required regulatory approvals.

At closing, OMH and Ocwen will initially hold 85% and 15%, respectively, in what is presently a wholly owned subsidiary of OMH. The parties have agreed to invest up to $250.0 million, contributed on a pro rata basis, over a term of three years following closing (subject to extension) for use in connection with eligible MSR investments and operating expenses. Following the execution of the Transaction Agreement and until the parties have contributed their respective aggregate $250.0 million capital contributions, Ocwen has an obligation to provide an indirect subsidiary of OMH with a "first look" at opportunities presented to Ocwen or its affiliates to acquire Fannie Mae and Freddie Mac MSRs that meet certain criteria.

Effective as of closing, PMC will enter into a subservicing agreement (Subservicing Agreement) with an indirect subsidiary of OMH to service the mortgage loans underlying the MSRs in exchange for a per-loan subservicing fee and certain other ancillary fees as set forth in the Subservicing Agreement.

Upon closing and subject to other customary closing conditions, Ocwen agreed to sell to Oaktree and certain affiliates up to 4.9%, at Oaktree's sole discretion, of Ocwen's outstanding common stock at a price of $23.15 per share, and to issue to Oaktree warrants to purchase from Ocwen additional common stock equal to 3% of Ocwen's outstanding common stock at a purchase price of $24.31 per share (subject to anti-dilution adjustments). The warrants expire four years after their issue date. Ocwen also agreed to grant Oaktree a pre-emptive right, effective from the date of the Transaction Agreement until 90 days after closing, to participate in certain future equity financings of Ocwen in an amount that would allow Oaktree to maintain its fully-diluted ownership percentage of Ocwen as a result of its investment in Ocwen's common stock and warrants. Ocwen and Oaktree agreed to enter into a securities purchase agreement (the Securities Purchase Agreement) and warrant agreement (Warrant Agreement) at closing to reflect these transactions. The Securities Purchase Agreement and the Warrant Agreement provide that the ownership of Oaktree and its affiliates in Ocwen's common stock on an as-converted basis may not exceed 19.9% at any time without receipt of shareholder approval subject to applicable NYSE listing rules.

See Note 28 — Subsequent Events.

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. 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 parties who provide trustee services, parties to whom we have sold MSRs or other assets, parties on whose behalf we service mortgage loans, and parties who provide ancillary services including property preservation and other post-foreclosure related services.

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, 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 payment processing, payment facilitation or payment convenience, claims related to ancillary products marketed and sold to borrowers, claims related to call recordings, and claims regarding certifications of our legal compliance related to our participation in certain government programs. In some of these proceedings, claims for substantial monetary damages are asserted against us. For example, we are currently a defendant in various matters alleging that (1) certain fees imposed on borrowers relating to payment processing, payment facilitation or payment convenience violate the FDCPA and similar state laws, (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.

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 $38.9 million at December 31, 2020. We cannot currently estimate the amount, if any, of reasonably possible losses above amounts that have been recorded at December 31, 2020.

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 laws similar to the FDCPA. Ocwen has recently 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 practice of charging a fee to borrowers who voluntarily choose to 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. A motion requesting preliminary approval of the settlement was filed on August 25, 2020. Ocwen expects final approval of the *Morris* settlement will resolve the claims of the substantial majority of the putative class members described in the other similar cases that Ocwen is defending. Several third parties, including a group of State Attorneys General, have filed papers opposing preliminary approval, and these third parties could ultimately file objections to the proposed settlement. Ocwen cannot guarantee that the proposed settlement will receive final approval and in the absence of such approval, Ocwen cannot predict the eventual outcome of the *Morris* proceeding and similar putative class actions.

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 in alleging that PHH's legacy mortgage reinsurance arrangements between its captive reinsurer, Atrium Insurance Corporation, and certain mortgage insurance providers violated RESPA. Following numerous pre-trial developments, trial in the case, captioned *Munoz v. PHH Corp. et al*., will likely be scheduled in 2021. PHH accrued $2.5 million when the case was filed in 2008 and that amount is included in the $38.9 million legal and regulatory accrual referenced above. 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, reputation, financial condition, liquidity and results of operations could be materially and adversely affected.

Ocwen is involved in a TCPA class action that involves claims against trustees of RMBS trusts based on vicarious liability for Ocwen's alleged non-compliance with the TCPA. The trustees have sought indemnification from Ocwen based on the vicarious liability claims. Additional lawsuits have been and may be filed against us in relation to our TCPA compliance. At this time, Ocwen is unable to predict the outcome of existing lawsuits or any additional lawsuits that may be filed, the possible loss or range of loss, if any, 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.

In another TCPA action, plaintiffs Saber Ahmed and John Monteleone filed a putative nationwide class action against HSBC Bank USA, N.A. and PHH in California federal court in 2015. *See Ahmed v. HSBC Bank USA, N.A. and PHH Mortgage Corp.*, Case No. 5:16-cv-02057-JGB-DTB. Plaintiffs alleged that PHH and HSBC violated the TCPA by using an automatic telephone dialing system to call borrowers on their cell phones without express consent and/or with consent revoked. The parties agreed to settle the matter for $2.4 million, inclusive of all costs and fees. The settlement received the final approval from the Court on December 30, 2019 and the settlement amount was paid on February 6, 2020.

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*.; 2:14-cv-02597-MCE-DB. Ocwen's motion for summary judgment, filed in June 2019, was denied in May 2020; however, the court did rule that plaintiff' 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. The court has scheduled a jury trial to begin August 30, 2021. 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.

From time to time we are also subject to indemnification claims from contractual parties (i) on whose behalf we service or subservice loans, or did so in the past and (ii) to whom we sold loans or MSRs. 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. HSBC’s claims relate to alleged breaches of agreements entered into under a prior subservicing arrangement. We believe we have strong factual and legal defenses to all of HSBC’s 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 a pair of disputes 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 initial complaint filed in the first case was dismissed in its entirety, but Mr. Cooper has since appealed that ruling, filed an amended complaint in that case, and commenced the second litigation. PHH is vigorously defending itself. We have also received demands for indemnification for alleged breaches of representations and warranties from parties to whom we sold loans and we are currently a defendant in an adversary proceeding brought by a bankruptcy plan administrator seeking to enforce its right to contractual indemnification for the sale of allegedly defective mortgage loans.

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. 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. We believe we have factual and legal defenses to the CFPB's allegations and are vigorously defending ourselves. In September 2019, the court issued a ruling on our motion to dismiss, granting it in part and denying it in part. The court granted our motion dismissing the entire complaint without prejudice because the court found that the CFPB engaged in impermissible "shotgun pleading," holding that the CFPB must amend its complaint to specifically allege and distinguish the facts between all claims. The CFPB filed an amended complaint in October 2019, and we filed our answer and affirmative defenses in November 2019. Ocwen and the CFPB completed a summary judgment briefing on September 4, 2020. The parties participated in a mediation session on October 23, 2020, and held additional settlement discussions following the conclusion of the mediation session, however, the parties were unable to reach a resolution of the litigation. We do not anticipate a decision on summary judgment until mid-2021. To the extent the summary judgment ruling does not conclude the case and we do not otherwise resolve the matter before trial, we presently anticipate a trial will take place in the second half of 2021 or later.

Prior to the initiation of legal proceedings, we had been engaged with the CFPB in efforts to resolve the matter. We are taking all reasonable and prudent actions to resolve the CFPB matter in the shortest time frame possible that would result in an acceptable financial outcome for our stakeholders. The Court has consolidated both the CFPB and Florida matters for trial, but has removed them from the October 2020 trial calendar and will reset the trial for a later date. As noted below, however, because the Florida matter is now resolved, when the Court schedules the bench trial it will only include the claims of the CFPB. Our current accrual with respect to this matter, which we increased by $13.1 million in the fourth quarter of 2020 in connection with our efforts to resolve the litigation, is included in the $38.9 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).

As discussed further below, we have now resolved all of the state regulatory matters arising in April 2017. In resolving these matters, we entered into agreements containing certain 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. In some instances, we also provided borrower financial remediation and made payments to state regulators.

We have taken substantial steps toward fulfilling our commitments under the agreements described above, including completing the transfer of loans to Black Knight MSP, completing pre-transfer and post-transfer data integrity audits, developing and implementing certain enhancements to our consumer complaint process, completing a third-party escrow review and ongoing reporting and information sharing. We continue to be subject to obligations under these agreements, including completing the final phase of a data integrity audit under our agreement with the State of Massachusetts.

Concurrent with the initiation of the administrative actions and the filing of the CFPB lawsuit discussed above, the Florida Attorney General, together with the Florida Office of Financial Regulation, filed a lawsuit in the federal district court for the Southern District of Florida against Ocwen, OMS and OLS alleging violations of federal and state consumer financial laws relating to our servicing business. These claims are similar to the claims made by the CFPB. The Florida lawsuit seeks injunctive and equitable relief, costs, and civil money penalties in excess of $10,000 (ten thousand dollars) per confirmed violation of the applicable statute. In September 2019, the court issued its ruling on our motion to dismiss, granting it in part and denying it in part. The court granted our motion dismissing the entire complaint without prejudice because the court found that the plaintiffs engaged in impermissible "shotgun pleading," holding that the plaintiffs must amend their complaint to specifically allege and distinguish the facts between all claims. The plaintiffs filed an amended complaint in November 2019. We filed a partial motion to dismiss the amended complaint in December 2019. On April 22, 2020, the court granted our motion and dismissed Count V of the amended complaint with prejudice holding the plaintiff failed to plead an actionable claim under the Florida Deceptive and Unfair Trade Practices Act. On May 6, 2020, Ocwen filed its answer and affirmative defenses to the amended complaint. Ocwen and the plaintiffs completed a summary judgment briefing on September 4, 2020.

On October 15, 2020, we announced that we had reached an agreement to resolve the Florida plaintiffs' lawsuit. Pursuant to that agreement, Ocwen was required to pay the State of Florida $5.2 million within 60 days of the Court entering the final consent judgment between the parties. Ocwen then has an additional two years to provide debt forgiveness totaling at least $1.0 million to certain Florida borrowers. If Ocwen is unable to do so, then two years from now it will owe the State of Florida an additional $1.0 million. We anticipate that we will be able to satisfy the debt forgiveness obligation and therefore do not presently anticipate that the additional $1.0 million payment will be required. In addition, Ocwen agreed to certain late fee waivers, a targeted loan modification program for certain eligible Florida borrowers, and certain non-monetary reporting and handling obligations. Ocwen did not admit any fault or liability as part of the settlement. An Amended Final Consent Judgment was entered on October 27, 2020 and Ocwen satisfied the monetary portions of the settlement on December 17, 2020. Although we believe we had strong defenses to all of Florida's claims, this was an opportunity to resolve one of Ocwen's remaining significant legacy matters, and to do so without incurring further expense in preparing for trial.

Our accrual with respect to the administrative and legal actions initiated in April 2017 is included in the $38.9 million litigation and regulatory matters accrual referenced above. 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 required remediation measures required as part of that review. In addition, it is possible that legal or other actions could be taken against us with respect to such 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, OLS received a letter from the Department of Justice, Civil Rights Division, notifying OLS that the Department of Justice had initiated a general investigation into OLS's policies and procedures to determine whether violations of the Servicemembers Civil Relief Act by OLS might exist. The Department of Justice has informed us that it has decided not to take enforcement action related to this matter at this time and has, consequently, closed its investigation. In addition, Ocwen was named as a defendant in a HUD administrative complaint filed by a non-profit organization alleging discrimination in the manner in which 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 May 2016, Ocwen received a subpoena from the Office of Inspector General of HUD requesting the production of documentation related to HECM loans originated by Liberty. We understand that other lenders in the industry have received similar subpoenas. In April 2017, Ocwen received a subpoena from the Office of Inspector General of HUD requesting the production of documentation related to lender-placed insurance arrangements with a mortgage insurer and the amounts paid for such insurance. We understand that other servicers in the industry have received similar subpoenas. In May 2017, Ocwen received a subpoena from the Office of the Special Inspector General for the Troubled Asset Relief Program requesting documents and information related to Ocwen's participation from 2009 to the present in the Treasury Department's Making Home Affordable Program and its HAMP. We have been providing documents and information in response to these subpoenas. In April 2019, PMC received a subpoena from the VA Office of the Inspector General requesting the production of documentation related to the origination and underwriting of loans guaranteed by the Veterans Benefits Administration. We understand that other servicers in the industry have received similar subpoenas.

Loan Put-Back and Related Contingencies

Our contracts with purchasers of originated loans contain provisions that require indemnification or repurchase of the related loans under certain circumstances. While the language in the purchase contracts varies, they 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 origination representation, warranty and indemnification obligations relating to our 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, 2020 and 2019, we had outstanding representation and warranty repurchase demands of $41.2 million UPB (250 loans) and $47.0 million UPB (285 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,		
	2020	2019	2018
Beginning balance (1)	$ 50,838	$ 49,267	$ 19,229
Provision (reversal) for representation and warranty obligations	(7,783)	(11,701)	4,649
New production reserves	2,596	304	7,437
Obligation assumed in connection with the acquisition of PHH	—	—	27,736
Charge-offs and other (2) (3)	(5,277)	12,968	(9,784)
Ending balance (1)	$ 40,374	$ 50,838	$ 49,267

(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) Includes $18.0 million liability for representation and warranty obligations related to sold advances previously presented as allowance for losses. See Note 8 — 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, 2020.

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.

Note 27 — Quarterly Results of Operations (Unaudited)

	Quarters Ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenue	$ 231,011	$ 249,035	$ 227,024	$ 253,842
MSR valuation adjustments, net (1)	(20,553)	(33,814)	(23,434)	(174,120)
Operating expenses	144,159	149,522	144,809	137,214
Other income (expense), net	(67,108)	(77,073)	(64,937)	(29,853)
Income (loss) before income taxes	(809)	(11,374)	(6,156)	(87,345)
Income tax expense (benefit)	6,414	(1,954)	(8,110)	(61,856)
Net income (loss) attributable to Ocwen stockholders	$ (7,223)	$ (9,420)	$ 1,954	$ (25,489)
Earnings (loss) per share attributable to Ocwen stockholders (2)				
Basic	$ (0.83)	$ (1.09)	$ 0.23	$ (2.84)
Diluted	(0.83)	(1.09)	0.23	(2.84)

	Quarters Ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenue	$ 261,634	$ 283,515	$ 274,338	$ 303,888
MSR valuation adjustments, net (1)	829	134,561	(147,268)	(108,998)
Operating expenses	139,321	179,285	184,226	171,107
Other income (expense), net	(85,899)	(277,108)	(27,177)	(64,867)
Income (loss) before income taxes	37,243	(38,317)	(84,333)	(41,084)
Income tax expense	2,370	4,450	5,404	3,410
Net income (loss) attributable to Ocwen stockholders	$ 34,873	$ (42,767)	$ (89,737)	$ (44,494)
Earnings (loss) per share attributable to Ocwen stockholders (2)				
Basic	$ 3.88	$ (4.77)	$ (10.01)	$ (4.98)
Diluted	3.87	(4.77)	(10.01)	(4.98)

(1) Positive valuation adjustments indicated in the above table represent fair value gains, and negative valuation adjustments represent fair value losses.

(2) Earnings (loss) per share amounts have been adjusted retrospectively to give effect to the one-for-15 reverse stock split effective on August 13, 2020 as if it occurred at the beginning of the first period presented.

Note 28 — Subsequent Events

Notice of early redemption of senior secured notes

On February 2, 2021, we gave notice of our intention to redeem on March 4, 2021 the outstanding 6.375% Senior Notes due August 2021 at a price of 100% of the principal amount, plus accrued and unpaid interest, and the 8.375% Senior Secured Second Lien Notes due November 2022 at a price of 102.094% of the principal amount, plus accrued and unpaid interest. The redemption on March 4, 2021 would result in the recognition of an estimated $7.1 million loss on debt extinguishment. Our obligation to redeem the notes is contingent upon our completion of a debt financing that will provide funds sufficient to pay the redemption price in full for the respective notes. Accordingly, the March 4, 2021 redemption date may be extended until the financing conditions are satisfied or waived, in our sole discretion. If the financing conditions are not satisfied, we may elect to rescind the notice of redemption for such notes, terminate the redemption, and return any tendered notes to the holders.

Announcement of financing transactions

On February 9, 2021, we reached a definitive agreement with certain funds and accounts managed by Oaktree Capital Management, L.P. and affiliates (collectively Oaktree) pursuant to which we agreed to issue, and Oaktree agreed to purchase, in a private placement $285.0 million principal amount of Senior Secured Notes, in two separate tranches. The $199.5 million issuance and sale of the initial Senior Secured Notes to Oaktree is subject to certain conditions, including, but not limited to, the contemporaneous consummation by us or one of our subsidiaries of an additional debt financing not to exceed $450.0 million. The issuance and sale of the additional $85.5 million Senior Secured Notes will occur within one year after the initial Senior Secured Notes issuance, and is subject to certain conditions, including, but not limited to, (i) Ocwen having a book value of common equity of at least $360.0 million and (ii) the closing of the MSR joint venture with affiliates of Oaktree. See Note 25 — Commitments, Oaktree MAV Transaction.

Concurrent with the issuance of the initial Senior Secured Notes, we will issue to Oaktree warrants 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 antidilution adjustments. The warrants may not be exercised if the ownership of Oaktree would exceed 19.9% without prior shareholder approval, or 9.9% without prior regulatory approvals. If these limitations apply, Oaktree would have the right to exercise the warrants to purchase shares of non-voting preferred stock of Ocwen. While the warrants will not be registered, we agreed to enter into a registration rights agreement with Oaktree pursuant to which we will to register for resale the shares issuable upon exercise of the warrants.

The gross proceeds from the initial Senior Secured Notes and warrants are expected to be approximately $199.5 million, before deducting underwriting discount and other estimated issuance costs. The net proceeds from the initial Senior Secured Notes and warrants, together with the net proceeds from the additional debt financing that is a condition to issuance of the initial Senior Secured Notes, are expected to repay in full an aggregate of $498.1 million of indebtedness, including our Senior Secured Term Loan due May 2022, all of PMC's outstanding 6.375% senior unsecured notes due August 2021 and PHH's 8.375% senior secured second lien notes due November 2022. The net proceeds from the additional Senior Secured Notes are expected to be used to fund the Company's investment in the MSR joint venture. Remaining proceeds are expected to be used for general corporate purposes, including to accelerate growth of our originations and servicing businesses. The early redemption of the SSTL, the 6.375% senior unsecured notes and the 8.375% senior secured second lien notes is expected to result in the recognition of an estimated $15.5 million loss on debt extinguishment.

The Senior Secured Notes will include the following additional terms:

- The Senior Secured Notes will have a six-year term with no amortization of principal and accrue at the rate of 12% per annum if paid in cash or 13.25% per annum if "paid-in-kind" through an increase in the principal amount or the issuance of additional Senior Secured Notes (PIK Interest). Prior to the first anniversary, all of the interest on the Senior Secured Notes may, at our option, be payable as PIK Interest. After the first anniversary, 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 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.
- We will be permitted to redeem the Senior Secured Notes in whole or in part at any time at a redemption price equal to par, plus accrued and unpaid interest, and, if redeemed prior to the fifth anniversary of their issuance, plus a make-whole premium. Upon a change of control of Ocwen, we will be required to offer to repurchase the Senior Secured Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest.
- The Senior Secured Notes will be solely the obligation of Ocwen, with a pledge of substantially all of its assets that is expected to be junior to the lien securing the additional debt financing. The Senior Secured Notes will not be guaranteed by any of the Ocwen's subsidiaries nor secured by a pledge or lien on any assets of Ocwen's subsidiaries.
- The Senior Secured Notes will have two financial maintenance covenants: (1) a minimum book value of our 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 Senior Secured Notes also will have affirmative and negative covenants and events of default that are customary for debt securities of this type.
- We will be required to pay Oaktree a $35.0 million alternate transaction fee if the Initial Senior Secured Notes are not issued by August 9, 2021, or if we incur or issue additional indebtedness or we issue or sell any equity interests in certain alternative transactions to parties other than Oaktree which generate proceeds in excess of $100.0 million.

There can be no assurance that the conditions to the issuance and sale of the Senior Secured Notes to Oaktree will be met, or that any additional debt financing will be consummated.

Exhibit 4.9

Description of Common Stock

Each share of common stock has the same relative rights as, and is identical in all respects with, each other share of common stock. All shares of common stock currently outstanding are fully paid and nonassessable. The shares of common stock represent nonwithdrawable capital and are not subject to call for redemption. The shares of common stock are not an account of an insurable type and are not insured by the Federal Deposit Insurance Corporation or any other governmental authority.

We may pay dividends if, as and when declared by our Board of Directors, subject to compliance with limitations which are imposed by law. The holders of common stock will be entitled to receive and share equally in such dividends as may be declared by our Board of Directors out of funds legally available therefor. If we issue preferred shares, the holders thereof may have a priority over the holders of the common stock with respect to dividends.

The holders of common stock possess exclusive voting rights in Ocwen. They elect our Board of Directors and act on such other matters as are required to be presented to them under applicable law or our amended and restated articles of incorporation or as are otherwise presented to them by our Board of Directors. Each holder of common stock is entitled to one vote per share and does not have any right to cumulate votes in the election of directors. If we issue preferred shares, holders of the preferred shares also may possess voting rights.

If we liquidate, dissolve or wind-up, the holders of the then-outstanding common stock would be entitled to receive, after payment or provision for payment of all our debts and liabilities, all of our assets available for distribution. If preferred shares are issued, the holders thereof may have a priority over the holders of the common stock in the event of liquidation or dissolution.

Holders of the common stock are not entitled to preemptive rights with respect to any shares which may be issued in the future. Thus, we may sell common stock without first offering them to the then holders of the common stock.

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company. All common stock issued will, when issued, be fully paid and nonassessable.

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

TRANSACTION AGREEMENT

TRANSACTION AGREEMENT (the "Agreement") dated as of December 21, 2020 among OCW MAV Holdings, LLC, a Delaware limited liability company ("OMH"), Ocwen Financial Corporation, a Florida corporation ("Ocwen"), and solely for the purposes of Section 7, Oaktree Real Estate Opportunities Fund VIII, L.P., a Delaware limited partnership ("Oaktree RE Fund"), Oaktree Opportunities Fund XI Holdings (Delaware), L.P., a Delaware limited partnership ("Oaktree Opps Fund XI") and Oaktree Opportunities Fund Xb Holdings (Delaware), L.P., a Delaware limited partnership ("Oaktree Opps Fund Xb" and together with Oaktree RE Fund VIII and Oaktree Master Fund XI "Oaktree" and each an "Oaktree Entity"). OMH and Ocwen are referred to herein as the "Party" or "Parties" as applicable).

R E C I T A L S:

WHEREAS, the Parties desire to enter into a strategic relationship, pursuant to which the JV (as defined below) will invest, through MAV (as defined below), an affiliated licensed entity, in mortgage servicing rights pertaining to residential mortgage loans held or securitized by Fannie Mae and Freddie Mac;

WHEREAS, in furtherance of the foregoing, attached hereto as (i) Exhibit A is the form of that certain Amended & Restated Limited Liability Company Agreement of MAV Canopy Holdco I, LLC, a Delaware limited liability company (the "JV") by and among the JV, Ocwen and OMH (the "OA"), (ii) Exhibit B is the form of that certain Contribution Agreement ("CA") by and among OMH, Ocwen and the JV pursuant to which Ocwen will contribute, or cause to be contributed, all of the equity interests of MSR Asset Vehicle LLC (the "MAV") to the JV, (iii) Exhibit C is the form of that certain Subservicing Agreement (the "SSA") by and between PHH Mortgage Corporation ("PMC") and MAV, (iv) Exhibit D is the form of that certain Administrative Services Agreement (the "ASA") by and between Ocwen and MAV, (v) Exhibit E is the form of that certain Joint Marketing Agreement (the "JMA") by and between PMC and MAV, (vi) Exhibit F is the form of that certain Flow Servicing Rights Purchase and Sale Agreement (Recapture) (the "RA") by and between PMC and MAV, (vi) Exhibit G is the form of that certain Indemnity Agreement (the "IA") by and among MAV, the JV, Ocwen and PMC, and (vii) Exhibit H is the form of that certain Securities Purchase Agreement ("SPA") by and between Opps OCW Holdings, LLC, a Delaware limited liability company ("Opps OCW Holdings") and ROF8 OCW MAV PT, LLC, a Delaware limited liability company (together with Opps OCW Holdings, the "Oaktree Purchaser") and Ocwen; and

WHEREAS, OMH and Ocwen desire to set forth their agreement with respect to the terms and conditions governing the entry into each of the OA, CA, SSA, ASA, JMA, RA, IA, SPA and the Warrants (collectively, the "Transaction Agreements").

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties hereby agree as follows:

1. Defined Terms.

(a) "Affiliate" means, with respect to any Person, any Person who directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person. Notwithstanding the foregoing: (a) both prior to and following the Closing, OMH, Oaktree, and JV shall be deemed Affiliates of each other, and, following the Closing, OMH, Oaktree, JV and MAV shall be deemed Affiliates of each other, (b) prior to the Closing, Ocwen, PMC and MAV shall be deemed Affiliates of each other, but following the Closing, Ocwen and PMC shall not be deemed Affiliates of MAV, and (c) Brookfield Asset Management Inc. together with its subsidiaries, managed funds and accounts and affiliated holding companies (other than Oaktree Capital Group, LLC and its direct or indirect subsidiaries and any managed funds and accounts managed by any such subsidiary) ("Brookfield") shall be deemed not to be "Affiliates" of OMH or Oaktree for any purpose hereunder, but for the avoidance of doubt, Brookfield shall be deemed an affiliate of Oaktree and OMH under the terms of the SPA and the form of warrant attached as an exhibit thereto as defined for the limited purposes specified therein.

(b) "Business Day" means any day other than Saturday, Sunday, any day that is a legal holiday in the State of California or New York or any other day on which banking institutions in California or New York are authorized to close. For the avoidance of doubt, any reference to "day(s)" (and not "Business Days") in this Agreement means calendar days.

(c) "Change of Control" means a merger or consolidation of Ocwen or MAV into or with any other Person or Persons, or a sale, exchange or other disposition of Equity Securities which in any case (i) the related stockholders or equityholders of Ocwen or MAV, as applicable, or their Affiliates immediately prior to such merger, consolidation, sale, exchange, or other disposition or first of such series of transactions cease to beneficially own, directly or indirectly, at least 50% with respect to Ocwen, or directly or indirectly 100% with respect to MAV, of the Equity Securities of such Person or the equivalent voting interest (including the direct or indirect power to appoint or cause the appointment of more than half of the board of directors) in any successor entity immediately after such transaction or series of such transactions or (ii) Ocwen ceases to beneficially own, directly or indirectly, 100% with respect to MAV, provided that any sale, issuance, transfer, pledge or conveyance of any Equity Securities of Ocwen to Oaktree or OMH or any affiliate of Oaktree or OMH (including direct or indirect subsidiaries of Oaktree Capital Group, LLC and any fund or accounts managed by, or affiliated holding companies related to, any such affiliate) will not be deemed to be a Change of Control.

(d) "Company Approvals" means, with respect to each Company Permit, the consent from, registration, declaration or other Filing with or approval or authorization of the applicable Governmental Authority or Investor pertaining to consummation of the Closing.

(e) "Company Permit" means each Permit set forth on Schedule A.

(f) "Company Fundamental Representations" as defined in the Indemnity Agreement.

(g) "Equity Securities" means, with regard to any Person, as applicable, (i) any capital stock, voting, partnership, membership, joint venture or other ownership or equity interests, or other share capital of such Person, (ii) any securities of such Person convertible into or exchangeable for any capital stock, partnership, membership, joint venture or other ownership or equity interests, or other share capital (whether voting or non-voting, whether preferred, common or otherwise) of such Person or containing any profit participation features with respect to such Person, (iii) any rights or options directly or indirectly to subscribe for or to purchase any capital stock, partnership, membership, joint venture or other ownership or equity interests, other share capital of such Person or securities containing any profit participation features with respect to such Person or subscribe for or to purchase any securities convertible into or exchangeable for any capital stock, partnership, membership, joint venture or other ownership interests, other share capital of such Person or securities containing any profit participation features with respect to such Person, (iv) any share, unit or membership interest appreciation rights, phantom share rights, contingent interest or other similar rights relating to such Person (including any equity-linked rights or rights, to payments or otherwise, tied to the equity value of such Person) or (v) any Equity Securities of such Person issued or issuable with respect to the securities referred to in clauses (i) through (iv) above in connection with a combination of shares, units or membership interests or recapitalization, exchange, merger, consolidation or other reorganization.

(h) "Governmental Authority" means any United States federal, national, state, local or similar government, governmental, regulatory or administrative authority, branch, agency or commission or any court, tribunal, or arbitral or judicial body (including any grand jury).

(i) "Investor" means Fannie Mae and Freddie Mac.

(j) "Law" means all federal, state and local laws, statutes, rules, regulations, codes ordinances or other requirements.

(k) "Material Adverse Effect" means any effect, event, change, occurrence, circumstance, state of facts or development that, individually or in the aggregate, has a material adverse effect on the assets, properties, liabilities, business, results of operations or condition (financial or otherwise) of Ocwen and its Subsidiaries, taken as a whole, or the ability of Ocwen or its Subsidiaries to timely consummate the transactions contemplated hereby; provided that none of the following shall be taken into account in determining whether there has been a Material Adverse Effect: any adverse change, effect, event, occurrence, state of facts or development to the extent attributable to: (i) conditions or effects that generally affect any of the industries in which Ocwen operates (including legal and regulatory changes) in the United States; (ii) general economic effects or conditions affecting the United States; (iii) conditions or effects resulting from changes in equity, debt, financial, banking or securities markets in general or market conditions and any disruption thereof and any decline in any market index or any change in prevailing interest rates, in each case in the United States; (iv) conditions or effects resulting from an outbreak, escalation or worsening of hostilities, acts of war (whether or not declared), military actions, acts of terrorism, political instability or other national or international calamity, crisis or emergency, or any governmental or other response to any of the foregoing, in each case involving the United States; (v) epidemics, pandemics, acts of God, casualties, earthquakes, storms, hurricanes, tornadoes, severe weather, fires, accidents, floods or other natural or man-made catastrophes; (vi) conditions or effects arising from changes or proposed changes in Laws or GAAP following the date hereof; (vii) the failure to meet any budgets, pro forma amounts, projections or forecasts (provided that the exception in this clause (vii) shall not prevent or otherwise affect a determination that any circumstance underlying such failure has resulted in or contributed to a Material Adverse Effect); (viii) the announcement, pendency or completion of the transactions contemplated by this Agreement and the Transaction Agreements, including the identity of OHM or Oaktree and their respective Affiliates; and (ix) Ocwen, PMC or MAV taking or not taking any action required by this Agreement prior to Closing; provided that in the case of clauses (i)-(vi) above, such effect, event, change, occurrence, circumstance, state of facts or development does not have a disproportionate effect on Ocwen and its subsidiaries, taken as a whole, compared to other companies in the same industry.

(l) "Ocwen Fundamental Representations" as defined in the Indemnity Agreement.

(m) "Order" means any order, decision, judgment, writ, injunction, decree, award or other determination of any Governmental Authority.

(n) "Person" means any individual, partnership, corporation, limited liability company, limited liability partnership, trust or other entity.

(o) "Permits" means all permits, licenses, certifications, approvals, registrations, consents, authorizations and exemptions, in each case, issued or granted by a Governmental Authority or Investor.

(p) "Required Regulatory Approvals" means with respect to the Company Approvals, the consent from, registration, declaration or other Filing with or approval or authorization of (i) each Investor and (ii) the applicable Governmental Authorities related to each state or territorial Company Permit set forth on Schedule A, in the cause of this clause (ii), for which the applicable states and territories represent at least 85% of the national volume of mortgage loan originations based on the MBA Report attached as Exhibit J, provided that the volume percentage applicable to each state and territory for which MAV is not required to be licensed as of the Closing Date under applicable Law (and therefore does not hold a related Company Approval), which states as of the date hereof are set forth on Exhibit K (which exhibit will be updated following the date hereof if any state listed thereon requires licensing as of the Closing Date) will be credited towards the 85% threshold.

(q) "Warrant Certificate" means the form of that certain Warrant Certificate attached hereto as Exhibit I, dated as of the Closing Date.

2. Closing. The closing of the transactions contemplated by this Agreement and the effectiveness of each of the Transaction Agreements (the "Closing") shall occur remotely via the exchange of documents and signatures on the 3rd Business Day following the satisfaction of all conditions for Closing set forth below, or on such earlier or later date or at such different location as the parties shall agree to in writing (the date on which the Closing occurs, the "Closing Date").

(a) The obligations of OMH and Oaktree hereunder in connection with the Closing are subject to the following conditions being met:

(i) Representations & Warranties:

(A) the representations and warranties set forth in Section 4(b)(iii) and Section 4(b)(iv), for such purposes disregarding any materiality or similar qualification therein, shall be true and correct as of the date hereof and on the Closing Date, except as would not reasonably be expected to have, a Material Adverse Effect;

(B) the representations and warranties set forth in Section 4(b)(i), Section 4(b)(ii) and Section 4(b)(v) of this Agreement, Section 3.1 and Section 3.2 of the CA and the Ocwen Fundamental Representations, for such purposes disregarding any materiality or similar qualification therein, shall be true and correct in all material respects as of the date hereof and on the Closing Date;

(C) the representations and warranties set forth in Section 3.3 and Section 3.4 of the CA, for such purposes disregarding any materiality or similar qualification therein, shall be true and correct in all but any de minimis respect as of the date hereof and on the Closing Date;

(D) the representations and warranties of Ocwen or PMC, as applicable, in each such Transaction Document (other than the Ocwen Fundamental Representations and Sections of the CA addressed pursuant to Sections 2(a)(i)(B) and (C) above), for such purposes disregarding any materiality or similar qualification therein, that is made as of the Closing Date, shall be true and correct as of the Closing Date, except as would not reasonably be expected to have a Material Adverse Effect;

(ii) Performance of Covenants: Ocwen shall have performed, in all material respects, its covenants set forth in this Agreement;

(iii) No Material Adverse Effect: There shall have been no Material Adverse Effect since the date hereof;

(iv) Criminal Misconduct: No event shall have occurred that would constitute Criminal Misconduct (as defined in the OA) if the OA had become effective on the date hereof;

(v) Officer's Certificate: Ocwen shall have delivered to OMH a certificate, signed by an authorized person of Ocwen, dated as of the Closing Date, certifying the matters set forth in Sections 2(a)(i), 2(a)(ii), 2(a)(iii), 2(a)(iv) and 2(a)(viii);

(vi) Transaction Agreements: OMH shall have received each of the Transaction Agreements duly executed and delivered by MAV, Ocwen or PMC, as applicable, and each such Transaction Agreement shall be in full force and effect as of the Closing;

(vii) Receipt of Warrant Certificate: OMH shall have received in escrow the Warrant Certificate duly executed by Ocwen; and

(viii) SPA: Each of the closing conditions set forth in clauses (i), (ii) (except for those undertakings which are to be satisfied at the Closing, but subject to the satisfaction of such undertakings), (iii), (iv), (v), and (viii) of Section 2.3(b) of the SPA shall have been satisfied, or waived by Oaktree Purchaser.

(b) The obligations of Ocwen hereunder in connection with the Closing are subject to the following conditions being met:

(i) Representations & Warranties:

(A) the representations and warranties set forth in Section 4(a)(iii) and Section 4(a)(iv), for such purposes disregarding any materiality or similar qualification therein, shall be true and correct as of the date hereof and on the Closing Date, except as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of OMH or the JV to consummate the transactions contemplated by (or perform their respective obligations under) the Transaction Agreements;

(B) the representations and warranties set forth in Section 4(a)(i), Section 4(a)(ii) and Section 4(a)(v) of this Agreement, Section 4.1 and Section 4.2 of the CA and the Company Fundamental Representations, for such purposes disregarding any materiality or similar qualification therein, shall be true and correct in all material respects as of the date hereof and on the Closing Date;

(C) the representations and warranties set forth in Section 4.3 and Section 4.4 of the CA, for such purposes disregarding any materiality or similar qualification therein, shall be true and correct in all but any de minimis respect as of the date hereof and on the Closing Date;

(D) the representations and warranties of OMH, Oaktree Purchaser and the JV, as applicable, in each such Transaction Document (other than the Company Fundamental Representations and Sections of the CA addressed pursuant to Sections 2(b)(i)(B) and (C) above), for such purposes disregarding any materiality or similar qualification therein, shall be true and correct as of the Closing Date, except as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of OMH, Oaktree Purchaser or the JV to consummate the transactions contemplated by (or perform their respective obligations under) the Transaction Agreements;

(ii) Performance of Covenants: The performance of each of OMH and Oaktree in all material respects, of its covenants set forth in this Agreement;

(iii) Officer's Certificate. OMH shall have delivered to Ocwen a certificate, signed by an authorized person of OMH, dated as of the Closing Date, certifying the matters set forth in Sections 2(b)(i), 2(b)(ii) and 2(b)(v);

(iv) Transaction Agreements: Ocwen shall have received the Transaction Agreements duly executed and delivered by OMH, Oaktree Purchaser and the JV, as applicable, and each such Transaction Agreement shall be in full force and effect as of the Closing.

(v) SPA. Each of the closing conditions set forth in clauses (i), (ii) (except for those undertakings which are to be satisfied at the Closing, but subject to the satisfaction of such undertakings), (iv), (v) and (vi) of Section 2.3(a) of the SPA shall have been satisfied, or waived by Ocwen.

(c) The obligations of Ocwen and OMH in connection with the Closing are subject to the following conditions being met:

(i) no Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Order (whether temporary or permanent) which is then in effect and has the effect of making consummation of the transactions contemplated hereby illegal or otherwise preventing or prohibiting consummation of the transactions contemplated hereby, and no Governmental Authority shall have instituted or threatened in writing a proceeding seeking to impose any such prevention or prohibition; and

(ii) With respect to the Required Regulatory Approvals: (1) all such approvals shall have been obtained without the imposition of unreasonably burdensome conditions (as determined jointly by the Parties, acting reasonably and in good faith), and (2) all such filings shall have been made.

(iii) MAV shall have been approved as a seller/servicer by Fannie Mae and Freddie Mac as evidenced by receipt of an active seller/servicer number from each of Fannie Mae and Freddie Mac.

3. Covenants.

(a) Commercially Reasonable Efforts. Subject to the terms and conditions of this Agreement including but not limited to Section 3(b), Ocwen and OMH will use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable Law to consummate the transactions contemplated hereby as promptly as practicable after the date hereof, including the satisfaction of the conditions set forth in Section 2, it being acknowledged and agreed that the obligation to use commercially reasonable efforts hereunder does not require any Person subject to that obligation to commence or threaten to commence any legal action. OMH and Ocwen agree that each of them shall, and cause their controlled affiliates to, execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated hereby.

(b) Cooperation; Regulatory Approvals.

(i) Each of OMH and Ocwen shall (and Ocwen shall cause the MAV and OMH shall cause JV to) reasonably cooperate with the other Parties in connection with all actions to be taken in connection with obtaining all Company Approvals and making all filings, consents, applications, submissions or notices ("Filings") required in connection with such Company Approvals.

(ii) Without limiting the foregoing, Ocwen shall cause the MAV to, (i) as promptly as practicable after the date hereof, use reasonable best efforts to take, or cause to be taken, such actions, to provide, or cause to be provided, such information, and to do, or cause to be done (subject to cooperation by OMH), such things as are required to be done by MAV in connection with the preparation of the Filings contemplated by the Company Approvals, (ii) file substantially complete Filings with the relevant Governmental Authorities and Investors as soon as reasonably practicable after the date hereof, provided that each of OMH shall promptly provide to MAV all information regarding OMH or any of its Affiliates and take such actions that were requested by Ocwen or MAV in connection with the preparation of such Filings. OMH shall use reasonable best efforts to cooperate with MAV in connection with the filing or making of the Filings pertaining to the Company Approvals, including by providing information regarding OMH and its control persons, officers, directors, members, shareholders, parent companies, investors, representatives and agents that is required to be included therein, or taking such actions as is required to be taken in connection therewith, as promptly as reasonably practicable following a request by Ocwen or MAV, promptly review and provide any comments on all such draft Filings (or any related correspondence sent to any Governmental Authority or Investor by MAV) sent to OMH (or its legal counsel) for review.

(iii) Ocwen and OMH shall keep each other party reasonably apprised of the status of matters relating to the consummation of the transactions contemplated hereby and work cooperatively in connection with obtaining the Company Approvals, including: (i) cooperating with each other in connection with all Filings required under applicable Laws in connection with the transactions contemplated hereby; (ii) furnishing to the other party all information within its possession or control or otherwise reasonably obtainable that is required for any Filing to be made by the other party pursuant to applicable Laws in connection with the transactions contemplated hereby; (iii) promptly notifying the other party of any communications from or with any Governmental Authority or Investor with respect to the transactions contemplated hereby; (iv) using commercially reasonable efforts to respond as soon as reasonably practicable (but in all events within five (5) Business Days) to any request by a Governmental Authority or Investor for information with respect to the transactions contemplated hereby; (v) not agreeing to participate in any meeting with any Governmental Authority or Investor in connection with proceedings under or relating to applicable Laws in connection with the transactions contemplated hereby, unless it consults with the other party in advance, and, to the extent permitted by such Governmental Authority or Investor, gives the other party the opportunity to attend and participate thereat; and (vi) consulting and cooperating with one another in connection with all analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any party in connection with the Company Approvals. Without limiting the foregoing, any Filings or written communications to any Governmental Authority or Investor relating to the Company Approvals or the transactions contemplated hereby that sets forth the proposed Closing Date will require the prior written consent of OMH and Ocwen.

(iv) Without limiting the foregoing, OMH and Ocwen acknowledge that receipt of the Company Approval with respect to any related Company Permit may be waived by the mutual agreement of OMH and Ocwen, such consent not to be unreasonably withheld, delayed or conditioned, if all of the conditions to Closing set forth in Section 2 have theretofore been satisfied or are reasonably capable of being satisfied on or prior to the proposed Closing Date, including the satisfaction of the requisite Required Regulatory Approvals. OMH and Ocwen agree that if any such Company Approval is waived, the applicable Company Permit shall be surrendered by MAV prior to Closing, and MAV shall apply for a new Permit following Closing.

(c) Covenants Regarding MSR Acquisitions During the Interim Period.

(i) Promptly following execution of this Agreement, OMH and Ocwen shall cooperate to develop and implement a strategy designed to allow MAV to (1) quickly and effectively acquire, promptly following Closing and (2) acquire, during the pre-Closing period in a legally-permissible manner and subject to receipt of any Investor approvals, in each case, mortgage servicing rights pertaining to mortgage loans held or securitized by Fannie Mae and Freddie Mac that meet the MSR Buy-Box (as defined in the OA) (such MSRs, "Eligible MSRs") from third party sellers on a bulk and flow basis ("MSR Strategy"). The Parties acknowledge and agree that the intent of the MSR Strategy is to enable MAV, by the 60th day following Closing, to acquire Eligible MSRs for which the related mortgage loans have aggregate unpaid balances of at least $5 billion (the "Threshold"). Further to and not in limitation of the foregoing, Ocwen acknowledges that in the ordinary course of its business, Ocwen or its Affiliates are presented with or seek opportunities to acquire Eligible MSRs, and Ocwen agrees that, prior to the Closing, when it is presented with or has identified Eligible MSRs, it will confer in good faith with OMH, consistent with the MSR Strategy, to determine the feasibility and funding (including any purchase price due to Ocwen or PMC, as applicable) of, and a mechanism by which, MAV can acquire such Eligible MSRs directly (the "Interim Strategy"). On or about the 30th day following Closing, OMH and Ocwen shall confer to determine whether or not the Threshold is reasonably attainable within 60 days following Closing. If OMH and Ocwen determine (or, if OMH and Ocwen cannot agree, then OMH's reasonable and good faith determination shall prevail) that the Threshold cannot be met, OMH and Ocwen shall negotiate in good faith and a commercially reasonable manner a definitive servicing rights and sale purchase agreement pursuant to which Ocwen or PMC shall sell, and MAV shall purchase, within 90 days following the Closing, Eligible MSRs for which the related mortgage loans have aggregate unpaid balances that, in combination with any Eligible MSRs acquired by MAV from third parties, meet or exceed the Threshold. Such definitive purchase agreement will include representations, warranties and covenants that are customary in the market for Fannie Mac and Freddie Mac servicing rights sales and include mutually agreed pricing terms; provided, however, that if the Parties are unable to mutually agree to the pricing terms applicable to the subject mortgage servicing rights, the pricing will be determined as the average of two (2) broker valuation marks to the applicable portfolio, with each of OMH and Ocwen identifying a reputable broker to provide a valuation mark for such purpose.

(ii) Without limiting the foregoing Section 3(c)(i), if (1) OMH and Ocwen cannot agree on the Interim Strategy, (2) MAV is not licensed by each Investor at the applicable time, or (3) OMH declines to pursue an Eligible MSR opportunity prior to Closing, then Ocwen may acquire, solely for its own account (or through PMC) the applicable Eligible MSRs; provided that Ocwen shall not be permitted to seek or utilize, directly or indirectly, third-party debt, equity or other financing in respect of the applicable Eligible MSR opportunity other than under a debt facility from an existing debt provider of Ocwen or PMC.

(d) Covenants Regarding MAV.

(i) Ocwen confirms that the individuals identified as the MAV Operating Team based in the United States (as set forth on Schedule E to the OA) are willing and able to perform their respective roles on the Closing Date and will be employed by the MAV on the Closing Date; provided that to the extent an individual set forth thereon is unwilling or unable to serve in such capacity, Ocwen shall, promptly upon becoming aware of such event, propose a person of like experience and ability to fulfil the applicable role for approval by OMH, such approval not to be unreasonably withheld, delayed or conditioned.

(ii) Prior to the Closing, Ocwen shall, or shall cause its applicable Affiliate to, contribute, assign, or otherwise transfer to the MAV (as applicable), all computers, office equipment, furniture and all other assets necessary for the representation made in Section 4(b)(v) to be true and correct at the Closing Date, in each case for no additional consideration. If any such assets cannot be transferred (whether due to the lack of consent of a counterparty to any contract or otherwise), Ocwen shall or shall cause an asset substantially similar to the non-transferable asset to be transferred or licensed to the MAV prior to the Closing (or, if applicable, a new contract that provides MAV substantially the same benefits and imposes only substantially similar obligations). If MAV terminates any contracts prior to Closing that are reasonably expected to be material to the Business after Closing, Ocwen shall or shall cause MAV to enter into a new contract prior to the

Closing addressing the same or similar subject matter on substantially similar terms to the terminated contract (including substantially the same benefits and imposing substantially similar obligations as to MAV). All costs of compliance with this Section 3(d)(ii) shall be borne by Ocwen.

(iii) Prior to the Closing, Ocwen and MAV shall enter into a sublease, or MAV shall enter into a new lease, pertaining to the existing MAV office space or new office space (with substantially comparable rental payments) necessary to allow Ocwen to be in compliance with the representation set forth in Section 4(b)(v). Prior to Closing, Ocwen and MAV shall use commercially reasonable efforts implement such safeguards (that either Party determines necessary) to ensure that confidential information of Ocwen and its Affiliates, on the one hand, and MAV and its Affiliates, on the other hand, (whether in electronic or hard copy form), are segregated and cannot be accessed by the other party, except as otherwise required by the Transaction Agreements.

(iv) In furtherance and not in limitation of the foregoing, Ocwen shall make best efforts, at its sole cost and expense, to cause the representation set forth in Section 4(b)(v) to be true and correct as of the Closing Date.

(e) Number of Shares under the SPA. As contemplated by Section 2.1 of the SPA, Oaktree Purchaser will purchase at the price set forth in the SPA and Ocwen will sell, at Closing, up to 4.9% (as determined by Oaktree Purchaser) shares of common stock of Ocwen as of the Closing (the "Shares"). No later than ten (10) Business Days prior to the Closing, Oaktree Purchaser shall deliver a written notice to Ocwen specifying the number of Shares Oaktree Purchaser desires to acquire at the Closing, and Oaktree Purchaser and Ocwen shall update Section 2.1 of the SPA accordingly.

(f) Title to MAV Units. As contemplated by Section 3.3 of the CA, prior to the Closing, Ocwen shall make best efforts to cause the release of any and all Liens upon the MAV Units (as defined in the CA) including those set forth on Schedule 3.3 of the CA pursuant to documentation reasonably satisfactory to OMH.

(g) Preemptive Rights. Notwithstanding that the SPA becomes effective only on the Closing Date, Ocwen acknowledges and agrees to be bound by Section 4.6 of the SPA and related provisions with respect to Covered Securities therein, from the date of this Agreement, in accordance with and pursuant to the terms of the SPA.

(h) Closing Deliveries.

(i) OMH shall deliver, or shall cause to be delivered, to Ocwen at the Closing: (x) the CA, IA, OA and SPA duly executed by OMH, Oaktree Purchaser and the JV, as applicable, and (y) each closing deliverable to be delivered to Ocwen pursuant to clauses (iii), (iv), (v) and (vi) of Section 2.3(a) of the SPA.

(ii) OMH shall deliver, or shall cause to be delivered, to the JV at the Closing its Initial Capital Contribution as defined and required under Section 4.01 of the OA.

(iii) Ocwen shall deliver, or shall cause to be delivered, to OMH or Oaktree Purchaser, as applicable, at the Closing: (x) (1) the OA, CA and ASA duly executed by Ocwen and MAV, (2) the SSA, JMA, and RA duly executed by PMC and MAV, as applicable, (3) the IA duly executed by MAV, Ocwen and PMC, and (4) the SPA and Warrant Certificate, each dated as of the Closing Date, duly executed by Ocwen, and (y) each closing deliverable to be delivered to Oaktree Purchaser pursuant to clauses (iii), (iv), (v), (vi), (vii) and (viii) of Section 2.3(b) of the SPA.

(iv) Ocwen shall deliver, or shall cause to be delivered, to the JV at the Closing its Initial Capital Contribution as defined and required under Section 4.01 of the OA.

(i) Permitted Distribution. OMH acknowledges and agrees that, immediately prior to Closing, MAV will distribute to Ocwen all cash and marketable securities held by MAV as of such time and that such distribution will not be deemed to be a breach of any representation, warranty or covenant set forth in this Agreement or any Related Agreement.

4. Representations & Warranties of the Parties.

(a) OMH represents and warrants to Ocwen:

(i) Organization & Good Standing: Each of OMH and the JV is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of OMH and the JV is licensed, qualified and in good standing, and is duly authorized and qualified to transact, in each case, (a) to carry on its business as currently conducted, and (b) any and all business contemplated by this Agreement and each Transaction Agreement to which it is a party to the extent necessary to perform its obligations under this Agreement and each Transaction Agreement to which it is a party, in each case except where the failure to possess such qualifications or licenses would not reasonably be expected to have a material adverse effect on OMH or the JV or the ability of OMH or the JV to perform under this Agreement or any Transaction Agreement to which it is a party. OMH and the JV has the power and authority to make, execute, deliver and perform this Agreement and each Transaction Agreement to which it is a party, and perform all of the transactions contemplated to be performed by it under this Agreement and each Transaction Agreement to which it is a party, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and each Transaction Agreement to which it is a party. When executed and delivered by each Party hereto, this Agreement and each Transaction Agreement to which it is a party will constitute the legal, valid and binding obligation of OMH or the JV, as applicable, enforceable in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(ii) No Violations. The execution, delivery and performance of this Agreement and each Transaction Agreement to which it is a party by each of OMH and the JV, as applicable, will not violate any provision of any existing Law or Order of any court applicable to OMH or the JV, as applicable, except for violations that would not reasonably be expected to materially and adversely affect OMH's or the JV's ability to perform its obligations under this Agreement or any Transaction Agreement to which it is a party.

(iii) Litigation. No litigation or administrative proceeding before any court, tribunal or governmental body is currently pending or to the knowledge of OMH threatened against OMH or the JV or with respect to this Agreement or any Transaction Agreement to which it is a party, which would be reasonably likely to impair materially the ability of OMH or the JV to perform under the terms of this Agreement or any Transaction Agreement to which it is a party.

(iv) No Consents. Neither OMH nor the JV is required to obtain the consent of any other party or any consent, license, approval or authorization from, or registration or declaration with, any Governmental Authority in connection with the execution, delivery, performance, validity or enforceability of this Agreement or any Transaction Agreement to which it is a party, except such as have been obtained or made or as to which the failure to obtain or make would not reasonably be expected to materially adversely affect the ability of OMH or the JV to perform all obligations hereunder or thereunder.

(v) To the knowledge of OMH without any duty to investigate, as of the date hereof, there is no fact, event or circumstance relating to OMH or its business, operations, financial condition or legal status that would reasonably be expected to impair in any material respect the ability of the parties to obtain or make, as applicable, all Company Approvals and Filings from or with any Governmental Entity or Investor that are necessary for the consummation of the transactions contemplated by this Agreement.

(b) Ocwen represents and warrants to OMH:

(i) Organization & Good Standing: Ocwen is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and PMC is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. Each of Ocwen and PMC is licensed, qualified and in good standing, and is duly authorized and qualified to transact, in each case, (a) to carry on its business as currently conducted, and (b) any and all business contemplated by this Agreement and each Transaction Agreement to which it is a party to the extent necessary to perform its obligations under this Agreement and each Transaction Agreement to which it is a party, in each case except where the failure to possess such qualifications or licenses would not reasonably be expected to have a material adverse effect on Ocwen and its subsidiaries, taken as a whole, or the ability of Ocwen or PMC to perform under this Agreement or any Transaction Agreement to which it is a party. Each of Ocwen and PMC has the corporate power and authority to make, execute, deliver and perform this Agreement (or will have with respect to each Transaction Agreement to which it is a party), and perform all of the transactions contemplated to be performed by it under this Agreement and each Transaction Agreement to which it is a party, and has taken (or will take) all necessary action to authorize the execution, delivery and performance of this Agreement and each Transaction Agreement to which it is a party. When executed and delivered by each Party hereto, this Agreement and each Transaction Agreement to which it is a party will constitute the legal, valid and binding obligation of Ocwen or PMC, as applicable, enforceable in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(ii) No Violations. Subject to receipt of the Company Approvals and any Investor approvals contemplated by the Transaction Agreements, the execution, delivery and performance of this Agreement and each Transaction Agreement to which it is a party by each of Ocwen and PMC, as applicable, will not violate any provision of any existing Law or Order of any court applicable to Ocwen or PMC, as applicable, except for violations that would not reasonably be expected to materially and adversely affect Ocwen's or PMC's ability to perform its obligations under this Agreement or any Transaction Agreement to which it is a party.

(iii) Litigation. No litigation or administrative proceeding before any court, tribunal or governmental body is currently pending or to the knowledge of Ocwen threatened against Ocwen or PMC or with respect to this Agreement or any Transaction Agreement to which it is a party, which would be reasonably likely to have a material adverse effect on the transactions contemplated by this Agreement or any Transaction Agreement to which it is a party.

(iv) No Consents. Except with respect to the Company Approvals and any Investor approvals contemplated by the Transaction Agreements, neither Ocwen nor PMC is required to obtain the consent of any other party or any consent, license, approval or authorization from, or registration or declaration with, any Governmental Authority in connection with the execution, delivery, performance, validity or enforceability of this Agreement or any Transaction Agreement to which it is a party, except such as have been (or will be) obtained or made or as to which the failure to obtain or make would not reasonably be expected to materially adversely affect the ability of Ocwen or PMC to perform all obligations hereunder or thereunder.

(v) Sufficiency of Assets. At the Closing, the assets of MAV will be sufficient to operate the MAV and fulfill its purpose as contemplated by the OA in all material respects taking into account (A) receipt of the Required Regulatory Approvals, (B) compliance by Ocwen with the covenants set forth in Section 3(d), (C) effectiveness of the CA, and (D) the services to be provided by Ocwen or PMC, as applicable, under the SSA, ASA, JMA and RA.

5. Termination.

(a) This Agreement may be terminated on or prior to the Closing as follows:

(i) By mutual written agreement of Ocwen and OMH;

(ii) Either Ocwen or OMH may terminate this Agreement if the Closing Date shall not have occurred on or before July 1, 2021 (the "Termination Date"); provided, however, that (x) Ocwen shall not have the right to terminate this Agreement pursuant to this Section 5(a)(ii) if the Closing Date fails to occur on or before the Termination Date, and such failure is attributable to a material breach by Ocwen of its representations, warranties, covenants or agreements contained in this Agreement, and (y) OMH shall not have the right to terminate this Agreement pursuant to this Section 5(a)(ii) if the Closing Date fails to occur on or before the Termination Date, and such failure is attributable to a material breach by OMH or Oaktree of its representations, warranties, covenants or agreements contained in this Agreement); provided further, if, as of the date that is one (1) Business Day prior to the Termination Date, any Required Regulatory Approvals have not been obtained, and all other conditions in Section 2 have theretofore been satisfied or are reasonably capable of being satisfied on or prior to the Termination Date, then either OMH or Ocwen may, by written notice to the other Party, extend the Termination Date for up to an additional sixty (60) days in order to obtain such outstanding Required Regulatory Approvals;

(iii) Either Ocwen or OMH may terminate this Agreement if (A) any Governmental Authority or Investor which must grant a Required Regulatory Approval has denied such approval and such denial has become final and nonappealable or (B) any Governmental Authority or Investor shall have issued a final nonappealable order enjoining or otherwise prohibiting the consummation of the Closing;

(iv) Ocwen may terminate this Agreement (if Ocwen is not then in breach of its representations, warranties, covenants or agreements under this Agreement so as to cause any of the conditions set forth in Sections 2(a)(i), 2(a)(ii), 2(a)(iv), 2(c)(i), or 2(c)(ii) not to be satisfied), upon written notice to OMH, if there has been a violation, breach or inaccuracy of any representation, warranty, covenant or agreement of OMH or Oaktree contained in this Agreement, which violation, breach or inaccuracy would cause any of the conditions set forth in Section 2(b)(i), 2(b)(ii), 2(c)(i), or 2(c)(ii) not to be satisfied, and such violation, breach or inaccuracy has not been waived by Ocwen or cured by OMH or Oaktree within twenty (20) Business Days after receipt by OMH of written notice thereof from Ocwen; provided, that if such written notice is received by OMH within twenty (20) Business Days of the Termination Date and such violation, breach or inaccuracy is capable of being cured within twenty (20) Business Days, then the Termination Date shall automatically be extended to the date that is twenty (20) Business Days following receipt of such written notice by OMH;

(v) OMH may terminate this Agreement (if OMH and Oaktree is not then in breach of their respective representations, warranties, covenants or agreements under this Agreement so as to cause any of the conditions set forth in Sections 2(b)(i), 2(b)(ii), 2(c)(i), or 2(c)(ii) not to be satisfied), upon written notice to Ocwen, if there has been a violation, breach or inaccuracy of any representation, warranty, covenant or agreement of Ocwen contained in this Agreement, which violation, breach or inaccuracy would cause any of the conditions set forth in Sections 2(a)(i), 2(a)(ii), 2(a)(iv), 2(c)(i), or 2(c)(ii) not to be satisfied, and such violation, breach or inaccuracy has not been waived by OMH or cured by Ocwen within twenty (20) Business Days after receipt by Ocwen of written notice thereof from OMH; provided, that if such written notice is received by Ocwen within twenty (20) Business Days of the Termination Date and such violation, breach or inaccuracy is capable of being cured within twenty (20) Business Days, then the Termination Date shall automatically be extended to the date that is twenty (20) Business Days following receipt of such written notice by Ocwen; or

(vi) OMH may terminate this Agreement if a Change of Control occurs or is announced; provided that if OMH elects to terminate the Agreement pursuant to this Section 5(a)(vi), OMH must elect to exercise such right within ten (10) Business Days of receipt of notice of such Change of Control.

(b) Effect of Termination. If this Agreement is terminated by the Parties in accordance with Section 5(a) hereof, this Agreement shall become void and of no further force and effect and there shall be no liability on the part of any Party to any other Party, except that (i) the provisions of this Section 5(b), Section 5(c), Sections 9, 10, 11, 12, 13, 14, 15, 16 and 17 shall remain in full force and effect and (ii) no such termination shall relieve any Party of material and willful breach of this Agreement prior to termination.

(c) Reimbursement Obligation. If this Agreement is terminated by OMH pursuant to Sections 5(a)(v) or 5(a)(vi) or terminated by either OMH or Ocwen pursuant to Section 5(a)(ii) or 5(a)(iii) at a time when OMH would have had the right to terminate the Agreement pursuant to Sections 5(a)(v) or 5(a)(vi) then Ocwen shall pay, within five (5) Business Days of such termination, all of OMH's reasonable and documented out-of-pocket expenses incurred by OMH or its affiliates in connection with the transactions contemplated by the Transaction Agreements.

6. **Specific Performance**. Each of the Parties agree that this Agreement is intended to be legally binding and specifically enforceable pursuant to its terms and that the Parties would be irreparably harmed if any of the provisions of the Agreement are not performed in accordance with their specific terms and that monetary damages would not provide adequate remedy in such event. Accordingly, in addition to any other remedy to which a non-breaching Party may be entitled at Law and the remedies set forth in Section 5(c), a non-breaching Party shall be entitled to injunctive relief without the posting of any bond to prevent breaches of this Agreement and to specifically enforce the terms and provisions hereof; provided that, the Parties acknowledge and agree that in no event shall OMH or any other Person be entitled to both (x) an injunction or injunctions to prevent breaches of this Agreement by Ocwen or to enforce specifically the performance of the terms and provisions hereof by Ocwen and (y) the reimbursement contemplated by Section 5(c), and no Person other than Ocwen may bring a claim to cause OMH to effect the Closing.

7. **Oaktree Guarantee**. The Oaktree Entities, on a several and not joint basis based on their Pro Rata Percentages, hereby guarantee performance of OMH's obligations under Section 3 and Section 6, in each case when required, and subject in all respects to the terms and conditions of this Agreement. Under no condition shall the Oaktree obligations hereunder be greater than the obligations of OMH hereunder. The guarantee of the Oaktree Entities under this Section 7 shall be absolute, unconditional and irrevocable and shall continue and shall remain in full force and effect until the Closing Date. "Pro Rata Percentage" means, with respect to Oaktree RE Fund, 50%, with respect to Oaktree Opps Fund XI, 41.4706%, and with respect to Oaktree Opps Fund Xb, 8.5294%. For the avoidance of doubt, the Oaktree Entities are party to this Agreement solely for the purposes of the obligations under this Section 7, and following the Closing, the Oaktree Entities shall have no further liability or obligation of any nature, whether in tort, contract (including a claim based on failure to act in good faith) or otherwise. To the extent that OMH is relieved from all or any portion of its obligations under Section 3 or Section 6, the Oaktree Entities shall be similarly relieved of such obligations pursuant to this Section 7. The provisions of this Section 7 are subject to the Oaktree Entities' right to assert any defense, right, remedies or set-offs that could be asserted by OMH. Each Oaktree Entity represents and warrants, severally with respect to itself, that: (i) such Oaktree Entity is duly organized, validly existing and in good standing under the laws of its organization; (ii) such Oaktree Entity has all requisite power and authority to execute, deliver and perform this Agreement and to perform its obligations pursuant to this

Section 7; and (iii) the execution, delivery and performance by such Oaktree Entity of this Agreement and the performance by such Oaktree Entity of its obligations pursuant to this Section 7 have been duly and validly authorized by all requisite action on the part of such Oaktree Entity.

8. **Notice**. All notices, requests, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given upon the mailing thereof, sent by registered or certified mail, return receipt requested, or nationally recognized overnight delivery service, or if sent by email, on the date of transmission (provided, that notices sent by email shall only be effective upon transmission if such notices are also delivered via nationally recognized overnight delivery service within one (1) Business Day of such email transmission).

(a) If to Ocwen:

Ocwen Financial Corporation
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409
Attn: John V. Britti
Email Address:

and a copy to:

General Counsel, Ocwen Financial Corporation

1661 Worthington Road, Suite 100
West Palm Beach, FL 33409
Attn: Joseph Samarias and Leah Hutton
E-Mail Address:

and a copy to:
Mayer Brown

1999 K Street NW
Washington, DC 20006
Attn: Lauren B. Pryor and Tameem A. Zainulbhai
E-Mail Address:

(b) If to OMH:

c/o Oaktree Capital Management, L.P.

333 S. Grand Avenue, 28th Floor
Los Angeles, CA 90071
Attn: Cary Kleinman and Jordan Mikes

E-Mail Address:
and a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP

1285 Avenue of the Americas
New York, New York 10019
Attn: Kenneth M. Schneider, Esq. and Ellen Ching, Esq.
E-Mail Address:

9. **Third Party Beneficiaries**. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties hereto and their successors and permitted assigns any rights, obligations, remedies or liabilities; provided that the Non-Recourse Parties shall be express third party beneficiaries of Section 17.

10. **Severability**. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held invalid for any reason whatsoever, then such covenants, agreements, provisions or terms shall be deemed severable from the remainder of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement; provided, however, that if the invalidity of any covenant, agreement or provision shall deprive any party of the economic benefit intended to be conferred by this Agreement, the parties shall negotiate in good faith to develop a structure the economic effect of which is as nearly as possible the same as the economic effect of this Agreement.

11. **Entire Agreement; Amendments**. This Agreement and the Transaction Agreements, including all documents, exhibits and schedules incorporated by reference herein or therein, constitutes the entire agreement between the Parties with respect to the transactions contemplated hereby and thereby and supersedes all prior agreements, written or oral, with respect thereto. This Agreement and any schedules hereto may be amended only if such amendment is agreed to in writing by the Parties.

12. **Governing Law**.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

ANY LEGAL ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK, OR IN THE UNITED STATES COURTS FOR THE SOUTHERN DISTRICT OF NEW YORK.

WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT: (A) EACH PARTY GENERALLY AND UNCONDITIONALLY SUBMITS ITSELF AND ITS PROPERTY TO THE EXCLUSIVE JURISDICTION OF SUCH COURT; AND (B) EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT HAS OR HEREAFTER MAY HAVE TO THE VENUE OF SUCH PROCEEDING, AS WELL AS ANY CLAIM IT HAS OR MAY HAVE THAT SUCH PROCEEDING IS IN AN INCONVENIENT FORUM.

13. Waiver.

Ocwen or OMH may, by written notice to the other, waive compliance with any of the terms, conditions or covenants required to be complied with by the other hereunder; and waive or modify performance of any of the obligations of the other hereunder. The waiver by any Party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

14. WAIVER OF TRIAL BY JURY.

OMH AND OCWEN EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

15. Headings. Headings of the Articles and Sections in this Agreement are for reference purposes only and shall not be deemed to have any substantive effect.

16. Counterparts. This Agreement may be executed in one or more counterparts and by the different Parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original; such counterparts, together, shall constitute one and the same agreement. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective permitted successors and assigns. A signature on a copy of this Agreement received by either Party by facsimile or portable document format (PDF) is binding upon the other Party as an original. The Parties shall treat a photocopy of such facsimile or PDF as a duplicate original. The Parties agree that a secured electronic signature process is acceptable and binding. This Agreement 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.

17. Non-Recourse. Notwithstanding anything in this Agreement to the contrary, this Agreement may only be enforced against, and any action for breach of such Agreement may only be made against, in each case, a Person who is expressly identified as a party to this Agreement and their respective successors and permitted assigns, and none of the current or former officers and directors, members, managers, agents, employees, partners, equityholders, advisors or representatives of such Persons or any of their respective Affiliates (including (i) equityholders of OMH and (ii) Oaktree or any of their respective Affiliates or successor funds) (each, a "Non-Recourse Party") who are not parties to this Agreement, shall have any obligation or liability for any losses, liabilities, damages or obligations of any kind of any of the parties to this Agreement (whether in tort, contract or otherwise) for breach of the Agreement, or be considered a successor or assign of OMH for any purpose hereunder. No Person shall have any rights of recovery in respect of the Agreement against any Non-Recourse Party that is not party to the Agreement, and no personal liability shall attach to any Non-Recourse Party that is not party to the Agreement through any affiliated Person who is party hereto, or otherwise, whether by or through attempted piercing of the corporate veil, by or through an action (whether in tort, contract or otherwise), by the enforcement of any judgment, fine or penalty or by virtue of any statute, regulation or other applicable Law or otherwise.

[*Signature page follows*]

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have caused this Transaction Agreement to be executed as of the date first above written.

OCWEN FINANCIAL CORPORATION

By: /s/ John V. Britti
Name: John V. Britti
Title: EVP & Chief Investment Officer

OCW MAV Holdings, LLC

By: Oaktree Fund GP, LLC
Its: Manager

By: Oaktree Fund GP I, L.P.
Its: Managing Member

By: /s/ Cary Kleinman
Name: Cary Kleinman
Title: Authorized Signatory

By: /s/ Jordan Mikes
Name: Jordan Mikes
Title: Authorized Signatory

Solely for the purposes of Section 7
Oaktree Real Estate Opportunities Fund VIII, L.P.

By: Oaktree Real Estate Opportunities Fund VIII GP, L.P.
Its: General Partner

By: Oaktree Real Estate Opportunities Fund VIII GP Ltd.
Its: General Partner

By: Oaktree Capital Management, L.P.
Its: Director

By: /s/ Cary Kleinman
Name: Cary Kleinman
Title: Authorized Signatory

By: /s/ Jason Keller
Name: Jason Keller
Title: Authorized Signatory

Oaktree Opportunities Fund XI Holdings (Delaware), L.P.

By: Oaktree Fund GP, LLC
Its: General Partner

By: Oaktree Fund GP I, L.P.
Its: Managing Member

By: /s/ Brian Laibow
Name: Brian Laibow
Title: Authorized Signatory

By: /s/ Jordan Mikes
Name: Jordan Mikes
Title: Authorized Signatory

Oaktree Opportunities Fund XB Holdings (Delaware), L.P.

By: Oaktree Fund GP, LLC
Its: General Partner

By: Oaktree Fund GP I, L.P.
Its: Managing Member

By: /s/ Brian Laibow
Name: Brian Laibow
Title: Authorized Signatory

By: /s/ Jordan Mikes
Name: Jordan Mikes
Title: Authorized Signatory

SCHEDULE A

COMPANY PERMITS

Fannie Mae (application pending)
Freddie Mac (application pending)
See attached spreadsheet listing the applicable state Permits [Omitted]

EXHIBIT A

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF MAV CANOPY HOLDCO I, LLC

[Omitted]

EXHIBIT B

CONTRIBUTION AGREEMENT

[Omitted]

EXHIBIT C

SUBSERVICING AGREEMENT

[Omitted]

EXHIBIT D

ADMINISTRATIVE SERVICES AGREEMENT

[Omitted]

EXHIBIT E

JOINT MARKETING AGREEMENT

[Omitted]

EXHIBIT F

FLOW SERVICING RIGHTS PURCHASE AND SALE AGREEMENT (RECAPTURE)

[Omitted]

EXHIBIT G

INDEMNITY AGREEMENT

[Omitted]

EXHIBIT H

Securities Purchase Agreement

[Filed Separately]

EXHIBIT I

WARRANT CERTIFICATE

[Filed Separately]

EXHIBIT J

MBA REPORT

[Omitted]

EXHIBIT K

1. Alabama
2. Alaska
3. Arizona
4. Colorado
5. Delaware
6. Florida
7. Idaho
8. Indiana
9. Massachusetts
10. Montana
11. Nevada
12. New Mexico
13. North Dakota
14. Oklahoma
15. South Carolina
16. South Dakota
17. Tennessee
18. Utah
19. Virginia
20. Wisconsin
21. Wyoming

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

FORM OF

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of [●], 2021, between Ocwen Financial Corporation, a Florida corporation (the "Company"), Opps OCW Holdings, LLC, a Delaware limited liability company ("Opps OCW Holdings") and ROF8 OCW MAV PT, LLC, a Delaware limited liability company (together with Opps OCW Holdings, the "Purchaser"). The Company and the Purchaser may be referred to herein as a "Party" or collectively as the "Parties."

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and the Purchaser hereby agree as follows:

ARTICLE I.

DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have meanings set forth in this Section 1.1:

"Commission" means the United States Securities and Exchange Commission.

"Convertible Securities" means any security convertible into or exchangeable for shares of Common Stock.

"Covered Securities" means all Equity Securities other than: (A) Excluded Securities; (B) shares of any class of capital stock of the Company issued on a pro rata basis to all holders of such class as a stock dividend or upon any stock split or other subdivision of shares of capital stock; and (C) shares of Common Stock issued pursuant to a bona fide underwritten public offering for cash or Convertible Securities or shares of Common Stock issuable upon exercise or conversion of Convertible Securities issued pursuant to a bona fide underwritten public offering (or Rule 144A offering) for cash.

"Equity Securities" means (A) all shares of capital stock of the Company, (B) all securities convertible into or exchangeable for shares of capital stock of the Company and (C) all options, warrants or other rights to purchase or otherwise acquire from the Company shares of such capital stock, or securities convertible into or exchangeable for shares of such capital stock.

"Excluded Securities" means (a) any shares of Common Stock or options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Company, (b) securities issuable hereunder or upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities, and (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that such securities are (x) issued as "restricted securities" (as defined in Rule 144) and carry no registration rights that require or permit the filing of any registration statement in connection therewith, or (y) registered on a Form S-4 registration statement in connection with any any merger or business combination involving the Company, and in each case of clauses (x) or (y), that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

"NYSE" means the New York Stock Exchange.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof.

"Related Agreement" means the Operating Agreement, Subservicing Agreement, Contribution Agreement, any Servicing Level Agreement, the Administrative Services Agreement and the Recapture Agreements, in each case as defined in the Transaction Agreement or the Operating Agreement.

ARTICLE II.

PURCHASE AND SALE

2.1 Closing.

(a) On the Closing Date (as defined below), upon the terms and subject to the conditions set forth herein, the Company agrees to sell or issue, as applicable, and the Purchaser agrees to purchase or accept, as applicable: (a) [●][1] shares (the "Shares") of the Company's common stock, par value $0.01 per share ("Common Stock"), at a purchase price of $23.15 per Share, for an aggregate purchase price for the Shares of $[●] (the "Aggregate

[1] Note to Draft: To be equal to up to 4.9% of outstanding common stock of Ocwen on the Closing Date. Agreement assumes simultaneous sign and close.

Purchase Price");[2] and (b) warrants (the "Warrants") to purchase [●][3] shares of Common Stock issued in consideration of the transactions contemplated by that certain Transaction Agreement dated as of December 21, 2020, by and among OCW MAV Holdings, LLC, Oaktree Capital Management, L.P. and Ocwen Financial Corporation (the "Transaction Agreement") and that certain Amended and Restated Limited Liability Company Agreement of MAV Canopy HoldCo I, LLC, dated as of [●], 2021, by and between OCW MAV Holdings, LLC and Ocwen Financial Corporation (the "Operating Agreement"). The Shares and the Warrants are hereinafter collectively called the "Securities."

(b) On the Closing Date, the Company shall issue [●] Warrants in substantially the form attached hereto as Exhibit A. The shares of Common Stock shall be issuable upon exercise of the Warrants ("Warrant Shares") (subject to adjustment as provided in such Warrants).

2.2 Deliveries.

(a) The completion of the purchase and sale of the Shares and the Warrants being purchased hereunder (the "Closing") shall occur remotely via the exchange of documents and signatures on or prior to [●], 2021, promptly following the satisfaction of all conditions for Closing set forth below (the "Closing Conditions"), or on such later date or at such different location as the parties shall agree to in writing, but not prior to or later than the second business day after the date that the Closing Conditions have been satisfied or waived by the appropriate party (the "Closing Date").

(b) At the Closing, the Purchaser shall deliver to an account designated by the Company, via wire transfer of immediately available funds, the Aggregate Purchase Price as set forth in Section 2.1(a) above, and the Company shall deliver to the Purchaser (or its designated custodian per its delivery instructions), (i) the Shares issuable to the Purchaser pursuant to this Agreement in electronic, book-entry form, registered in the name of the Purchaser, or confirmation of instruction given by the Company to American Stock Transfer & Trust Company, LLC, in its capacity as the Company's transfer agent for the Common Stock (the "Transfer Agent"), to register the Shares in electronic, book-entry form with respect to, the number of Shares set forth in Section 2.1(a) above and bearing an appropriate legend referring to the fact that the shares were sold in reliance upon the exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"), provided by Section 4(a)(2) thereof; and (ii) the Warrants in definitive, physical, certificated form, registered in the name of the Purchaser in substantially the form attached hereto as Exhibit A, representing the number of shares of Common Stock set forth in Section 2.1(a) above and bearing an appropriate legend referring to the fact that the Warrants were sold in reliance upon the exemption from registration under the Securities Act provided by Section 4(a)(2) thereof.

2.3ClosingConditions.

[2] Note to Draft: To be equal to the product of the number of Shares multiplied by the per share price of $23.15, which represents the volume-weighted average price per share of the Company's Common Stock for the last thirty (30) trading days ending on October 19, 2020, as reported by Bloomberg L.P.
[3] Note to Draft: To be equal to 3% of outstanding common stock of Ocwen on the Closing Date.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects on the Closing Date of the representations and warranties made by the Purchaser (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) the fulfillment of those undertakings of the Purchaser to be fulfilled prior to the Closing;

(iii) receipt by the Company of a wire transfer to the account designated by the Company of same-day funds in the full amount of the Aggregate Purchase Price for the Shares and the Warrants being purchased or accepted, as applicable, hereunder;

(iv) receipt by the Company of an applicable IRS Form W-8 or W-9 from the Purchaser;

(v) receipt by the Company of the Registration Rights Agreement, dated as of the Closing Date, between the Company and the Purchaser, a form of which is attached hereto as Exhibit B (the "Registration Rights Agreement"), which shall have been duly executed by the Purchaser; and

(vi) the delivery by the Purchaser of this Agreement duly executed by the Purchaser.

(b) The obligations of the Purchaser hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein, in which case they shall be accurate as of such date);

(ii) the fulfillment of those undertakings of the Company to be fulfilled prior to the Closing;

(iii) receipt by the Purchaser of a legal opinion from Mayer Brown LLP, counsel to the Company addressed to the Purchaser and dated the Closing Date substantially in the form of Exhibit C-1 hereto;

(iv) receipt by the Purchaser of a legal opinion from in-house counsel to the Company addressed to the Purchaser and dated the Closing Date substantially in the form of Exhibit C-2 hereto;

(v) receipt by the Purchaser of the Registration Rights Agreement, which shall have been duly executed by the Company;

(vi) receipt by the Purchaser of a cross-receipt executed by the Company and delivered to the Purchaser certifying that it has received from the Purchaser an amount in cash equal to the Aggregate Purchase Price;

(vii) receipt by the Purchaser of (a) a copy of irrevocable instructions given by the Company to the Transfer Agent to register the Shares in electronic, book-entry form for delivery to the Purchaser pursuant to Section 2.2(b)(i) and (b) the Warrants, in definitive, physical, certificated form, issued in the name of the Purchaser, pursuant to Section 2.2(b)(ii); and

(viii) the delivery by the Company of this Agreement duly executed by the Company.

2.4 Purchase Price Allocation. The parties hereto agree to allocate the Aggregate Purchase Price among the Common Stock and the Warrants for U.S. federal and applicable state and local income tax purposes based on their respective fair market values based on a valuation as of the date hereof, which valuation shall be completed by the Company within thirty (30) calendar days of the date hereof; provided that the Company shall cooperate with the Purchaser and its affiliates in completing such valuation, including by allowing the Purchaser or any of its affiliates to review and comment on such valuation before it is finalized. The Purchaser and the Company shall prepare their respective U.S. federal and applicable state and local income tax returns in a manner consistent with the foregoing treatment.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES

3.1 Representations, Warranties and Covenants of the Company. The Company hereby represents and warrants to, and covenants with, the Purchaser as of the date of the Transaction Agreement and the Closing Date, unless otherwise specified:

(a) SEC Reports. The Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act") (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports"), since January 1, 2018. The SEC Reports (i) as of the time they were filed (or if subsequently amended, when amended, and as of the date hereof), complied, and comply, in all material respects with the requirements of the Securities Act and the Exchange Act, as the case may be, and (ii) did not, at the time they were filed (or if subsequently amended or superseded by an amendment or other filing, then, on the date of such subsequent filing), contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(b) Subsidiaries. Each of the Company and each significant subsidiary (as defined in Section 5.18) of the Company (each, a "Subsidiary" and collectively, the "Subsidiaries"), as set forth on Exhibit 21.1 of the Company's most recent Annual Report, has been duly incorporated, formed or organized and is validly existing as a corporation, general or limited partnership or limited liability company in good standing under the laws of its respective jurisdiction of incorporation, formation or organization with full power and authority to own its respective properties and to conduct its respective businesses except as described the SEC Reports, and, in the case of the Company, to execute and deliver this Agreement, the Warrants and the Registration Rights Agreement (collectively, the "Transaction Documents"), as applicable, and to consummate the transactions contemplated herein and therein.

(c) Qualification. Each of the Company and the Subsidiaries is duly qualified or licensed and in good standing in each jurisdiction in which it conducts its businesses or in which it owns or leases real property or otherwise maintains an office, except where the failure to be so qualified or licensed would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the assets, business, operations, earnings, prospects, properties or condition (financial or otherwise) of the Company and the Subsidiaries taken as a whole, or the performance by the Company of its obligations under this Agreement (any such effect or change, where the context so requires, is hereinafter called a "Material Adverse Effect" or "Material Adverse Change").

(d) Compliance. Neither the Company nor any of its Subsidiaries is (i) in violation of its charter or by-laws or similar organizational documents (the "Organizational Documents"); (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the property or assets of the Company or any of its Subsidiaries is subject; or (iii) in violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority (each, a "Law") applicable to the Company or any Subsidiary, except, in the case of clauses (ii) and (iii) above, for any such default or violation that would not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

(e) No Conflicts. The issuance and sale of the Securities, the execution, delivery and performance of the Transaction Documents, and the consummation of the transactions contemplated herein and thereunder (including the issuance of the Warrant Shares upon any exercise of the Warrants, as applicable) will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under (nor constitute any event which with notice, lapse of time or both would constitute a breach of, or default under), or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its Subsidiaries pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound or to which any of the property or assets of the Company or any of its Subsidiaries is subject, (ii) result in any violation of the provisions of the Organizational Documents of the Company or any of its Subsidiaries or (iii) result in the violation of any Law to which the Company or a Subsidiary is subject, or by which any property or asset of the Company or a Subsidiary is bound or affected, except, in the case of clauses (i) and (iii) above, for any such conflict, breach, violation or default that would not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect. The Company has reserved from its duly authorized capital stock the maximum number of shares of Common Stock issuable pursuant to the Warrants.

(f) Financial Statements. The consolidated financial statements, including the notes thereto, included in the SEC Reports (i) present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified; (ii) comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto in effect at the time of such filings; (iii) have been prepared in conformity with generally accepted accounting principles in the United States ("GAAP") applied on a consistent basis during the periods covered and in accordance with Regulation S-X promulgated by the Commission; and (iv) all disclosures contained in the SEC Reports, or incorporated by reference therein, regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Securities Act, to the extent applicable.

(g) Capitalization. All of the outstanding shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and nonassessable, and issued without violation of any statutory or contractual preemptive right or right of first refusal. All of the outstanding shares of capital stock, partnership interests and membership interests, as the case may be, of the Subsidiaries have been duly authorized and are validly issued, fully paid and nonassessable securities thereof and, except as disclosed in the SEC Reports, all of the outstanding shares of capital stock, partnership interest or membership interests, as the case may be, of the Subsidiaries are directly or indirectly owned of record and beneficially by the Company free and clear of liens except for such liens as would not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect; and except as disclosed in the SEC Reports, there are no outstanding rights (including, without limitation, pre-emptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any shares of capital stock or other equity interest in the Company or any of its Subsidiaries, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any capital stock of the Company or any such Subsidiary, any such convertible or exchangeable securities or any such rights, warrants or options.

(h) Shares Authorized. The Shares have been duly and validly authorized for issuance and sale by the Company, and, when issued and delivered to the Purchaser against payment therefor pursuant to this Agreement, will be duly and validly issued, fully paid and nonassessable and will not be subject to any statutory and contractual preemptive rights, first refusal rights or similar rights; the Shares, when issued and delivered against payment therefor as provided herein, will be free of any restriction upon the voting or transfer thereof other than the restrictions on ownership and transfer set forth in the Company's charter or this Agreement.

(i) Warrant Shares Authorized. The Warrant Shares have been duly and validly authorized and reserved for issuance by the Company, and, when issued upon exercise of the Warrants, in accordance with the terms of the Warrants, will be fully paid and nonassessable, and the issuance of the Warrant Shares will not be subject to any statutory or contractual preemptive right, right of first refusal or other similar rights; the Warrant Shares, when issued and delivered against payment therefor as provided in the Warrants will be free of any restriction upon the voting or transfer thereof other than the restrictions on ownership and transfer set forth in the Company's charter, this Agreement or the Warrants.

(j) Filings, Consents and Approvals. No approval, authorization, consent or order of or filing, registration or qualification with, any federal, state, local or foreign governmental or regulatory commission, board, body, authority, court, arbitral panel or agency (collectively, "Governmental Authority") is required in connection with the execution, delivery and performance of the Transaction Documents by the Company, its consummation of the transactions contemplated herein or thereunder (including the Company's sale and delivery of the Shares and the Company's issuance of the Warrant Shares upon exercise of the Warrants), other than (i) the filings listed on Schedule 3.1(j), (ii) the filing with the Commission of SEC Reports, (iii) application(s) to NYSE for the listing of the Shares and Warrant Shares for trading thereon in the time and manner required thereby, (iv) such filings as are required to be made under applicable state securities laws and (v) filing with the Commission, for its approval, of the registration statement pursuant to the Registration Rights Agreement. Except as provided in Section 3.2(n) of this Agreement or Section 1(f) of the Warrants, no stockholder approvals are required in connection with the issuance and sale of the Securities or the Warrant Shares upon exercise of the Warrants under the rules of the NYSE.

(k) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company. This Agreement and each other Transaction Document to which the Company is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(l) Accountants. Deloitte & Touche LLP, whose reports on the consolidated financial statements of the Company and its subsidiaries are filed with the Commission as part of the SEC Reports, is, and was during the periods covered by its reports, an independent registered public accounting firm as required by the Securities Act and the Exchange Act and is registered with the Public Company Accounting Oversight Board.

(m) Litigation. Except as described in the SEC Reports, since January 1, 2018, there are no legal, governmental or regulatory investigations, actions, suits or proceedings pending to which the Company or any of its Subsidiaries or any of their respective executive officers or directors in the performance of their duties to the Company or any Subsidiary, is or may be a party or to which any property of the Company or any of its Subsidiaries is or may be the subject that, individually or in the aggregate, if determined adversely to the Company or any Subsidiary or such executive officer or director, would reasonably be expected to have a Material Adverse Effect; no such investigations, actions, suits or proceedings are, to the knowledge of the Company, threatened or contemplated by any Governmental Authority or threatened by others; and (i) there are no current or pending legal, governmental or regulatory actions, suits or proceedings that are required under the Securities Act to be described in the SEC Reports that are not so described in the SEC Reports and (ii) there are no statutes, regulations or contracts or other documents that are required under the Securities Act to be filed as exhibits to the SEC Reports or described in the SEC Reports that are not so filed as exhibits to the SEC Reports or described in the SEC Reports.

(n) Insurance. Except as disclosed in the SEC Reports, the Company and its Subsidiaries have insurance covering their respective properties, operations, personnel and businesses, including business interruption insurance, which insurance is in amounts and insures against such losses and risks as are customary and prudent, and in the Company's reasonable belief, are adequate to protect the Company and its Subsidiaries and their respective businesses; and neither the Company nor any of its Subsidiaries has (i) received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance or (ii) any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at reasonable cost from similar insurers as may be necessary to continue its business without significant increase in cost.

(o) Regulatory Permits. Each of the Company and the Subsidiaries has all necessary licenses, authorizations, consents and approvals and has made all necessary filings required under any Law and in connection with the issuance and sale of the Securities, the Warrant Shares to be issued upon exercise of the Warrants, or the consummation by the Company of the transactions contemplated hereby. Each of the Company and the Subsidiaries has obtained all necessary licenses, authorizations, consents and approvals from other persons required in order to conduct their respective businesses as described in the SEC Reports, except to the extent that any failure to have any such licenses, authorizations, consents or approvals, to make any such filings or to obtain any such authorizations, consents or approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; neither the Company nor any of the Subsidiaries is required by any applicable Law to obtain any additional accreditation or certification from any Governmental Authority in order to provide the products and services which it currently provides or which it proposes to provide as set forth in the SEC Reports, except to the extent that any failure to have such accreditation or certification would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; neither the Company, nor any of the Subsidiaries is in violation of, in default under, or has received any notice regarding a possible violation, default or revocation of any such license, authorization, consent or approval or any federal, state, local or foreign law, regulation or rule or any decree, order or judgment applicable to the Company or any of the Subsidiaries the effect of which would reasonably be expected to result in a Material Adverse Change; and no such license, authorization, consent or approval contains a materially burdensome restriction that is not adequately disclosed in the SEC Reports.

(p) Title to Assets. The Company and its Subsidiaries have good and marketable title in fee simple (in the case of real property) to, or have valid and marketable rights to lease or otherwise use, all items of real and personal property and assets that are material to the business of the Company and its Subsidiaries taken as a whole, in each case free and clear of all liens, encumbrances, claims and defects and imperfections of title except those that (i) do not materially affect the value of such property or materially interfere with the current or contemplated use of such property by the Company and its Subsidiaries or (ii) would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(q) Internal Accounting Controls. The Company and its Subsidiaries maintain systems of “internal control over financial reporting” (as defined in Rule 13a-15(f) of the Exchange Act) that comply with the requirements of the Exchange Act and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, 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, including, but not limited to, internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the SEC Reports, there are no material weaknesses in the Company's internal controls. The Company's auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which have adversely affected or are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

(r) Disclosure Controls. The Company and its Subsidiaries maintain an effective system of "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Exchange Act) that complies with the requirements of the Exchange Act and that has been designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company and its Subsidiaries have carried out evaluations of the effectiveness of their disclosure controls and procedures as required by Rule 13a-15 of the Exchange Act. Since the end of the period covered by the most recently filed periodic report under the Exchange Act, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) of the Company and its Subsidiaries that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(s) Sarbanes-Oxley. There is and has been no failure on the part of the Company and the Subsidiaries and any of the officers and directors of the Company and the Subsidiaries, in their capacities as such, to comply with the provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder and with which the Company is required to comply, including Section 402 related to loans and Sections 302 and 906 related to certifications.

(t) Certain Fees. Except for the placement agent fees payable to Credit Suisse Securities (USA) LLC and Barclays Capital Inc. at the Closing Date, in their respective capacities as placement agents with respect to the issuance and the sale of the Securities, no brokerage or finder's fees or commissions are or will be payable by the Company or any of its subsidiaries to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other person with respect to the transactions contemplated herein. The Purchaser shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section 3.1(t) that may be due in connection with the transactions contemplated by the Transaction Documents.

(u) Descriptions in SEC Reports. The Shares conform in all material respects to the descriptions thereof contained in the SEC Reports, this Agreement and the Warrants.

(v) Registration Rights. Except as disclosed in the SEC Reports and other than the Registration Rights Agreement, there are no persons with registration or other similar rights to have any equity or debt securities, including securities which are convertible into or exchangeable for equity securities, registered pursuant to any registration statement or otherwise registered by the Company under the Securities Act, all of which registration or similar rights are fairly summarized in the SEC Reports.

(w) Environmental Laws. Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, (i) neither the Company nor the Subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release of any material, chemical, substance, waste, pollutant, contaminant, compound, mixture, or constituent thereof, in any form or amount, including petroleum (including crude oil or any fraction thereof) and petroleum products, natural gas liquids, asbestos and asbestos containing materials, naturally occurring radioactive materials, brine, and drilling mud, regulated or which can give rise to liability under any Environmental Law (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (ii) each of the Company and the Subsidiaries has received and is in compliance with all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (iii) there are no pending or, to the knowledge of the Company, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations or proceedings relating to any Environmental Law against the Company or the Subsidiaries, and (iv) to the knowledge of the Company, there are no events or circumstances that would reasonably be expected to form the basis an action, suit or proceeding by any private party or Governmental Authority, against or affecting the Company or the Subsidiaries relating to Hazardous Materials or any Environmental Laws.

(x) No Changes From SEC Reports. Subsequent to the respective dates as of which information is given in the SEC Reports, and except as may be otherwise stated in such documents, there has not been (A) any Material Adverse Change or any development that would reasonably be expected to result in a Material Adverse Change, whether or not arising in the ordinary course of business, (B) any transaction that is material to the Company and the Subsidiaries taken as a whole, contemplated or entered into by the Company or any of the Subsidiaries, (C) any obligation, contingent or otherwise, directly or indirectly incurred by the Company or any Subsidiary that is material to the Company and the Subsidiaries taken as a whole, or (D) any dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(y) Labor Relations. No labor disturbance by or dispute with employees of the Company or any of its Subsidiaries exists or, to the knowledge of the Company, is imminent that would reasonably be expected to have a Material Adverse Effect.

(z) Title to Intellectual Property. Except as disclosed in the SEC Reports or as would not, individually or in the aggregate, have a Material Adverse Effect, the Company and its Subsidiaries own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses and know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) necessary for the conduct of their respective businesses as currently conducted, and the conduct of their respective businesses will not conflict in any material respect with any such rights of others. The Company and its Subsidiaries have not received any notice of any claim of infringement, misappropriation or conflict with any such rights of others in connection with its patents, patent rights, licenses, inventions, trademarks, service marks, trade names, copyrights and know-how, which would reasonably be expected to have a Material Adverse Effect.

(aa) Investment Company. Neither the Company nor any of its Subsidiaries is, and immediately after receipt of payment for the Securities, will not be, an “investment company” or a company “controlled” by an “investment company”, within the meaning of the Investment Company Act of 1940, as amended.

(bb) No Integrated Offering. Assuming the accuracy of the Purchaser’s representations and warranties set forth in Section 3.2, neither the Company nor any Person acting on behalf of the Company has, directly or indirectly, sold or issued any securities, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of any applicable shareholder approval provisions of NYSE on which any of the securities of the Company are listed or designated.

(cc) Tax Status. The Company and its Subsidiaries have paid all federal, state, local and foreign taxes and filed all tax returns required to be paid or filed through the date hereof, except where the failure to pay or file such taxes would not have a Material Adverse Effect; and except as otherwise disclosed in the SEC Reports, there is no tax deficiency that has been, or would reasonably be expected to be, asserted against the

Company or any of its Subsidiaries or any of their respective properties or assets, except for any deficiency that would not have a Material Adverse Effect.

(dd) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company or any Subsidiary, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee or to any political parties or campaigns from corporate funds; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(ee) Money Laundering. The operations of the Company and its Subsidiaries are and since January 1, 2014 have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the “Money Laundering Laws”), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator in the United States or, to the knowledge of the Company, outside of the United States involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(ff) No Registration. Assuming the accuracy of the Purchaser’s representations and warranties set forth in Section 3.2 of this Agreement and the Purchaser’s compliance with its obligations set forth in this Agreement, no registration under the Securities Act is required for the offer and sale of the Shares by the Company to the Purchaser under this Agreement and the Warrants.

(gg) Issued and Outstanding Shares. The issued and outstanding shares of Common Stock of the Company are registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and are listed for trading on NYSE under the symbol “OCN”. Except as disclosed in the Company’s filings with the Commission and except for such matters as have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, there is no action, claim, suit, proceeding or investigation pending or, to the knowledge of the Company, threatened against the Company by NYSE or the Commission, respectively, to prohibit or terminate the listing of the Company’s Common Stock on NYSE or to deregister the Common Stock under the Exchange Act. The Company has taken no action that is designed to terminate the registration of the Common Stock under the Exchange Act.

3.2 Representations, Warranties and Covenants of the Purchaser. The Purchaser represents and warrants to, and covenants with, the Company, as of the date of the Transaction Agreement and the Closing Date, that:

(a) Experience. (i) The Purchaser is knowledgeable, sophisticated and experienced in financial and business matters, in making, and is qualified to make, decisions with respect to investments in shares representing an investment decision like that involved in the purchase of the Securities, including investments in securities issued by the Company and comparable entities, has the ability to bear the economic risks of an investment in the Securities; (ii) the Purchaser is acquiring the Securities in the ordinary course of its business and for its own account for investment only and with no present intention of distributing any Securities or any arrangement or understanding with any other persons regarding the distribution of any Securities (this representation and warranty does not limit the Purchaser's right to sell in compliance with the Securities Act and the rules and regulations promulgated under the Exchange Act and the Securities Act (together, the "Rules and Regulations"); (iii) the Purchaser will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) any Securities, nor will the Purchaser engage in any Short Sale (as defined below) that results in a disposition of any Securities by the Purchaser, except in compliance with the Securities Act and the Rules and Regulations and any applicable state securities laws; and (iv) the Purchaser has had an opportunity to discuss this investment with representatives of the Company and ask questions of them.

(b) Institutional Accredited Investor. At the time the Purchaser was offered the Securities, it was as of the date of the Transaction Agreement, and as of the date of this Agreement, it is either: (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act.

(c) Reliance on Exemptions. The Purchaser understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of the Securities Act, the Rules and Regulations and state securities laws and that the Company is relying upon the truth and accuracy of, and the Purchaser's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Purchaser set forth herein in order to determine the availability of such exemptions and the eligibility of the Purchaser to acquire the Securities.

(d) No Reliance. In making a decision to purchase the Securities, the Purchaser: (i) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving securities; (ii) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons; and (iii) confirms that it has undertaken an independent analysis of the merits and risks of an investment in the Company, based on the Purchaser's own financial circumstances.

(e) Confidentiality. The Purchaser understands that this private placement is strictly confidential and proprietary to the Company. The Purchaser acknowledges that it is prohibited from reproducing or distributing the Transaction Documents, in whole or in part, or divulging or discussing any of their contents, except to its financial, investment or legal advisors in connection with its proposed investment in the Securities, and agrees to keep such information confidential. Further, the Purchaser understands that the existence and nature of all conversations regarding the Company and this offering must be kept strictly confidential. The Purchaser understands that the federal securities laws impose restrictions on trading based on information relating to this offering that constitutes material non-public information.

(f) Investment Decision. The Purchaser understand that nothing in this Agreement or any other materials presented to the Purchaser in connection with the purchase and sale of the Securities constitutes legal, tax or investment advice. The Purchaser has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of the Securities.

(g) Legend. The Purchaser understands that, until such time as the Securities and any Warrant Shares may be sold pursuant to Rule 144 under the Securities Act without any restriction as to the number of securities as of a particular date that can then be immediately sold and except if and to the extent otherwise provided below in this Section 3.2(g), the Securities and any Warrant Shares will bear a restrictive legend in substantially the following form:

> "THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE STATE SECURITIES LAWS AND THE SECURITIES LAWS OF OTHER JURISDICTIONS, AND IN THE CASE OF A TRANSACTION EXEMPT FROM REGISTRATION, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS."

The Shares and Warrant Shares shall not be required to contain any legend (including the legend set forth above in this Section 3.2(g) hereof) while a registration statement covering the resale of such Shares and Warrant Shares is effective under the Securities Act. The Company shall cause its counsel to issue a legal opinion to the Transfer Agent if required by the Transfer Agent to effect the removal of the legend hereunder, *provided* that such legend is not required pursuant to the foregoing provisions of this paragraph.

(h) Stop Transfer. When issued, the Securities purchased hereunder and any Warrant Shares will be subject to a stop transfer order with the Transfer Agent that restricts the transfer of such shares except upon receipt by the Transfer Agent, of a written confirmation from the Purchaser to the effect that the Purchaser has satisfied its prospectus delivery requirements or upon receipt by the Transfer Agent of written instructions from the Company authorizing such transfer.

(i) Authority; Validity; Enforcement. The Purchaser further represents and warrants to, and covenants with, the Company that (i) the Purchaser has full right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby and has taken all necessary action to authorize the execution, delivery and performance of this Agreement, (ii) the making and performance of this Agreement by the Purchaser and the consummation of the transactions herein contemplated will not violate any applicable provision of the Organizational Documents of the Purchaser or conflict with, result in the breach or violation of, or constitute, either by itself or upon notice or the passage of time or both, a default under any material agreement, mortgage, deed of trust, lease, franchise, license, indenture, permit or other instrument to which the Purchaser is a party or, any Law applicable to the Purchaser, (iii) no consent, approval, authorization or other order of any Governmental Authority is required on the part of the Purchaser for the execution and delivery of this Agreement or the consummation of the transactions contemplated by this Agreement, (iv) upon the execution and delivery of this Agreement by each of the parties hereto, this Agreement shall constitute a legal, valid and binding obligation of the Purchaser, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or the enforcement of creditor's rights and the application of equitable principles relating to the availability of remedies, and except as rights to indemnity or contribution may be limited by federal or state securities laws or the public policy underlying such laws and (v) there is not in effect any order enjoining or restraining the Purchaser from entering into or engaging in any of the transactions contemplated by this Agreement.

(j) Certain Transactions. Other than consummating the transactions contemplated hereunder, the Purchaser has not, nor has any Person acting on behalf of or pursuant to any understanding with the Purchaser, directly or indirectly executed any purchases or sales, including all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act ("Short Sales"), of the securities of the Company during the period commencing as of the time that such Purchaser first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material pricing terms of the transactions contemplated hereunder and ending immediately prior to the execution of this Agreement. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

(k) Access to Information. The Purchaser acknowledges that it has had the opportunity to review the Transaction Documents (including all exhibits and schedules thereto), the SEC Reports and has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Securities and the merits and risks of investing in the Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

(l) Securities Law Restriction. The Purchaser hereby acknowledges that it has received and may remain in possession of material non-public information about the Company. The Purchaser further acknowledges that it and its representatives are aware that the U.S. securities laws prohibit any person who has material non-public information about an issuer from purchasing or selling, directly or indirectly, securities of such issuer (including entering into hedge transactions involving such securities), or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities. The Purchaser hereby agrees that it will not use or knowingly permit any controlled affiliate to use any of the material non-public information about the Company in contravention of the U.S. securities laws, and the Purchaser will not purchase or sell the Company's securities or any securities convertible into or exchangeable for any of the Company's securities at any time that the Purchaser is in possession of material non-public information about the Company. Without limiting, in any way, the foregoing representation, acknowledgement and agreement by the Purchaser, from and after three months after the Closing Date, the Company agrees, to the extent not prohibited by federal securities laws, to notify the Purchaser of each "closing" and "opening date" under the Trading Window (as defined below), in each case, at least two business days prior to each such date, and at the Purchaser's request, confirm to the Holder whether a Trading Window is open at such time. The term "Trading Window" means each period during which directors and executive officers of the Company are permitted to trade the securities of the Company under the insider trading policy or similar policy of the Company then in effect.

(m) Beneficial Ownership Limitation. The Purchaser represents and warrants on behalf of itself and all of its affiliates that assuming the accuracy of Section 3.1(g), as of the date hereof, the Purchaser, together with its affiliates, beneficially owns (as defined under Rule 13d-13 of the Exchange Act) less than 9.9% of the Common Stock issued and outstanding of the Company, and, after giving effect to the issuance and sale of the Shares and the conversion and issuance of Warrant Shares to be issued to the Purchaser upon full exercise of the Warrants, will beneficially own less than 9.9% of the Common Stock of the Company. Notwithstanding any other provision of this Agreement, without the prior written consent of the Company, the Purchaser shall not, and shall cause its affiliates to not, directly or indirectly (a) acquire, offer to acquire, solicit an offer to sell, own, or purchase, any Shares or Warrants which, when aggregated with all other shares of Common Stock then beneficially owned (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder) by the Purchaser and its affiliates, would result in the beneficial ownership (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder) by the Purchaser of more than 9.9% of the then issued and outstanding shares of Common Stock of the Company, (b) make, or in any way participate, in any "solicitation" of "proxies" to vote (as such terms are used in the Exchange Act), or seek to advise or influence any person or entity with respect to the voting of any voting securities of the Company; (c) make any public announcement with respect to, or submit a proposal for, or offer of (with or without conditions) any merger, business combination, recapitalization, restructuring or other extraordinary transaction involving the Company or any of its securities or material assets; (d) form, join or in any way participate in a "group" as defined in Section 13(d)(3) of the Exchange Act in connection with any of the foregoing; (e) otherwise act or seek to control or influence the management, Board of Directors or policies of the Company; or (f) take any action that would reasonably be expected to require the Company to make a public announcement regarding the possibility of any of the events described in clauses (a) through (f) above.

(n) Issuance Cap. In addition to the limitations set forth in Section 3.2(n) hereof, and notwithstanding any other provision of this Agremeent, the Company shall not issue, the Purchaser shall not be entitled to receive, and the Purchaser shall not, and shall cause its Affiliates to not, directly or indirectly acquire, offer to acquire, solicit an offer to sell, own, or purchase, any Shares or Warrants which, when aggregated with all other shares of Common Stock then beneficially owned (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder) by the Purchaser and its Affiliates, would result in the beneficial ownership (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder) by the Purchaser of more than 19.9% of the then issued and outstanding shares of Common Stock of the Company (the "**Maximum Percentage**"), unless shareholder approval is obtained in accordance with the listing rules of the NYSE or is otherwise permitted by the NYSE. In addition, unless such shareholder approval is obtained, the Company shall not issue, the Purchaser shall not be entitled to receive, and the Purchaser shall not, and shall cause its Affiliates to not, directly or indirectly acquire, offer to acquire, solicit an offer to sell, own, or purchase, any Shares or Warrants, in excess of the Maximum Percentage measured as of the day immediately preceding the Closing Date. The term "Affiliate" as used in Sections 3.2(m) and (n) of this Agreement means, with respect to any person, any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person, and any officers, employees or partners of the Purchaser. For the avoidance of doubt, for purposes of Sections 3.2(m) and (n) of this Agreement (i) Brookfield Asset Management Inc. together with its managed funds and accounts and affiliated holding companies and its Affiliates (collectively, "**Brookfield**") shall be deemed "Affiliates" of the Purchaser, and (ii) Brookfield's beneficial ownership of Common Stock shall be aggregated with the Purchaser's or its Affiliates' beneficial ownership of Common Stock. The foregoing shall not constitute an admission by the Purchaser to a third party that Brookfield is an Affiliate of the Purchaser or that Brookfield's beneficial ownership of Common Stock should be aggregated with that of the Purchaser or its Affiliates for any purpose other than Sections 3.2(m) and (n) of this Agreement.

The Company acknowledges and agrees that the representations contained in this Section 3.2 shall not modify, amend or affect the Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV.

OTHER AGREEMENTS OF THE PARTIES

4.1 Furnishing of Information. Until the earliest of the time that (i) no Purchaser owns Securities or (ii) the Warrants have expired, with a view to making available to the Purchaser the benefits of Rule 144 that may permit the Purchaser to sell the Shares to the public without registration, the Company covenants to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) timely file with the SEC all reports and other documents required of the Company under the Securities Act and the Exchange Act so long as the Company remains subject to such requirements and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

(c) furnish to the Purchaser, promptly upon request, (x) a written statement by the Company, if true, that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (y) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company (it being understood that the availability of such report on the SEC's EDGAR system shall satisfy this requirement) and (z) such other information as may be necessary to permit the Purchaser to sell such securities pursuant to Rule 144 without registration.

4.2 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of NYSE such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.3 Publicity. The Company and the Purchaser shall consult with each other in issuing any press releases with respect to the transactions contemplated hereby, and neither the Company nor the Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of the Purchaser, or without the prior consent of the Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of the Purchaser, or include the name of the Purchaser in any filing with the Commission or any regulatory agency or NYSE, without the prior written consent of the Purchaser, except (a) as required by federal securities law in connection with the filing of final Transaction Documents with the Commission and (b) to the extent such disclosure is required by law or NYSE regulations, in which case the Company shall provide the Purchaser with prior notice of such disclosure permitted under this clause (b).

4.4 Indemnification of Purchaser. Subject to the provisions of this Section 4.4, the Company will indemnify and hold the Purchaser and its directors, officers, shareholders, members, partners, employees and agents and each Person who controls the Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur, insofar as any such losses arise out of or result from (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the Warrants or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective affiliates, by any stockholder of the Company who is not an affiliate of such Purchaser Party, with respect to any of the transactions contemplated in this Agreement or in the Warrants. If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.4 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.5 Listing of Common Stock. The Company hereby agrees to use best efforts to maintain the listing or quotation of the Common Stock on NYSE, and concurrently with the Closing, the Company shall apply to list or quote all of the Shares and Warrant Shares on NYSE and promptly secure the listing of all of the Shares and Warrant Shares on NYSE. The Company further agrees, if the Company applies to have the Common Stock traded on any trading market other than NYSE, it will then include in such application all of the Shares and Warrant Shares, and will take such other action as is necessary to cause all of the Shares and Warrant Shares to be listed or quoted on such other trading market as promptly as possible. The Company will then take all action reasonably necessary to continue the listing and trading of its Common Stock on a trading market and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the trading market. The Company agrees to maintain the eligibility of the Common Stock for electronic transfer through the Depository Trust Company or another established clearing corporation, including, without limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

4.6 Certain Covered Securities.

(a) For a period commencing on the date of the Transaction Agreement until 90 days after the Closing Date (the "Covered Period"), if the Company decides to issue Covered Securities during the Covered Period to any person or entity (each a "Covered Issuance"), subject to any required approval of the stockholders of the Company pursuant to the applicable rules and listing standards of the NYSE (which the Company will use commercially reasonable efforts to obtain), then, at least 10 business days prior to such Covered Issuance, the Company shall deliver to Purchaser an offer (the "Offer") to issue such Covered Securities to Purchaser for the same consideration per unit of Covered Securities as is to be paid by the purchasers of the Covered Securities in the Covered Issuance that would result in an aggregate amount, on a pro forma basis after giving effect to the issuance of the Covered Securities, that would result in Purchaser maintaining beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of at least the percentage of the issued and outstanding Equity Securities that it beneficially owns immediately prior to the issuance of such Covered Securities on a fully-diluted and as-converted basis (which percentage, in the case of Covered Issuances to be consummated prior to the Closing ("Pre-Closing Covered Issuances"), shall be calculated at the Closing, after giving effect to the issuance to Purchaser of the Warrants and the Shares elected to be purchased by the Purchaser pursuant to Section 2.1(a) and the Transaction Agreement). Notwithstanding the foregoing, the Company in its discretion may voluntarily provide an Offer to Purchaser even if the foregoing conditions have not been satisfied. The Offer shall describe in reasonable detail the proposed Covered Issuance (including the cash purchase price or the fair market value of any non-cash consideration as reasonably determined by the Company's board of directors, in each case, to be paid in the proposed Covered Issuance) and shall state the terms of the Purchaser's right to purchase the relevant Covered Securities under this Section 4.6. The Offer shall remain open and irrevocable for a period (the "Offer Period") ending the earlier of (1) 10 business days from the date of its delivery and (2) the last day of the Covered Period.

(b) With respect to each Covered Issuance, Purchaser shall have the right to purchase up to all of the Covered Securities offered in the Offer relating to such Covered Issuance, on the terms and conditions set forth in the Offer, at Purchaser's option, (x) for cash equal to the fair market value of the consideration per unit to be paid in such Covered Issuance or (y) the consideration per unit to be paid in such Covered Issuance by delivering written notice of acceptance thereof to the Company during the Offer Period (which notice shall specify the consideration to be paid by Purchaser). The closing of the purchase of Covered Securities by Purchaser shall be held at the principal office of the Company at 9:00 a.m. local time on the later of (i) the closing date set forth in the Offer and (ii) the Closing or at such other time and place as the parties to the transaction may agree. At such closing, the Company shall deliver the Covered Securities to Purchaser against payment of the purchase price therefor by Purchaser. At such closing, all of the parties to the transaction shall execute such additional documents as are otherwise necessary or appropriate to consummate such transactions.

(c) In the case of Covered Issuances that are not Pre-Closing Covered Issuances, if Purchaser does not or fails to elect to purchase such Covered Securities pursuant to this Section 4.6, the Company may sell such Covered Securities on terms and conditions that are no more favorable in the aggregate to the applicable purchaser than those set forth in the Offer. In the case of Pre-Closing Covered Issuances, the Company shall be permitted to sell the Covered Securities on terms and conditions that are no more favorable in the aggregate to the applicable purchaser than those set forth in the Offer, and if the Purchaser elects to purchase its portion of such Covered Issuance in accordance with this Section 4.6, then the Company shall issue such Covered Securities to Purchaser at the Closing in accordance with this Section 4.6. For the avoidance of doubt, nothing in this Section 4.6 shall prevent the Company from consummating any Covered Issuances prior to Closing so long as the Company complies with this Section 4.6.

(d) The election by Purchaser not to exercise its rights under this Section 4.6 in any one instance shall not affect its right during the Covered Period as to any future Covered Issuances under Section 4.6(a).

4.7 Certain Transactions and Confidentiality. The Purchaser covenants that neither it nor any affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to any press release as described in Section 4.3.

4.8 Capital Changes. If the Company undertakes a reverse or forward stock split, subdivision, distribution or reclassification of the Common Stock within the 90 day period immediately following the Closing Date, each reference in any Transaction Document (or Related Agreement) to a number of shares or a price per share issued hereunder shall be deemed to be amended to appropriately account for such event.

4.9 Warrant Shares. If all or any portion of a Warrant is exercised at a time when there is an effective registration statement to cover the issuance or resale of the Warrant Shares or if the Warrant is exercised via cashless exercise, the Warrant Shares issued pursuant to any such exercise shall be issued free of all legends.

4.10 Portfolio Manager Acknowledgement. Notwithstanding anything else in this Agreement, in the case of an entity that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of the Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of the Purchaser's assets, the representations, warranties, covenants and other agreements set forth herein shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

ARTICLE V.

MISCELLANEOUS

5.1 Fees and Expenses. Except as set forth in this Agreement, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any exercise notice delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of the Securities and any Warrant Shares upon the exercise of the Warrants to the Purchaser.

5.2 Waivers: The Company or the Purchaser may, by written notice to the other, waive compliance with any of the terms, conditions or covenants required to be complied with by the other hereunder; and waive or modify performance of any of the obligations of the other hereunder. The waiver by any Party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

5.3 Entire Agreement; Amendment. This Agreement, including all documents, exhibits and schedules hereto, incorporated by reference herein, constitutes the entire agreement between the parties with respect to the transactions contemplated hereby and thereby and supersedes all prior agreements, written or oral, with respect thereto. This Agreement may be amended and any provision hereof waived, but, only in writing signed by the party against whom enforcement of such amendment or waiver is sought.

5.4 Notices. All notices, requests, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via electronic mail at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via electronic mail on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given.

(a) If to Company:

Ocwen Financial Corporation
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409
Attn: John Britti, Leah E. Hutton
E-Mail Address:

and a copy to:

Anna T. Pinedo
Mayer Brown LLP
1221 Avenue of the Americas
New York, NY 10020
Attn: Anna T. Pinedo, Esq.

Email Address:

(b) If to Purchaser:

c/o Oaktree Capital Management, L.P.

333 S. Grand Avenue, 28th Floor
Los Angeles, CA 90071
Attn: Cary Kleinman, Scott Maddux and Dante Quazzo
E-Mail Address:
and a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP

1285 Avenue of the Americas
New York, New York 10019
Attn: Kenneth M. Schneider, Esq., Ellen Ching, Esq.
E-Mail Address:

5.5 Headings The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. No party to this Agreement may assign this Agreement or any rights or obligations hereunder without the prior written consent of each other party to this Agreement (other than by merger). Notwithstanding the foregoing, no prior written consent shall be required for the Purchaser to assign this Agreement or any rights or obligations hereunder to an affiliate. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.2 and this Section 5.6.

5.7 Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

ANY LEGAL ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK, OR IN THE UNITED STATES COURTS FOR THE SOUTHERN DISTRICT OF NEW YORK. WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT: (A) EACH PARTY GENERALLY AND UNCONDITIONALLY SUBMITS ITSELF AND ITS PROPERTY TO THE EXCLUSIVE JURISDICTION OF SUCH COURT; AND (B) EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT HAS OR HEREAFTER MAY HAVE TO THE VENUE OF SUCH PROCEEDING, AS WELL AS ANY CLAIM IT HAS OR MAY HAVE THAT SUCH PROCEEDING IS IN AN INCONVENIENT FORUM.

5.8 Survival of Agreements and Representations and Warranties. Notwithstanding any investigation made by any party to this Agreement, all covenants and agreements made by the Company and the Purchaser herein shall survive the execution of this Agreement, the delivery to the Purchaser of the Securities and the payment therefor. All representations and warranties, made by the Company and the Purchaser herein shall survive the execution of this Agreement, the delivery to the Purchaser of the Securities and the payment therefor.

5.9 Counterparts; Binding Effect. This Agreement may be executed in one or more counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original; such counterparts, together, shall constitute one and the same agreement. This Agreement shall inure to the benefit of and be binding upon the Company and the Purchaser and their respective permitted successors and assigns. A signature on a copy of this Agreement received by either party by facsimile or portable document format (PDF) is binding upon the other party as an original. The parties shall treat a photocopy of such facsimile or PDF as a duplicate original. The parties agree that a secured electronic signature process is acceptable and binding. This Agreement 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.

5.10 Severability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be held invalid for any reason whatsoever, then such covenants, agreements, provisions or terms shall be deemed severable from the remainder of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement; provided, however, that if the invalidity of any covenant, agreement or provision shall deprive any party of the economic benefit intended to be conferred by this Agreement, the parties shall negotiate in good faith to develop a structure the economic effect of which is as nearly as possible the same as the economic effect of this Agreement.

5.11 Exhibits. The exhibits to this Agreement are hereby incorporated and made a part hereof and are integral parts of this Agreement. If there are any discrepancies between the Agreement and any of the Exhibits, the [Exhibits][4] shall prevail.

5.12 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever a party exercises a right, election, demand or option under a Transaction Document and the other party does not timely perform its related obligations within the periods therein provided, then such party may rescind or withdraw, in its sole discretion from time to time upon written notice to the such other party, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that, in the case of a rescission of an exercise of a Warrant, the Purchaser shall be required to return any Warrant Shares subject to any such rescinded exercise notice concurrently with the return to the Purchaser of the aggregate exercise price paid to the Company for such Warrant Shares and the restoration of the Purchaser's right to acquire such Warrant Shares pursuant to the Purchaser's Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

5.13 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.14 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, the Purchaser and the Company will be entitled to specific performance under this Agreement. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in this Agreement and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.15 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a business day, then such action may be taken or such right may be exercised on the next succeeding business day.

5.16 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise this Agreement and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments thereto.

5.17 **WAIVER OF TRIAL BY JURY. THE COMPANY AND THE PURCHASER EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

5.18 Certain terms. For purposes of this Agreement, (a) except where otherwise expressly provided, the term “affiliate” has the meaning set forth in Rule 405 under the Securities Act; (b) the term “business day” means any day other than a day on which banks are permitted or required to be closed in New York City; and (c) the term “significant subsidiary” has the meaning set forth in Rule 1-02 of Regulation S-X under the Exchange Act.

(*Signature Pages Follow*)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

OCWEN FINANCIAL CORPORATION

By: ______________________________
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Opps OCW Holdings, LLC

By: Oaktree Fund GP LLC
Its: Manager

By: Oaktree Fund GP I, L.P.
Its: Managing Member

By: ______________________
Name: ______________________
Title: Authorized Signatory

By: ______________________
Name: ______________________
Title: Authorized Signatory

Jurisdiction of Purchaser's Executive Offices:

EIN:

ROF8 OCW MAV PT, LLC

By: ______________________
Name: ______________________
Title: Authorized Signatory

By: ______________________
Name: ______________________
Title: Authorized Signatory

Jurisdiction of Purchaser's Executive Offices:

EIN:

SCHEDULE 3.1(j)

REQUIRED FILINGS

Supplemental Listing Application with the New York Stock Exchange

EXHIBIT A

FORM OF WARRANT

[Filed Separately]

EXHIBIT B

FORM OF REGISTRATION RIGHTS AGREEMENT

[Filed Separately]

EXHIBIT C-1

FORM OF OPINION OF MAYER BROWN LLP

[Omitted]

EXHIBIT C-2

FORM OF OPINION OF COMPANY IN-HOUSE COUNSEL

[Omitted]

FORM OF
REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of [●], by and between Ocwen Financial Corporation, a Florida corporation (the "Company"), and Opps OCW Holdings, LLC, a Delaware limited liability company ("Opps OCW Holdings") and ROF8 OCW MAV PT, LLC, a Delaware limited liability company (together with Opps OCW Holdings, the "Purchaser").

WHEREAS, this Agreement is entered into in connection with the closing of the issuance and sale of the Common Stock Shares (as defined below) and the Warrants (as defined below) pursuant to the Securities Purchase Agreement, dated as of [●] (the "Securities Purchase Agreement"), and the Warrant Certificate, dated as of [●] (the "Warrant Certificate"), each by and between the Company and the Purchaser; and

WHEREAS, the Company has agreed to provide the registration and other rights set forth in this Agreement for the benefit of the Purchaser pursuant to the Securities Purchase Agreement and the Warrant Certificate;

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, the parties hereby agree as follows:

Article I
DEFINITIONS

Section 1.01 Definitions. Capitalized terms used herein without definition shall have the meanings given to them in the Securities Purchase Agreement. The terms set forth below are used herein as so defined:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. For avoidance of doubt, for purposes of this Agreement, (i) the Company, on the one hand, and the Purchaser, on the other hand, shall not be considered Affiliates and (ii) any fund, entity or account (or portion of any of the foregoing) managed, advised or sub-advised, directly or indirectly, by the Purchaser or a Holder or any of its Affiliates, shall be considered an Affiliate of the Purchaser or Holder (as the case may be).

"Agreement" has the meaning specified therefor in the introductory paragraph of this Agreement.

"Alternative Transaction" means a block trade, agented transaction, sale directly into the market, a purchase or sale by a broker, a derivative transaction, a short sale, a stock loan or stock pledge transaction and sales not involving a public offering.

"Alternative Transaction Counterparty" means each counterparty in an Alternative Transaction.

"Business Day" means any day other than a Saturday, Sunday, any federal legal holiday or day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Closing Date" means [●].

"Common Stock" means the Company's common stock, par value $0.01 per share.

"Common Stock Shares" means the [●] shares of Common Stock issued by the Company to the Purchaser on the Closing Date under the Securities Purchase Agreement.

"Common Stock Price" means (x)(i) the arithmetic average of the VWAPs for the ten consecutive Trading Days ending on the date immediately preceding (1) the date of the Effectiveness Deadline in the case of the Liquidated Damages Multiplier under Section 2.01, (2) the date of a Company notice under Section 2.02 or (3) the first day following the expiration of the permitted delay period under Section 2.03, as applicable, (ii) if no VWAP of the Common Stock is reported for the Trading Market, the last reported sale price of the Common Stock on the New York Stock Exchange, and (iii) if there are no sales, the last reported bid price, of the Common Stock on the business day prior to the date of exercise on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg Financial Markets, or (y) if the Fair Market Value cannot be calculated as of such date on the foregoing bases, the price will be determined within ten Trading Days after the tenth day following the occurrence of an event requiring valuation by an independent, reputable appraiser selected by the Company. The determination of such appraiser shall be final and binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Company.

"Company" has the meaning specified therefor in the introductory paragraph of this Agreement.

"Delay Liquidated Damages" has the meaning specified therefor in Section 2.03 of this Agreement.

"Effective Date" means, with respect to a particular Shelf Registration Statement, the date of effectiveness of such Shelf Registration Statement.

"Effectiveness Deadline" has the meaning specified therefor in Section 2.01(a) of this Agreement.

"Effectiveness Period" means the period beginning on the Effective Date for the Registration Statement and ending at the time all Registrable Securities covered by such Registration Statement have ceased to be Registrable Securities.

"Electing Holders" has the meaning specified therefor in Section 2.04 of this Agreement.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Governmental Authority" means any federal, state, local or foreign government, or other governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

"Holder" means the record holder of any Registrable Securities. In accordance with Section 3.05 of this Agreement, for purposes of determining the availability of any rights and applicability of any obligations under this Agreement, including, calculating the amount of Registrable Securities held by a

Holder, a Holder's Registrable Securities shall be aggregated together with all Registrable Securities held by other Holders who are Affiliates of such Holder.

"Included Registrable Securities" has the meaning specified therefor in Section 2.02(a) of this Agreement.

"Launch" has the meaning specified therefor in Section 2.04 of this Agreement.

"Law" means any statute, law, ordinance, regulation, rule, order, code, governmental restriction, decree, injunction or other requirement of law, or any judicial or administrative interpretation thereof, of any Governmental Authority.

"LD Period" has the meaning specified therefor in Section 2.01(b) of this Agreement.

"LD Termination Date" has the meaning specified therefor in Section 2.01(b) of this Agreement.

"Liquidated Damages" has the meaning specified therefor in Section 2.01(b) of this Agreement.

"Liquidated Damages Multiplier" means the product of the Common Stock Price times the number of Registrable Securities held by the applicable Holder.

"Losses" has the meaning specified therefor in Section 2.09(a) of this Agreement.

"Market Disruption Event" means: (a) a failure by the Trading Market to open for trading during its regular trading session; or (b) the occurrence or existence prior to 1:00 p.m., New York City time, on any trading day for the Common Stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Trading Market or otherwise) in the Common Stock or in any options contracts or futures contracts relating to the Common Stock.

"Managing Underwriter" means, with respect to any Underwritten Offering, the book-running lead manager of such Underwritten Offering.

"NYSE" means The New York Stock Exchange, Inc.

"Opt-Out Notice" has the meaning specified therefor in Section 2.02(a) of this Agreement.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Piggyback Threshold Amount" means $5.0 million.

"Post-Launch Withdrawing Selling Holders" has the meaning specified therefor in Section 2.04 of this Agreement.

"Purchaser" has the meaning specified therefor in the introductory paragraph of this Agreement.

"Registrable Securities" means the Common Stock Shares issued and the Common Stock issuable upon the exercise of the Warrants, any other shares of Common Stock acquired by a Holder subsequent to the date hereof, and includes any type of ownership interest issued to Holders as a result of Section 3.04 of this Agreement.

"Registrable Securities Amount" means the calculation based on the product of the Common Stock Price times the number of Registrable Securities.

"Registration Expenses" has the meaning specified therefor in Section 2.08(b) of this Agreement.

"Registration Statement" has the meaning specified therefor in Section 2.01(a) of this Agreement.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Purchase Agreement" has the meaning specified therefor in the first whereas clause of this Agreement.

"Selling Expenses" has the meaning specified therefor in Section 2.08(b) of this Agreement.

"Selling Holder" means a Holder who is selling Registrable Securities under a Registration Statement pursuant to the terms of this Agreement.

"Selling Holder Indemnified Persons" has the meaning specified therefor in Section 2.09(a) of this Agreement.

"Shelf Registration Statement" means a registration statement under the Securities Act to permit the public resale of the Registrable Securities from time to time as permitted by Rule 415 under the Securities Act (or any successor or similar provision adopted by the SEC then in effect).

"Trading Day" means a day during which trading in securities generally occurs on the Trading Market, except a day on which a Market Disruption Event occurs.

"Trading Market" shall mean any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the New York Stock Exchange, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the NYSE American or the OTC Markets (or any successors to any of the foregoing).

"Underwritten Offering" means an offering (including an offering pursuant to a Shelf Registration Statement) in which Registrable Securities are sold to one or more underwriters on a firm commitment basis for reoffering to the public or an offering that is a "bought deal" with one or more investment banks.

"Underwritten Offering Notice" has the meaning specified therefor in Section 2.04 of this Agreement.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on the New York Stock Exchange, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the New York Stock Exchange as reported by Bloomberg (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) (or a similar organization or agency succeeding to its functions of reporting prices), or (b) if the Common Stock is not then listed or quoted on the New York Stock Exchange, then the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) (or a similar organization or agency succeeding to its functions of reporting prices)

"Warrant Certificate" has the meaning specified therefor in the first whereas clause of this Agreement.

"Warrants" means the [●] warrants, issued by the Company to the Purchaser on the Closing Date pursuant to Securities Purchase Agreement and Warrant Certificate, to purchase [●] shares of Common Stock.

Section 1.02 Registrable Securities. Any Registrable Security shall cease to be a Registrable Security at the earliest of the following: (a) when a registration statement covering such Registrable Security becomes or has been declared effective by the SEC and such Registrable Security has been sold or disposed of pursuant to such effective registration statement; (b) when such Registrable Security has been sold or disposed of (excluding transfers or assignments by a Holder to an Affiliate) pursuant to Rule 144 under the Securities Act (or any successor or similar provision adopted by the SEC then in effect) under circumstances in which all of the applicable conditions of Rule 144 (as then in effect) are met; (c) when such Registrable Security is held by the Company or one of its direct or indirect subsidiaries; or (d) when such Registrable Security has been sold or disposed of in a private transaction in which the transferor's rights under this Agreement are not assigned to the transferee of such securities pursuant to Section 2.11 hereof.

Article II

REGISTRATION RIGHTS

Section 2.01 Shelf Registration.

(a) Shelf Registration. Within eighteen months after the Closing Date, the Company shall use commercially reasonable efforts to prepare and file a Shelf Registration Statement with the SEC (such date of filing with the SEC, the "Filing Date") to permit the public resale of all Registrable Securities on the terms and conditions specified in this Section 2.01 (a "Registration Statement"). The Registration Statement filed with the SEC pursuant to this Section 2.01(a) shall be on Form S-3 or, if Form S-3 is not then available to the Company, on Form S-1 or such other form of registration statement as is then available to effect a registration for resale of the Registrable Securities, covering the Registrable Securities, and shall contain a prospectus in such form as to permit any Selling Holder covered by such Registration Statement to sell such Registrable Securities pursuant to Rule 415 under the Securities Act (or any successor or similar provision adopted by the SEC then in effect) at any time beginning on the Effective Date for such Registration Statement; *provided, however,* such Registration Statement shall not be filed on a shelf registration statement that automatically becomes effective upon filing. The Company shall use commercially reasonable efforts to cause a Registration Statement filed pursuant to this Section 2.01(a) to be declared effective within (x) 15 calendar days from the Filing Date, if the SEC does not review the filed Registration Statement or (y) 60 calendar days from the Filing Date, if the SEC reviews the the filed Registration Statement (the "Effectiveness Deadline"). A Registration Statement shall provide for the resale pursuant to any method or combination of methods legally available to, and requested by, the Selling Holders, including by way of an Underwritten Offering, if such an election has been made pursuant to Section 2.04 of this Agreement, and by way of Alternative Transactions. During the Effectiveness Period, the Company shall use commercially reasonable efforts to cause a Registration Statement filed pursuant to this Section 2.01(a) to remain effective, and to be supplemented and amended to the extent necessary (including post-effective amendments) to ensure that such Registration Statement is available or, if not available, that another registration statement is available for the resale of the Registrable Securities until the date on which all Registrable Securities have ceased to be Registrable Securities. In the event that the minimum listing standards of the NYSE are satisfied, the Company shall prepare and file a supplemental listing application with the NYSE (or such other national securities exchange on which the Registrable Securities are then listed and traded) to list the Registrable Securities covered by a Registration Statement and shall use commercially reasonable efforts to have such Registrable Securities approved for listing on the NYSE (or such other national securities exchange on which the Registrable Securities are then listed and traded) by the Effective Date of such Registration Statement, subject only to official notice of issuance. Within two Business Days of the Effective Date of a Registration Statement, the Company shall notify the Selling Holders of the effectiveness of such Registration Statement.

When effective, a Registration Statement (including the documents incorporated therein by reference) will comply as to form in all material respects with all applicable requirements of the Securities Act and the Exchange Act and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained in such Registration Statement, in the light of the circumstances under which a statement is made). If the Managing Underwriter of any proposed Underwritten Offering of Registrable Securities (other than an Underwritten Offering of Included Registrable Securities pursuant to Section 2.02) advises the Company that the inclusion of all of the Selling Holders' Registrable Securities that the Selling Holders intend to include in such offering exceeds the number that can be sold in such offering without being likely to have an adverse effect on the price, timing or distribution of the Registrable Securities offered or the market for the Registrable Securities, then the Registrable Securities to be included in such Underwritten Offering shall include the number of Registrable Securities that such Managing Underwriter advises the Company and the Holder in its good faith opinion can be sold without having such adverse effect, with such number to be allocated (i) first, to the Selling Holders, allocated among such Selling Holders pro rata on the basis of the number of Registrable Securities held by each such Selling Holder or in such other manner as such Selling Holders may agree, and (ii) second, to any other holder of securities of the Company having rights of registration that are neither expressly senior nor subordinated to the Holders in respect of the Registrable Securities.

(b) Failure to Go Effective. If a Registration Statement required to be filed by Section 2.01(a) is not declared effective on or prior to the Effectiveness Deadline, then each Holder shall be entitled to a payment in cash (with respect to each Registrable Security held by the Holder), as liquidated damages and not as a penalty, of 0.25% of the Liquidated Damages Multiplier per 30-day period, which shall accrue daily, for the first 60 calendar days immediately following the Effectiveness Deadline, increasing by an additional 0.25% of the Liquidated Damages Multiplier per 30-calendar-day period, which shall accrue daily, for each subsequent 30-calendar-day period (*i.e.*, 0.5% for 61-90 calendar days, 0.75% for 91-120 calendar days and 1.00% thereafter), up to a maximum of 1.00% of the Liquidated Damages Multiplier per 30-calendar-day period, until such time as such Registration Statement is declared effective or when the Registrable Securities covered by such Registration Statement cease to be Registrable Securities (the "Liquidated Damages"). The Liquidated Damages payable pursuant to the immediately preceding sentence shall be payable within 10 Business Days after the end of each such 30-calendar-day period. Any Liquidated Damages shall be paid to each Holder in immediately available funds. The accrual of Liquidated Damages to a Holder shall cease (an "LD Termination Date," and, each such period beginning on an Effectiveness Deadline and ending on an LD Termination Date being, an "LD Period") at the earlier of (1) the Registration Statement being declared effective and (2) when the Holder's Registrable Securities covered by such Registration Statement cease to be Registrable Securities. Any amount of Liquidated Damages shall be prorated for any period of less than 30 calendar days accruing during an LD Period. If the Company is unable to cause a Registration Statement to be declared effective on or prior to the Effectiveness Deadline as a result of an acquisition, merger, reorganization, disposition or other similar transaction, then the Company may request a waiver of the Liquidated Damages, and each Holder may individually grant or withhold its consent to such request in its discretion. Nothing in this Section 2.01(b) shall relieve the Company from its obligations under Section 2.01(a).

Section 2.02 Piggyback Rights.

(a) Participation. So long as a Holder has Registrable Securities, if the Company proposes to file (i) a shelf registration statement other than a Registration Statement contemplated by Section 2.01(a), (ii) a prospectus supplement to an effective shelf registration statement relating to the sale of equity securities of the Company for its own account or that of another Person, or both, other than a Registration Statement contemplated by Section 2.01(a) and Holders may be included without the filing of a post-effective amendment thereto, or (iii) a registration statement, other than a shelf registration statement, in each case, for the sale of shares of Common Stock in an Underwritten Offering for its own account or that of another Person, or both, then promptly following the selection of the Managing Underwriter for such Underwritten Offering, the Company shall give notice of such Underwritten Offering to each Holder (together with its Affiliates) holding at least the Piggyback Threshold Amount of the then-outstanding Registrable Securities (calculated based on the Common Stock Price) and such notice shall offer such Holders the opportunity to include in such Underwritten Offering such number of Registrable Securities (the "Included Registrable Securities") as each such Holder may request in writing; *provided*, *however,* that (A) the Company shall not be required to provide such opportunity to any such Holder that does not offer a minimum of the Piggyback Threshold Amount of Registrable Securities (based on the Common Stock Price), or such lesser amount if it constitutes the remaining holdings of such Holder, and (B) if the Managing Underwriter advises the Company that in its good faith opinion the inclusion of Registrable Securities for sale for the benefit of the Holders will have an adverse effect on the price, timing or distribution of the shares of Common Stock in the Underwritten Offering, then (x) if no Registrable Securities can be included in the Underwritten Offering in the good faith opinion of the Managing Underwriter, the Company shall not be required to offer such opportunity to the Holders, or (y) if any Registrable Securities can be included in the Underwritten Offering in the opinion of the Managing Underwriter, then the amount of Registrable Securities to be offered for the accounts of Holders shall be determined based on the provisions of Section 2.02(b). Any notice required to be provided in this Section 2.02(a) to Holders shall be provided on a Business Day and receipt of such notice shall be confirmed by the Holder. Each such Holder shall then have five Business Days (or three Business Days in connection with any overnight or bought Underwritten Offering) after notice has been delivered to request in writing the inclusion of Registrable Securities in the Underwritten Offering. If no written request for inclusion from a Holder is received within the specified time, each such Holder shall have no further right to participate in such Underwritten Offering. If, at any time after giving written notice of its intention to undertake an Underwritten Offering and prior to the closing of such Underwritten Offering, the Company shall determine for any reason not to undertake or to delay such Underwritten Offering, the Company may, at its election, give written notice of such determination to the Selling Holders and, (1) in the case of a determination not to undertake such Underwritten Offering, shall be relieved of its obligation to sell any Included Registrable Securities in connection with such terminated Underwritten Offering, and (2) in the case of a determination to delay such Underwritten Offering, shall be permitted to delay offering any Included Registrable Securities as part of such Underwritten Offering for the same period as the delay in the Underwritten Offering. Any Selling Holder shall have the right to withdraw such Selling Holder's request for inclusion of such Selling Holder's Registrable Securities in such Underwritten Offering by giving written notice to the Company of such withdrawal at or prior to the time of pricing of such Underwritten Offering. Any Holder may deliver written notice (an "Opt-Out Notice") to the Company requesting that such Holder not receive notice from the Company of any proposed Underwritten Offering; *provided*, *however*, that such Holder may later revoke any such Opt-Out Notice in writing. Following receipt of an Opt-Out Notice from a Holder (unless subsequently revoked), the Company shall not be required to deliver any notice to such Holder pursuant to this Section 2.02(a) and such Holder shall no longer be entitled to participate in Underwritten Offerings by the Company pursuant to this Section 2.02(a).

(b) Priority. If the Managing Underwriter of any proposed Underwritten Offering of shares of Common Stock included in an Underwritten Offering involving Included Registrable Securities pursuant to this Section 2.02 advises the Company and the Holder that in its good faith opinion the total number of shares of Common Stock that the Selling Holders and any other Persons intend to include in such offering exceeds the number of shares of Common Stock that can be sold in such offering without being likely to have an adverse effect on the price, timing or distribution of shares of the Common Stock offered or the market for the shares of Common Stock, then the shares of Common Stock to be included in such Underwritten Offering shall include the number of Registrable Securities that such Managing Underwriter advises the Company and the Holder that in its good faith opinion can be sold without having such adverse effect, with such number to be allocated (i) first, to the Company or other party or parties requesting or initiating such registration or to any other holder of securities of the Company having rights of registration pursuant to an existing registration rights agreement and (ii) second, by the Selling Holders who have requested participation in such Underwritten Offering and by the other holders of shares of Common Stock (other than holders of Registrable Securities) with registration rights entitling them to participate in such Underwritten Offering, allocated among such Selling Holders and other holders pro rata on the basis of the number of Registrable Securities or shares of Common Stock proposed to be sold by each applicable Selling Holder or other holder in such Underwritten Offering (based, for each such participant, on the percentage derived by dividing (x) the number of shares of Common Stock proposed to be sold by such participant in such Underwritten Offering by (y) the aggregate number of shares of Common Stock proposed to be sold by all participants in such Underwritten Offering) or in such manner as they may agree. The allocation of shares of Common Stock to be included in any Underwritten Offering other than an Underwritten Offering involving Included Registrable Securities pursuant to this Section 2.02 shall be governed by Section 2.01(a).

(c) Termination of Piggyback Registration Rights. Each Holder's rights under this Section 2.02 shall terminate upon such Holder ceasing to hold at least the Piggyback Threshold Amount of Registrable Securities (calculated based on the Common Stock Price).

Section 2.03 Delay Rights.

Notwithstanding anything to the contrary contained herein, the Company may, upon written notice to (i) all Holders, delay the filing of a Registration Statement required under Section 2.01(a), or (ii) any Selling Holder whose Registrable Securities are included in a Registration Statement or other registration statement contemplated by this Agreement, suspend such Selling Holder's use of any prospectus that is a part of such Registration Statement or other registration statement (in which event the Selling Holder shall discontinue sales of the Registrable Securities pursuant to such Registration Statement or other registration statement contemplated by this Agreement but may settle any previously made sales of Registrable Securities) if the Company (x) is pursuing an acquisition, merger, reorganization, disposition or other similar transaction and the Company determines in good faith that the

Company's ability to pursue or consummate such a transaction would be materially adversely affected by any required disclosure of such transaction in such Registration Statement or other registration statement or (y) has experienced some other material non-public event the disclosure of which at such time, in the good faith judgment of the Company, would materially adversely affect the Company; *provided, however*, in no event shall (A) filing of such Registration Statement be delayed under clauses (x) or (y) of this Section 2.03 on more than two occasions or for more than an aggregate of 45 calendar days in any one instance, or for more than 90 calendar days in any 365 calendar-day period or (B) such Selling Holders be suspended under clauses (x) or (y) of this Section 2.03 from selling Registrable Securities pursuant to such Registration Statement or other registration statement for a period that exceeds an aggregate of 30 calendar days in any 180 calendar-day period or 60 calendar days in any 365 calendar-day period, in each case, exclusive of days covered by any lock-up agreement executed by a Selling Holder in connection with any Underwritten Offering. Upon disclosure of such information or the termination of the condition described above, the Company shall provide prompt notice, but in any event within one Business Day of such disclosure or termination, to the Selling Holders whose Registrable Securities are included in such Registration Statement and shall promptly terminate any suspension of sales it has put into effect and shall take such other reasonable actions to permit registered sales of Registrable Securities as contemplated in this Agreement.

If (i) the Selling Holders shall be prohibited or prevented from selling their Registrable Securities under a Registration Statement or other registration statement contemplated by this Agreement as a result of a delay or suspension pursuant to the immediately preceding paragraph in excess of the periods permitted therein or (ii) a Registration Statement or other registration statement contemplated by this Agreement is filed and is declared effective but, during the Effectiveness Period, shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded within 90 calendar days by a post-effective amendment thereto, a supplement to the prospectus or a report filed with the SEC pursuant to Section 13(a), 13(c), 14 or l5(d) of the Exchange Act, then, until the suspension is lifted or the Registration Statement required under Section 2.01(a), a post-effective amendment, supplement or report is filed with the SEC, but not including any day on which a suspension is lifted or such Registration Statement, amendment, supplement or report is filed with the SEC, if applicable, each Selling Holder shall be entitled to a payment (with respect to each Registrable Security) from the Company, as liquidated damages and not as a penalty, of 0.25% of the Liquidated Damages Multiplier per 30-calendar-day period, which shall accrue daily, for the first 60 calendar days immediately following the earlier of (x) the date on which the suspension or delay period exceeded the permitted period and (y) the 31st calendar day after such Shelf Registration Statement ceased to be effective or failed to be usable for its intended purposes, with such payment amount increasing by an additional 0.25% of the Liquidated Damages Multiplier per 30-day period, which shall accrue daily, for each subsequent 30-calendar-day period (*i.e.*, 0.5% for 61-90 calendar days, 0.75% for 91-120 calendar days and 1.00% thereafter), up to a maximum of 1.00% of the Liquidated Damages Multiplier per 30-day period (the "Delay Liquidated Damages"). For purposes of this paragraph, a suspension or delay shall be deemed lifted with respect to a Selling Holder on the date that (A) notice that the suspension has been terminated is delivered to such Selling Holder, (B) the Registration Statement required under Section 2.01(a) is filed with the SEC, or (C) a post-effective amendment or supplement to the prospectus or report is filed with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act. Any Delay Liquidated Damages shall cease to accrue pursuant to this paragraph upon the earlier of (1) a suspension or delay being deemed lifted and (2) when such Selling Holder no longer holds Registrable Securities included in such Registration Statement, and shall be payable within 10 Business Days after the end of each such 30-day period. Any amount of Delay Liquidated Damages shall be prorated for any period of less than 30 calendar days in which the payment of Delay Liquidated Damages ceases. Any Delay Liquidated Damages shall be paid to each Selling Holder in immediately available funds.

Section 2.04 Underwritten Offerings.

In the event that any Holder or Holders that are Affiliates of each other (the “Electing Holders”) elect to include, other than pursuant to Section 2.02 of this Agreement, at least the lesser of (i) $10.0 million of Registrable Securities in the aggregate (calculated based on the expected gross proceeds of the Underwritten Offering of such Registrable Securities) and (ii) 100% of the then outstanding Registrable Securities held by such Electing Holders under a Registration Statement pursuant to an Underwritten Offering, the Company shall, upon request by the Electing Holders (such request, an “Underwritten Offering Notice”), retain underwriters to permit the Electing Holders to effect such sale through an Underwritten Offering; *provided, however,* that each Holder, together with its Affiliates, shall have the option and right to require the Company to effect not more than two Underwritten Offerings in the aggregate, subject to a maximum of one Underwritten Offering during any 90-day period. Upon delivery of such Underwritten Offering Notice to the Company, the Company shall as soon as practicable (but in no event later than one Business Day following the date of delivery of the Underwritten Offering Notice to the Company) deliver notice of such Underwritten Offering Notice to all other Holders, who shall then have two Business Days from the date that such notice is given to them to notify the Company in writing of the number of Registrable Securities held by such Holder that they want to be included in such Underwritten Offering. Any Holders notified about an Underwritten Offering by the Company after the Company has received the corresponding Underwritten Offering Notice may participate in such Underwritten Offering, but shall not count toward the $10.0 million of Registrable Securities required under clause (i) of this Section 2.04 to request an Underwritten Offering pursuant to an Underwritten Offering Notice. In connection with any Underwritten Offering under this Agreement, the Holders of a majority of the Registrable Securities being sold in such Underwritten Offering shall be entitled to select the Managing Underwriter or Underwriters, but only with the consent of the Company, which shall not be unreasonably withheld, delayed or conditioned. In connection with an Underwritten Offering contemplated by this Agreement in which a Selling Holder participates, each Selling Holder and the Company shall be obligated to enter into an underwriting agreement that contains such representations, covenants, indemnities and other rights and obligations as are customary in underwriting agreements for firm commitment offerings of securities. No Selling Holder may participate in such Underwritten Offering unless such Selling Holder agrees to sell its Registrable Securities on the basis provided in such underwriting agreement and completes and executes all questionnaires, powers of attorney, indemnities and other documents reasonably required under the terms of such underwriting agreement. Each Selling Holder may, at its option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters also be made to and for such Selling Holder’s benefit and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also be conditions precedent to its obligations. No Selling Holder shall be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Selling Holder, its authority to enter into such underwriting agreement and to sell, and its ownership of, the securities whose offer and resale will be registered, on its behalf, its intended method of distribution and any other representation required by Law. If any Selling Holder disapproves of the terms of an underwriting, such Selling Holder may elect to withdraw therefrom by notice to the Company, the Electing Holders and the Managing Underwriter; *provided, however,* that any such withdrawal must be made no later than the time of pricing of such Underwritten Offering. If all Selling Holders withdraw from an Underwritten Offering prior to the pricing of such Underwritten Offering, the events will not be considered an Underwritten Offering and will not decrease the number of available Underwritten Offerings the Holders have the right and option to request under this Section 2.04. No such withdrawal or abandonment shall affect the Company’s obligation to pay Registration Expenses pursuant to Section 2.08; *provided, however,* that if (A) certain Selling Holders withdraw from an Underwritten Offering after the public announcement at launch (the "Launch") of such Underwritten Offering (such Selling Holders, the "Post-Launch Withdrawing Selling Holders"), and (B) all Selling Holders withdraw from such Underwritten Offering prior to pricing, other than in either clause (A) or (B) as a result of the occurrence of any event that would reasonably be expected to permit the Company to exercise its rights to suspend the use of a Registration Statement or other registration statement pursuant to Section 2.03, then the Post-Launch Withdrawing Selling Holders shall pay for all reasonable Registration Expenses incurred by the Company during the period from the Launch of such Underwritten Offering until the time all Selling Holders withdraw from such Underwritten Offering.

Section 2.05 Sale Procedures.

In connection with its obligations under this Article II, the Company shall, as expeditiously as possible:

(a) use its reasonable best efforts to prepare and file with the SEC such amendments and supplements to a Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for the Effectiveness Period and as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such Registration Statement;

(b) if a prospectus supplement will be used in connection with the marketing of an Underwritten Offering (or Alternative Transaction) from a Registration Statement and the Managing Underwriter (or Alternative Transaction Counterparty) at any time shall notify the Company in writing that, in the sole judgment of such Managing Underwriter (or Alternative Transaction Counterparty), inclusion of detailed information to be used in such prospectus supplement is of material importance to the success of the Underwritten Offering (or Alternative Transaction) of such Registrable Securities, the Company shall use its reasonable best efforts to include such information in such prospectus supplement;

(c) furnish to each Selling Holder (i) as far in advance as reasonably practicable before filing a Registration Statement or any other registration statement contemplated by this Agreement or any supplement or amendment thereto, upon request, copies of reasonably complete drafts of all such documents proposed to be filed (including exhibits and each document incorporated by reference therein to the extent then required by the rules and regulations of the SEC), and provide each such Selling Holder the opportunity to object to any information pertaining to such Selling Holder and its plan of distribution that is contained therein and make the corrections reasonably requested by such Selling Holder with respect to such information prior to filing a Registration Statement or such other registration statement or supplement or amendment thereto, and (ii) such number of copies of such Registration Statement or such other registration statement and the prospectus included therein and any supplements and amendments thereto as such Selling Holder may reasonably request in order to facilitate the sale or other disposition of the Registrable Securities covered by such Registration Statement or other registration statement;

(d) if applicable, use its reasonable best efforts to register or qualify the Registrable Securities covered by a Registration Statement or any other registration statement contemplated by this Agreement under the securities or blue sky laws of such jurisdictions as the Selling Holders or, in the case of an Underwritten Offering (or Alternative Transaction), the Managing Underwriter (or Alternative Transaction Counterparty), shall reasonably request; *provided*, *however*, that the Company shall not be required to qualify generally to transact business in any jurisdiction where it is not then required to so qualify or to take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject;

(e) promptly notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered by any of them under the Securities Act, of (i) the filing of a Registration Statement or any other registration statement contemplated by this Agreement or any prospectus or prospectus supplement to be used in connection therewith, or any amendment or supplement thereto, and, with respect to such Registration Statement or any other registration statement or any post-effective amendment thereto, when the same has become effective; and (ii) the receipt of any written comments from the SEC with respect to any filing referred to in clause (i) and any written request by the SEC for amendments or supplements to such Registration Statement or any other registration statement or any prospectus or prospectus supplement thereto;

(f) immediately notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered by such Selling Holder under the Securities Act, of (i) the happening of any event as a result of which the prospectus or prospectus supplement contained in a Registration Statement or any other registration statement contemplated by this Agreement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained therein, in the light of the circumstances under which a statement is made); (ii) the issuance or express threat of issuance by the SEC of any stop order suspending the effectiveness of such Registration Statement or any other registration statement contemplated by this Agreement, or the initiation of any proceedings for that purpose; or (iii) the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the applicable securities or blue sky laws of any jurisdiction. Following the provision of such notice, the Company agrees to as promptly as practicable amend or supplement the prospectus or prospectus supplement or take other appropriate action so that the prospectus or prospectus supplement does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and to take such other commercially reasonable action as is necessary to remove a stop order, suspension, threat thereof or proceedings related thereto;

(g) upon request and subject to appropriate confidentiality obligations, furnish to each Selling Holder copies of any and all transmittal letters or other correspondence with the SEC or any other governmental agency or self-regulatory body or other body having jurisdiction (including any domestic or foreign securities exchange) relating to such offering of Registrable Securities;

(h) in the case of an Underwritten Offering (or an Alternative Transaction, to the extent customary for such Alternative Transaction), furnish, or use its reasonable best efforts to cause to be furnished, to the underwriters (or the Alternative Transaction Counterparties, as the case may be) upon request, (i) an opinion of counsel for the Company dated the date of the closing under the agreement governing such sale and (ii) a "comfort" letter, dated the pricing date of the relevant transaction and a letter of like kind dated the date of the closing under the agreement governing such sale, in each case, signed by the independent public accountants who have certified the Company's financial statements included or incorporated by reference into the applicable registration statement, and each of the opinion and the "comfort" letter shall be in customary form and covering substantially the same matters with respect to such registration statement (and the prospectus and any prospectus supplement included therein) as would be customarily covered in opinions of issuer's counsel and in accountants' letters delivered to the underwriters (or Alternative Transaction Counterparties, as the case may be) in transactions of the type contemplated by such Underwritten Offering or Alternative Transaction (as the case may be) and such other matters as such underwriters and Selling Holders may reasonably request;;

(i) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement, covering a period of twelve months beginning within three months after the Effective Date of such Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder;

(j) make available to the appropriate representatives of the Managing Underwriter (or Alternative Transaction Counterparties) and Selling Holders access to such information and the Company personnel as is reasonable and customary to enable such parties to establish a due diligence defense under the Securities Act; *provided*, that the Company need not disclose any non-public information to any such representative unless and until such representative has entered into a confidentiality agreement with the Company;

(k) if the minimum listing standards of the NYSE are satisfied, use its reasonable best efforts to cause all Registrable Securities registered pursuant to this Agreement to be listed on each securities exchange or nationally recognized quotation system on which the Common Stock are then listed or quoted;

(l) provide a transfer agent and registrar for all Registrable Securities covered by such registration statement not later than the Effective Date of such registration statement;

(m) enter into customary agreements and take such other actions as are reasonably requested by the Selling Holders or the underwriters, if any, in order to expedite or facilitate the disposition of Registrable Securities (including, making appropriate officers of the Company available to participate in any "road show" presentations before analysts, and other customary marketing activities (including one-on-one meetings with prospective purchasers of the Registrable Securities)), *provided, however,* that in the event the Company, using reasonable best efforts, is unable to make such appropriate officers of the Company available to participate in connection with any "road show" presentations and other customary marketing activities (whether in person or otherwise), the Company shall make such appropriate officers available to participate via conference call or other means of communication in connection with no more than one "road show" presentation per Underwritten Offering or Alternative Transaction;

(n) if requested by a Selling Holder, (i) incorporate in a prospectus supplement or post-effective amendment such information as such Selling Holder reasonably requests to be included therein relating to the sale and distribution of Registrable Securities, including information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering, and (ii) make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment;

(o) if reasonably required by the Company's transfer agent, the Company shall promptly deliver any authorizations, certificates, opinions or directions required by the transfer agent which authorize and direct the transfer agent to transfer Registrable Securities without legend upon sale by the Holder of such Registrable Securities under a Registration Statement; and

Notwithstanding anything to the contrary in this Section 2.05, the Company shall not name a Holder as an underwriter as defined in Section 2(a)(11) of the Securities Act in any Registration Statement without such Holder's consent. If the staff of the SEC requires the Company to name any Holder as an underwriter as defined in Section 2(a)(11) of the Securities Act, and such Holder does not consent thereto, then such Holder's Registrable Securities shall not be included on such Registration Statement, such Holder shall no longer be entitled to receive Liquidated Damages under this Agreement with respect to such Holder's Registrable Securities and the Company shall have no further obligations hereunder with respect to Registrable Securities held by such Holder, unless such Holder has not had an opportunity to conduct customary underwriter's due diligence with respect to the Company at the time such Holder's consent is sought.

Each Selling Holder, upon receipt of notice from the Company of the happening of any event of the kind described in Section 2.05(f), shall forthwith discontinue offers and sales of the Registrable Securities by means of a prospectus or prospectus supplement until such Selling Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 2.05(f) or until it is advised in writing by the Company that the use of the prospectus may be resumed and has received copies of any additional or supplemental filings incorporated by reference in the prospectus, and, if so directed by the Company, such Selling Holder shall, or shall request the Managing Underwriter, if any, to deliver to the Company (at the Company's expense) all copies in their possession or control, other than permanent file copies then in such Selling Holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

Section 2.06 Cooperation by Holders.

The Company shall have no obligation to include Registrable Securities of a Holder in a Registration Statement or in an Underwritten Offering pursuant to Section 2.02(a) who has failed to timely furnish after receipt of a written request from the Company such information that the Company determines, after consultation with its counsel, is reasonably required in order for the registration statement or prospectus supplement, as applicable, to comply with the Securities Act, including, without limitation, the completion and submission by such Holder of any Selling Holder questionnaire required by the Company, and any such Holder shall not be entitled to Liquidated Damages or Delay Liquidated Damages in connection with the applicable Registration Statement or other registration statement contemplated by this Agreement.

Section 2.07 Restrictions on Public Sale by Holders of Registrable Securities.

Each Holder of Registrable Securities that participates in an Underwritten Offering will enter into a customary letter agreement with underwriters providing such Holder will not effect any public sale or distribution of Stock Registrable Securities during the 60 calendar-day period beginning on the date of a prospectus or prospectus supplement filed with the SEC with respect to the pricing of any Underwritten Offering (or such shorter period specified by the Managing Underwriter for such Underwritten Offering), *provided* that (i) the duration of the foregoing restrictions shall be no longer than the duration of the shortest restriction generally imposed by the underwriters on the Company or the officers, directors or any other Affiliate of the Company on whom a restriction is imposed and (ii) the restrictions set forth in this Section 2.07 shall not apply to any Registrable Securities that are included in such Underwritten Offering by such Holder. In addition, this Section 2.07 shall not apply to any Holder that is not entitled to participate in such Underwritten Offering, whether because such Holder delivered an Opt-Out Notice prior to receiving notice of the Underwritten Offering or because such Holder (together with its Affiliates) holds less than the Piggyback Threshold Amount of the then outstanding Registrable Securities (calculated based on the Registrable Securities Amount) or because the Registrable Securities held by such Holder may be disposed of without restriction pursuant to any section of Rule 144 under the Securities Act (or any successor or similar provision adopted by the SEC then in effect).

Section 2.08 Expenses.

(a) Expenses. The Company shall pay all reasonable Registration Expenses as determined in good faith by the Company, including, in the case of an Underwritten Offering (or Alternative Transaction), the reasonable Registration Expenses of an Underwritten Offering (or Alternative Transaction), regardless of whether any sale is made pursuant to such Underwritten Offering (or Alternative Transaction). Each Selling Holder shall pay its pro rata share of all Selling Expenses in connection with any sale of its Registrable Securities hereunder. Each Selling Holder's *pro rata* allocation of Selling Expenses shall be the percentage derived by dividing (i) the number of Registrable Securities sold by such Selling Holder in connection with such sale by (ii) the aggregate number of Registrable Securities sold by all Selling Holders in connection with such sale. In addition, except as otherwise provided in Sections 2.08 and 2.09 hereof, the Company shall not be responsible for legal fees incurred by Holders in connection with the exercise of such Holders' rights hereunder.

(b) Certain Definitions. "Registration Expenses" means all expenses incident to the Company's performance under or compliance with this Agreement to effect the registration of Registrable Securities on a Registration Statement pursuant to Section 2.01(a) or an Underwritten Offering or Alternative Transaction covered under this Agreement, and the disposition of such Registrable Securities, including, without limitation, all registration, filing, securities exchange listing and NYSE fees, all registration, filing, qualification and other fees and expenses of complying with securities or blue sky laws, fees of the Financial Industry Regulatory Authority, Inc., fees of transfer agents and registrars, all word processing, duplicating and printing expenses, any transfer taxes, and the fees and disbursements of counsel and independent public accountants for the Company, including the expenses of any special audits or "comfort" letters required by or incident to such performance and compliance, and the reasonable fees and disbursements of one counsel for the Selling Holders participating in such Registration Statement, Underwritten Offering or Alternative Transaction to effect the disposition of such Registrable Securities, selected by the Holders of a majority of the Registrable Securities initially being registered under such Registration Statement or other registration statement as contemplated by this Agreement, subject to the reasonable consent of the Company. "Selling Expenses" means all underwriting discounts and selling commissions or similar fees or arrangements allocable to the sale of the Registrable Securities, and fees and disbursements of counsel to the Selling Holders, except for the reasonable fees and disbursements of counsel for the Selling Holders required to be paid by the Company pursuant to Sections 2.08 and 2.09.

Section 2.09 Indemnification.

(a) By the Company. In the event of a registration of any Registrable Securities under the Securities Act pursuant to this Agreement, the Company shall indemnify and hold harmless each Selling Holder thereunder, its directors, officers, managers, partners, employees and agents and each Person, if any, who controls such Selling Holder within the meaning of the Securities Act and the Exchange Act, and its directors, officers, managers, partners, employees or agents (collectively, the "Selling Holder Indemnified Persons"), against any losses, claims, damages, expenses or liabilities (including reasonable attorneys' fees and expenses) (collectively, "Losses"), joint or several, to which such Selling Holder Indemnified Person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such Losses (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact (in the case of any prospectus, in light of the circumstances under which such statement is made) contained in (which includes documents incorporated by reference in) such Registration Statement or any other registration statement contemplated by this Agreement, any preliminary prospectus, prospectus supplement or final prospectus contained therein, or any amendment or supplement thereof, or any free writing prospectus relating thereto or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus, in light of the circumstances under which they were made) not misleading, and shall reimburse each such Selling Holder Indemnified Person for any legal or other expenses reasonably incurred by them in connection with investigating, defending or resolving any such Loss or actions or proceedings; *provided, however*, that the Company shall not be liable in any such case if and to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by such Selling Holder Indemnified Person in writing specifically for use in such Registration Statement or such other registration statement, or prospectus supplement, as applicable. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Selling Holder Indemnified Person, and shall survive the transfer of such securities by such Selling Holder.

(b) By Each Selling Holder. Each Selling Holder agrees severally and not jointly to indemnify and hold harmless the Company, its directors, officers, employees and agents and each Person, if any, who controls the Company within the meaning of the Securities Act or of the Exchange Act, and its directors, officers, employees and agents, to the same extent as the foregoing indemnity from the Company to the Selling Holders, but only with respect to information regarding such Selling Holder furnished in writing by or on behalf of such Selling Holder expressly for inclusion in such Registration Statement or any other registration statement contemplated by this Agreement, any preliminary prospectus, prospectus supplement or final prospectus contained therein, or any amendment or supplement thereof, or any free writing prospectus relating thereto; *provided, however*, that the liability of each Selling Holder shall not be greater in amount than the dollar amount of the proceeds (net of any Selling Expenses) received by such Selling Holder from the sale of the Registrable Securities giving rise to such indemnification.

(c) Notice. Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission to so notify the indemnifying party shall not relieve it from any liability that it may have to any indemnified party other than under this Section 2.09. In any action brought against any indemnified party, it shall notify the indemnifying party of the commencement thereof. The indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel reasonably satisfactory to such indemnified party and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 2.09 for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected; *provided, however*, that, (i) if the indemnifying party has failed to assume the defense or employ counsel reasonably acceptable to the indemnified party or (ii) if the defendants in any such action include both the indemnified party and the indemnifying party and counsel to the indemnified party shall have concluded that there may be defenses available to the indemnified party that are different from or additional to those available to the indemnifying party, or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, then the indemnified party shall have the right to select a separate counsel and to assume such legal defense and otherwise to participate in the defense of such action, with the reasonable expenses and fees of such separate counsel and other reasonable expenses related to such participation to be reimbursed by the indemnifying party as incurred. Notwithstanding any other provision of this Agreement, no indemnifying party shall settle any action brought against any indemnified party with respect to which such indemnified party is entitled to indemnification hereunder without the consent of the indemnified party, unless the settlement thereof imposes no liability or obligation on, and includes a complete and unconditional release from all liability of, and does not contain any admission of wrongdoing by, the indemnified party.

(d) Contribution. If the indemnification provided for in this Section 2.09 is held by a court or government agency of competent jurisdiction to be unavailable to any indemnified party or is insufficient to hold them harmless in respect of any Losses, then each such indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of such indemnified party, on the other hand, in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations; *provided*, *however*, that in no event shall such Selling Holder be required to contribute an aggregate amount in excess of the dollar amount of proceeds (net of Selling Expenses) received by such Selling Holder from the sale of Registrable Securities giving rise to such indemnification. The relative fault of the indemnifying party on the one hand and the indemnified party on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact has been made by, or relates to, information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contributions pursuant to this paragraph were to be determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to herein. The amount paid by an indemnified party as a result of the Losses referred to in the first sentence of this paragraph shall be deemed to include any legal and other expenses reasonably incurred by such indemnified party in connection with investigating, defending or resolving any Loss that is the subject of this paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who is not guilty of such fraudulent misrepresentation.

(e) Other Indemnification. The provisions of this Section 2.09 shall be in addition to any other rights to indemnification or contribution that an indemnified party may have pursuant to law, equity, contract or otherwise.

Section 2.10 Rule 144 Reporting.

With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(a) make and keep public information regarding the Company available, as those terms are understood and defined in Rule 144 under the Securities Act (or any successor or similar provision adopted by the SEC then in effect), at all times from and after the date hereof;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act at all times from and after the date hereof; and

(c) so long as a Holder owns any Registrable Securities, furnish, promptly upon request, (x) a written statement by the Company, if true, that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (y) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the

Company (it being understood that the availability of such report on the SEC's EDGAR system shall satisfy this requirement) and (z) such other information as may be necessary to permit the Purchaser to sell such securities pursuant to Rule 144 without registration.

Section 2.11 Transfer or Assignment of Registration Rights.

The rights to cause the Company to register Registrable Securities granted to the Purchaser by the Company under this Article II may be transferred or assigned by the Purchaser to one or more transferees or assignees of Registrable Securities, subject to the transfer restrictions provided in the Securities Purchase Agreement and the Warrant Certificate, *provided, however,* that (a) the Company is given written notice prior to any said transfer or assignment, stating the name and address of each of the transferee or assignee and identifying the Registrable Securities with respect to which such registration rights are being transferred or assigned and (b) each such transferee or assignee assumes in writing responsibility for its portion of the obligations of the Purchaser under this Agreement.

Article III

MISCELLANEOUS

Section 3.01 Communications.

All notices and other communications provided for or permitted hereunder shall be made in writing by facsimile, electronic mail, courier service or personal delivery:

(a) if to the Purchaser:

c/o Oaktree Capital Management, L.P.

333 S. Grand Avenue, 28th Floor
Los Angeles, CA 90071
Attn: Cary Kleinman, Scott Maddux and Dante Quazzo
E-Mail Address:
with a copy to (which shall not constitute notice):

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Attn: Kenneth M. Schneider, Esq., Ellen Ching, Esq.
E-Mail Address:

(b) if to a transferee of the Purchaser, to such Holder at the address provided pursuant to Section 2.11 above; and

(c) if to the Company:

Ocwen Financial Corporation
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409
Attn: John Britti, Leah E. Hutton
E-Mail Address:

with a copy to (which shall not constitute notice):

Mayer Brown LLP
1221 Avenue of the Americas
New York, NY 10020
Attention: Anna Pinedo
Telephone:
Facsimile:
Email:

All such notices and communications shall be deemed to have been received at the time delivered by hand, if personally delivered; when receipt acknowledged, if sent via facsimile or sent via Internet electronic mail; and when actually received, if sent by courier service or any other means.

Section 3.02 Successor and Assigns.

This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties, including subsequent Holders of Registrable Securities to the extent permitted herein.

Section 3.03 Assignment of Rights.

All or any portion of the rights and obligations of any Purchaser under this Agreement may be transferred or assigned by such Purchaser only in accordance with Section 2.11 hereof.

Section 3.04 Recapitalization, Exchanges, Etc. Affecting the Common Stock.

The provisions of this Agreement shall apply to the full extent set forth herein with respect to any and all units of the Company or any successor or assign of the Company (whether by merger, acquisition, consolidation, reorganization, sale of assets or otherwise) that may be issued in respect of, in exchange for or in substitution of, the Registrable Securities, and shall be appropriately adjusted for combinations, unit splits, recapitalizations, pro rata distributions of units, as provided in the Warrant Certificate and the like occurring after the date of this Agreement.

Section 3.05 Aggregation of Registrable Securities.

All Registrable Securities held or acquired by Persons who are Affiliates of one another shall be aggregated together for the purpose of determining the availability of any rights and applicability of any obligations under this Agreement.

Section 3.06 Specific Performance.

Damages in the event of breach of this Agreement by a party hereto may be difficult, if not impossible, to ascertain, and it is therefore agreed that each such Person, in addition to and without limiting any other remedy or right it may have, shall have the right to an injunction or other equitable relief in any court of competent jurisdiction, enjoining any such breach, and enforcing specifically the terms and provisions hereof, and each of the parties hereto hereby waives any and all defenses it may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief. The existence of this right shall not preclude any such Person from pursuing any other rights and remedies at law or in equity that such Person may have.

Section 3.07 Counterparts.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, including facsimile or .pdf counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

Section 3.08 Headings.

The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.09 Governing Law.

This Agreement, including all issues and questions concerning its application, construction, validity, interpretation and enforcement, shall be construed in accordance with, and governed by, the laws of the State of New York.

Section 3.10 Severability of Provisions.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting or impairing the validity or enforceability of such provision in any other jurisdiction.

Section 3.11 Entire Agreement.

This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the rights granted by the Company set forth herein. This Agreement and the Securities Purchase Agreement supersede all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.12 Amendment.

This Agreement may be amended only by means of a written amendment signed by the Company and the Holders of a majority of the then outstanding Registrable Securities; *provided, however*, that no such amendment shall materially and adversely affect the rights of any Holder hereunder without the consent of such Holder.

Section 3.13 No Presumption.

If any claim is made by a party relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular party or its counsel.

Section 3.14 Interpretation.

Article and Section references are to this Agreement, unless otherwise specified. All references to instruments, documents, contracts and agreements are references to such instruments, documents, contracts and agreements as the same may be amended, supplemented and otherwise modified from time to time, unless otherwise specified. The words "include," "includes" and "including" or words of similar import shall be deemed to be followed by the words "without limitation." Whenever any determination, consent or approval is to be made or given by a Purchaser under this Agreement, such action shall be in such Purchaser's sole discretion unless otherwise specified. Unless expressly set forth or qualified otherwise (*e.g.*, by "Business" or "trading"), all references herein to a "day" are deemed to be a reference to a calendar day.

(*Signature pages follow*)

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

OCWEN FINANCIAL CORPORATION

By: ______________________________

Name:

Title:

Opps OCW Holdings, LLC

By: Oaktree Fund GP LLC
Its: Manager

By: Oaktree Fund GP I, L.P.
Its: Managing Member

By: ______________________
Name: ______________________
Title: Authorized Signatory

By: ______________________
Name: ______________________
Title: Authorized Signatory

ROF8 OCW MAV PT, LLC

By: ______________________
Name: ______________________
Title: Authorized Signatory

By: ______________________
Name: ______________________
Title: Authorized Signatory

Form of

Warrant Certificate

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD IN ACCORDANCE WITH RULE 144 UNDEr SUCH ACT.

The shares of the common stock of the company issuable upon exercise of the warrants represented by this certificate are subJEct to the preferences, powers, qualifications and rights of each class and series as set forth in the company's AMENDED AND RESTATED articles of iNCORPORATION, as amended, supplemented or amended and restated, and amended and restated bylaws, as amended, supplemented or amended and restated. The company shall furnish a copy of the foregoing instruments and any relevant amendments thereto to the holder of this certificate upon written request.

Warrant Certificate No. [1] Number of Warrants: [●][1]

Date of Issuance: [●], 2021 (subject to adjustment hereunder)
Expiration Date: [●], 2025[2]

Warrant Certificate

OCWEN FINANCIAL CORPORATION

This Warrant Certificate (this "**Warrant Certificate**") certifies that Opps OCW Holdings, LLC, a Delaware limited liability company ("**Opps OCW Holdings**"), ROF8 OCW PT, LLC, a Delaware limited liability company (together with Opps OCW Holdings, the "**Oaktree Parties**") or the registered assigns of the Oaktree Parties (collectively, the "**Holder**"), for value received, is the registered holder of the number of warrants ("**warrants**") set forth above to purchase shares of common stock, par value $0.01 per share ("**Common Stock**"), of **OCWEN FINANCIAL CORPORATION,** a Florida corporation (the "**Company**"), in accordance with the provisions of Section 1 hereof. This Warrant Certificate and the warrants issued thereunder are being issued pursuant to that certain Securities Purchase Agreement, dated as of [●], 2021, by and between the Company and the Oaktree Parties (the "**Securities Purchase Agreement**"). References in this Warrant Certificate to this "**Warrant**" shall mean any and all warrants issued and outstanding under this Warrant Certificate.

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[1] Note to Draft: To be equal to 3.0% of outstanding common stock of Ocwen Financial Corporation on the Closing Date.
[2] Note to Draft: To be the fourth anniversary of the Closing Date.

1. EXERCISE.

(a) Number and Exercise Price of Warrant Shares; Expiration Date. Subject to the terms and conditions set forth herein, each Warrant entitles the Holder upon exercise to receive from the Company one duly authorized, validly issued, fully paid and nonassessable share of Common Stock of the Company, and if all Warrants represented by this Warrant Certificate are exercised, up to [●] shares of Common Stock of the Company, in each case, as may be adjusted from time to time pursuant to the terms herein (the "**Warrant Shares**"), at an initial purchase price of $24.31 per share (the "**Exercise Price**"), at any time and from time to time on or after the date hereof (the "**Date of Issuance**") but not after 5:00 p.m., Eastern Time, on the fourth (4^{th}) anniversary of the Date of Issuance (the "**Expiration Date**") (subject to earlier termination as set forth herein).

(b) Cash Exercise. While this Warrant remains outstanding and exercisable in accordance with Section 1(a) above, the Holder may exercise this Warrant in accordance with Section 5 herein, by wire transfer to the Company or cashier's check drawn on a U.S. bank made payable to the order of the Company. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant Certificate to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrants represented by this Warrant Certificate have been exercised in full, in which case, the Holder shall surrender this Warrant Certificate to the Company for cancellation within three Trading Days (as defined below) of the date the final Notice of Exercise (as defined below) is delivered to the Company. "**Trading Day**" means a day during which trading in securities generally occurs on the Trading Market, except a day on which a Market Disruption Event occurs. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases.

(c) Net Exercise. In lieu of exercising this Warrant pursuant to Section 1(b), at any time, the Holder may elect to credit the Exercise Price against the Fair Market Value (as defined below) of the Warrant Shares at the time of exercise (the "**Net Exercise**") pursuant to this Section 1(c). If the Company shall receive written notice from the Holder at the time of exercise of this Warrant that the Holder elects to Net Exercise this Warrant, the Company shall deliver to such Holder (without payment by the Holder of any exercise price in cash) that number of Warrant Shares computed using the following formula:

$$X = \frac{Y\,(A - B)}{A}$$

where

X = The number of Warrant Shares to be issued to the Holder.

Y = The number of Warrant Shares purchasable under this Warrant or, if only a portion of this Warrant is being exercised, the portion of this Warrant being cancelled (at the date of such calculation).

A = The Fair Market Value of one share of Common Stock.

B = The Exercise Price (as adjusted hereunder).

The "**Fair Market Value**" of one share of Common Stock shall mean (x)(i) the arithmetic average of the VWAPs (as defined below) for the ten consecutive Trading Days ending on the date immediately preceding the date on which the Holder elects to exercise this Warrant by Net Exercise, (ii) if no VWAP of the Common Stock is reported for the Trading Market (as defined below), the last reported sale price of the Common Stock on the New York Stock Exchange, and (iii) if there are no sales, the last reported bid price, of the Common Stock on the business day prior to the date of exercise on the Trading Market (as defined below) on which the Common Stock is then listed or quoted as reported by Bloomberg Financial Markets ("**Bloomberg**"), or (y) if the Fair Market Value cannot be calculated as of such date on the foregoing bases, the price will be determined within ten (10) Trading Days after the tenth (10th) day following the occurrence of an event requiring valuation by an independent, reputable appraiser selected by the Company. The determination of such appraiser shall be final and binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Company.

"**Market Disruption Event**" means:

(a) a failure by the Trading Market to open for trading during its regular trading session; or

(b) the occurrence or existence prior to 1:00 p.m., New York City time, on any trading day for the Common Stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Trading Market or otherwise) in the Common Stock or in any options contracts or futures contracts relating to the Common Stock.

"**OTC Markets**" shall mean either OTCQX or OTCQB of the OTC Markets Group Inc.

"**Trading Market**" shall mean any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the New York Stock Exchange, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the NYSE American or the OTC Markets (or any successors to any of the foregoing).

"**VWAP**" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on the New York Stock Exchange, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the New York Stock Exchange as reported by Bloomberg (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) (or a similar organization or agency succeeding to its functions of reporting prices), or (b) if the Common

Stock is not then listed or quoted on the New York Stock Exchange, then the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) (or a similar organization or agency succeeding to its functions of reporting prices).

(d) Deemed Exercise. In the event that immediately prior to the close of business on the Expiration Date, the Fair Market Value of one share of Common Stock (as determined in accordance with Section 1(c) above) is greater than the then applicable Exercise Price, this Warrant shall be deemed to be automatically exercised on a Net Exercise issue basis pursuant to Section 1(c) above, and the Company shall deliver the applicable number of Warrant Shares to the Holder pursuant to the provisions of Section 1(c) above and this Section 1(d).

(e) Holder’s Exercise Limitations. Notwithstanding anything to the contrary contained herein, but subject in each instance to Section 1(f) hereof, the Company shall not, without receipt of any required Approvals (as defined below), effect any exercise of this Warrant, and the Holder shall not, without prior written notice to the Company and receipt by the Company of any required Approvals, be entitled to exercise this Warrant, for a number of Warrant Shares in excess of that number of Warrant Shares which, upon giving effect to such exercise, would cause (i) the aggregate number of shares of Common Stock beneficially owned by the Holder and its Affiliates (as defined below) and any other persons whose beneficial ownership of Common Stock would be aggregated with the Holder’s for purposes of Section 13(d) of the Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”), to exceed 9.9% of the total number of issued and outstanding shares of Common Stock of the Company following such exercise, or (ii) the combined voting power of the securities of the Company beneficially owned by the Holder and its Affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the Holder’s for purposes of Section 13(d) of the Exchange Act to exceed 9.9% of the combined voting power of all of the securities of the Company then outstanding following such exercise, provided, however, that the Holder shall be entitled to exercise this Warrant above the numerical limitations described in (i) and (ii) of this sentence (subject in each instance to Section 1(f) hereof) with at least 61 days’ advance notice of such exercise or within 60 days upon the approval of the Company’s Board of Directors, and in each case, as long as the Company has received any required Approvals. The term “**Affiliate**” as used herein means, with respect to any person, any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person, and any officers, employees or partners of the Holder. For the avoidance of doubt, for purposes of this Section 1(e) and Section 1(f) of this Warrant Certificate and Sections 3.2(m) and (n) of the Securities Purchase Agreement (i) Brookfield Asset Management Inc. together with its managed funds and accounts and affiliated holding companies and its Affiliates (collectively, “**Brookfield**”) shall be deemed “Affiliates” of the Holder, and (ii) Brookfield’s beneficial ownership of Common Stock shall be aggregated with the Holder’s or its Affiliates’ beneficial ownership of Common Stock. The foregoing shall not constitute an admission by the Holder to a third party that Brookfield is an Affiliate of the Holder or that Brookfield's beneficial ownership of Common Stock should be aggregated with that of the Holder or its Affiliates for any purpose other than this Section 1(e) or Section 1(f) hereof, or

Sections 3.2(m) and (n) of the Securities Purchase Agreement. For purposes of this Section 1(e) and Section 1(f) hereof, the aggregate number of shares of Common Stock or voting securities beneficially owned by the Holder and its Affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act shall include the shares of Common Stock issuable upon the exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (x) exercise of the remaining unexercised and non-cancelled portion of this Warrant by the Holder and (y) exercise or conversion of the unexercised, non-converted or non-cancelled portion of any other securities of the Company that do not have voting power (including without limitation any securities of the Company which would entitle the holder thereof to acquire at any time Common Stock, including without limitation any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock), is subject to a limitation on conversion or exercise analogous to the limitation contained herein and is beneficially owned by the Holder or any of its Affiliates and other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act.

(f) Issuance Cap. In addition to the limitations set forth in Section 1(e) hereof, and notwithstanding anything to the contrary contained herein, the Company shall not effect any exercise of this Warrant, and the Holder shall not be entitled to exercise this Warrant, for a number of Warrant Shares in excess of that number of Warrant Shares which, upon giving effect to such exercise, would cause (i) the aggregate number of shares of Common Stock beneficially owned by the Holder and its Affiliates (as defined in Section 1(e) hereof) and any other persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act, to exceed 19.9% of the total number of issued and outstanding shares of Common Stock of the Company following such exercise, or (ii) the combined voting power of the securities of the Company beneficially owned by the Holder and its Affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act to exceed 19.9% of the combined voting power of all of the securities of the Company then outstanding following such exercise (clauses (i) and (ii), collectively, the "**Maximum Percentage**"), unless shareholder approval is obtained in accordance with the listing rules of the NYSE or is otherwise permitted by the NYSE. In addition, unless shareholder approval is obtained, the Company shall not effect any exercise of this Warrant, and the Holder shall not be entitled to exercise this Warrant, for a number of Warrant Shares in excess of the Maximum Percentage measured as of the day immediately preceding the Date of Issuance.

(g) Approvals. If the exercise of this Warrant would require any filing, notice, report, consent, registration, approval, permit or authorization with, to or from, any governmental entity (collectively, "**Approvals**"), the Company shall use reasonable best efforts to procure such Approvals prior to any exercise of this Warrant. In the event that the Company becomes aware that any Approval may be required in connection with the exercise of any Warrant, the Company shall promptly notify the Holder of such required Approval.

(h) Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of the Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant certificate evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant certificate shall in all other respects be identical with this Warrant certificate.

2. CERTAIN ADJUSTMENTS.

(a) Adjustment of Number of Warrant Shares and Exercise Price. The number and kind of Warrant Shares purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows:

(i)Dividends, Subdivisions, Combinations and Other Issuances. If the Company shall at any time after the Date of Issuance but prior to the Expiration Date subdivide its shares of capital stock of the same class as the Warrant Shares, by stock split or otherwise, or combine such shares of capital stock, effect a reverse stock split, pay a stock dividend or issue additional shares of capital stock as a dividend with respect to any shares of such capital stock, or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in Common Stock, the number of Warrant Shares issuable on the exercise of this Warrant shall forthwith be proportionately increased in the case of a subdivision, dividend or stock dividend, or proportionately decreased in the case of a combination or reverse stock split. Appropriate adjustments shall also be made to the Exercise Price payable per share, but the aggregate Exercise Price payable for the total number of Warrant Shares purchasable under this Warrant (as adjusted) shall remain the same. Any adjustment under this Section 2(a)(i) shall become effective at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or in the event that no record date is fixed, upon the making of such dividend or distribution.

(ii)Reclassification, Reorganizations and Consolidation. In case of any reclassification, capital reorganization or change in the capital stock of the Company (other than as a result of a subdivision, combination, stock split (forward or reverse) or stock dividend provided for in Section 2(a)(i) above) that occurs after the Date of Issuance, then, as a condition of such reclassification, reorganization or change, lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to the Holder, so that the Holder shall thereafter have the right at any time prior to the expiration of this Warrant to purchase, at a total price equal to that payable upon the exercise of this Warrant, the kind and amount of shares of stock and/or other securities or property (including, if applicable, cash) receivable in connection with such reclassification, reorganization or change by a holder of the same number and type of securities as were purchasable as Warrant Shares by the Holder immediately prior to such reclassification, reorganization or change. In any such case, appropriate provisions shall be made with respect to the rights and interest of the Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities or property deliverable upon exercise hereof, and appropriate adjustments shall be made to the Exercise Price payable hereunder, provided the aggregate Exercise Price shall remain the same.

(b) Subsequent Rights Offerings.

(i) Deemed Issue of Additional Shares of Common Stock.

(1) If the Company at any time or from time to time after the Date of Issuance shall issue any Options or Convertible Securities (excluding Options or Convertible Securities, which are themselves Exempt Securities), then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue; provided, that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per unit (as determined in accordance with Section 2(b)(iv)(2)) of such Additional Shares of Common Stock would be less than the Specified Value (as defined below) of a share of Common Stock as of such date and immediately prior to such issue; provided, further, that, in any such case in which Additional Shares of Common Stock are deemed to be issued, no further adjustments in the Exercise Price shall be made upon the subsequent issue of Convertible Securities or Common Stock upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or the subsequent repurchase or redemption of such Convertible Securities or such Common Stock. The term "**Specified Value**," as used in this Warrant Certificate, means the Fair Market Value of a share of Common Stock, less an amount equal to 10% of the Fair Market Value of such share of Common Stock.

(2) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Exercise Price pursuant to the terms of Section 2(b), are

revised (either automatically, pursuant to the provisions contained therein, or as a result of an amendment to such terms) to provide for either (i) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (ii) any increase or decrease in the consideration payable to the Company upon such exercise, conversion or exchange, then, effective upon such increase or decrease becoming effective, the Exercise Price computed upon the original issue of such Option or Convertible Security shall be readjusted to such Exercise Price as would have been obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, there shall be no increase to the Exercise Price pursuant to this clause (2) to an amount that exceeds the lower of the Exercise Price on the date of the original adjustment or, if later readjusted in connection with issuances of Additional Shares, such further adjusted Exercise Price.

(3) If the terms of any Option or Convertible Security, the issuance of which did not result in an adjustment to the Exercise Price pursuant to the terms of this Section 2(b) (because the consideration per share of Additional Shares of Common Stock subject thereto was equal to or greater than the then Specified Value of a share of Common Stock) are revised after the Date of Issuance (either automatically, pursuant to the provisions contained therein, or as a result of an amendment to such terms) to provide for either (i) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (ii) any increase or decrease in the consideration payable to the Company upon such exercise, conversion or exchange, and in each case, as a result of such increase or decrease, the consideration per share of Additional Shares of Common Stock subject thereto was less than the then Specified Value of a share of Common Stock, then such Option or Convertible Security, as so amended, and the Additional Shares of Common Stock subject thereto pursuant to the terms of this Section

2(b), shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(4) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Exercise Price pursuant to the terms of this Section 2(b), the Exercise Price shall be readjusted to such Exercise Price as would have been obtained had such Option or Convertible Security never been issued.

(ii)In addition to any adjustments pursuant to Section 2(a), in the event the Company shall at any time after the Date of Issuance issue Additional Shares of Common Stock for consideration per share of Common Stock less than the Specified Value of a share of Common Stock as of immediately prior to such issue, then:

(1) the Exercise Price shall be reduced, concurrently with such issuance, grant or sale to a price (calculated to the nearest one-ten thousandth of a cent ($0.000001)) determined in accordance with the following formula:

$$EP_2 = EP_1 * ((A+B) / (A+C))$$

Where:

EP_2 = the Exercise Price in effect immediately after such issuance of Additional Shares of Common Stock;

EP_1 = the Exercise Price in effect immediately prior to such issuance of Additional Shares of Common Stock;

A = the number of shares of Common Stock outstanding immediately prior to such issuance of Additional Shares of Common Stock;

B = the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued or deemed issued at a price per share equal to the Specified Value of a share of Common Stock (for the avoidance of doubt, (i) “B” is determined by dividing the aggregate consideration received by the Company in respect of such issue of Additional Shares by the Specified Value of a share of Common Stock and (ii) “B” excludes “A” immediately above);

C = the number of such Additional Shares of Common Stock issued in such transaction; and

(2) the number of Warrant Shares purchasable upon the exercise of each Warrant shall be increased, concurrently with the decrease in Exercise Price described above, by multiplying the number of Warrant Shares issuable upon exercise thereof immediately before such event by a fraction (x) the numerator of which is EP_1 and (y) the denominator of which is EP_2.

Notwithstanding anything to the contrary in this Section 2, there shall be no adjustment to the Exercise Price under any provision under this Section 2, with respect to the issuance of any Exempt Securities.

(iii)In the event the Company or any of its Subsidiaries shall at any time after the Date of Issuance repurchase or redeem (other than a Permitted Repurchase) any Additional Shares of Common Stock for a consideration per share of Common Stock greater than the Fair Market Value of a share of Common Stock (the "GFMV") as of immediately prior to such repurchase or redemption (each, an "Above GFMV Repurchase"), then

(1) the Exercise Price shall be reduced, concurrently with such repurchase or redemption, to a price (calculated to the nearest one-ten thousandth of a cent ($0.000001)) determined in accordance with the following formula:

$$EP_2 = EP_1 * (((FMV * A) - P) / (FMV * D))$$

Where:

EP_2 = the Exercise Price in effect immediately after such Above GFMV Repurchase;

EP_1 = the Exercise Price in effect immediately prior to such Above GFMV Repurchase;

FMV = the Fair Market Value per share of Common Stock immediately prior to such Above GFMV Repurchase;

A = the number of shares of Common Stock outstanding immediately prior to the consummation of the Above GFMV Repurchase (including all shares of Common Stock purchased in the Above GFMV Repurchase);

P = the aggregate consideration paid for the shares of Common Stock purchased in the Above GFMV Repurchase; and

D = the number of shares of Common Stock outstanding immediately following the consummation of the Above GFMV Repurchase; and

(2) the number of Warrant Shares purchasable upon the exercise of each Warrant shall be increased, concurrently with the decrease in Exercise Price described above, by multiplying the number of Warrant Shares issuable upon exercise thereof immediately before such Adjustment Event by a fraction (x) the numerator of which is EP_1 and (y) the denominator of which is EP_2.

(iv)For purposes of the calculations set forth in Section 2(b)(ii) and 2(b)(iii), the consideration received by the Company for the Additional Shares of Common Stock, shall be computed as follows:

(1) Cash and Property: Such consideration shall: (i) insofar as it consists of cash, be computed at the aggregate amount of cash so received or paid, as applicable, excluding amounts paid or payable for accrued interest; (ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, repurchase or redemption and (iii) in the event Additional Shares of Common Stock are issued, together with other interests or securities or other assets for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as reasonably determined in good faith by the Board of Directors of the Company.

(2) Options and Convertible Securities: The consideration per share received by the Company for Additional Shares of Common Stock deemed to have been issued pursuant to Section 2(b)(i), relating to Options and Convertible Securities, shall be determined by dividing: (i) the total amount, if any, received or receivable by the Company as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by (ii) the maximum number of Common

Units (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

"**Additional Shares of Common Stock**" means all shares of Common Stock issued (or deemed to be issued pursuant to Section 2(b)(i)) by the Company after the Date of Issuance other than Exempt Securities.

"**Convertible Securities**" means any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

"**Exempt Securities**" means Common Stock issued, deemed issued or reserved for issuance (including Options or Convertible Securities) as follows: (i) shares of Common Stock or options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Company, (ii) securities issuable hereunder (or upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement (including subject to the adjustment provisions of Sections 2(a) or 2(c)), provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities, (iii) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that such securities are issued as "restricted securities" (as defined in Rule 144) and that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities, and (iv) any securities issued or sold, or to be issued or sold, to the Holder or any of its controlled Affiliates, excluding Brookfield.

"**Options**" means rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

"**Permitted Repurchase**" means any repurchase or redemption: (i) of shares of Common Stock or options to current or former employees, officers or directors of the Company pursuant to any stock or option plan or employee benefit plan or equity incentive plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Company, including in connection with the net exercise of options, or the payment of tax withholding with respect to equity awards, issued under such plans; and (ii) of any securities issued or sold, or to be issued or sold, to the Holder or any of its controlled Affiliates, excluding Brookfield.

(c) Pro Rata Distributions. Excluding dividends in the form of Common Stock provided in Section 2(a), if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Common Shares, by way of dividend, distribution, return of capital or otherwise (including, without limitation, any distribution of cash, property or other non-Common Stock distribution, or rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case, the Company shall reduce the aggregate Exercise Price by the total value of the Distribution. The aggregate reduction in the Exercise Price shall reduce the per share Exercise Price by dividing the aggregate reduction by the number of Warrant Shares and valuing any non-cash dividends or distributions at their Fair Market Value as of the record date for the dividend, distribution or other transaction.

(d) Calculations. All calculations under this Section 2 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 2, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock issued and outstanding.

(e) Treatment of Warrant upon a Change of Control.

(i)If, at any time while this Warrant is outstanding, the Company consummates a Change of Control, then a holder shall have the right thereafter to receive, upon exercise of this Warrant, the same amount and kind of securities, cash or property as it would have been entitled to receive upon the occurrence of such Change of Control if it had been, immediately prior to such Change of Control, a holder of the number of Warrant Shares then issuable upon exercise in full of this Warrant (the "**Alternate Consideration**"). If the holders of Common Stock are given any choice as to the securities, cash or property to be received in a Change of Control, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon exercise of this Warrant. The Company shall not effect any such Change of Control unless prior to or simultaneously with the consummation thereof, any successor to the Company, surviving entity or the corporation purchasing or otherwise acquiring such assets or other appropriate corporation or entity (the "**Successor Entity**") shall (i) assume the obligation to deliver to the holder, such Alternate Consideration as, in accordance with the foregoing provisions, the holder may be entitled to purchase, and the other obligations under this Warrant, and (ii) issue to the Holder a new warrant substantially in the form of this Warrant and consistent with the foregoing provisions and evidencing the Holder's right to purchase the Alternate Consideration for the aggregate Exercise Price upon exercise thereof.

(ii)As used in this Warrant, a "**Change of Control**" means (1) a consolidation, merger or combination (including a spin-off) or statutory share exchange, in each case involving the Company, (2) a sale of all or substantially all of the direct or indirect assets of the Company (including by way of any reorganization, merger, consolidation, transfer, conveyance or other disposition or other similar transaction or series of related transactions), or (3) a direct or indirect acquisition of beneficial ownership of voting securities of the Company by another person or "group" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) by means of any transaction or series of transactions (including any reorganization, merger, consolidation, joint venture, share transfer or other similar transaction), in each case, pursuant to which (x) the stockholders of the Company immediately preceding such transaction or transactions collectively own, following the consummation of such transaction or transactions, less than fifty percent (50%) of the total economic interests or total voting power of all securities of beneficial interest of the Company entitled to vote generally and / or (y) as a result of which the Common Stock would be converted into, or exchanged for, or would be reclassified or changed into, stock, other securities, other property or assets (including cash or any combination thereof).

(f) Notice to Allow Exercise by Holder. If (i) the Company shall declare a a redemption of the Common Stock, (ii) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (iii) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or email to the Holder at its last facsimile number or email address as it shall appear upon the record to be maintained by the Company for the purposes of registering this Warrant (the "**Warrant Register**"), at least 20 calendar days prior to the applicable record or effective date, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. Notwithstanding the foregoing, to the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall consult with the Holder regarding the delivery of such material, non-public information at least two days prior to delivery of such notice.

3. NO FRACTIONAL SHARES; CHARGES, TAXES AND EXPENSES. No fractional Warrant Shares or scrip representing fractional shares will be issued upon exercise of this Warrant. In lieu of any fractional shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the Fair Market Value of one

Warrant Share. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all fees required for same-day processing of any Notice of Exercise and all fees to The Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

4. NO STOCKHOLDER RIGHTS. Until the exercise of this Warrant or any portion of this Warrant, the Holder (in its capacity as such) shall not have, nor exercise, any rights as a stockholder of the Company (including without limitation the right to notification of stockholder meetings or the right to receive any notice or other communication concerning the business and affairs of the Company).

5. MECHANICS OF EXERCISE.

(a) Delivery of Warrant Shares Upon Exercise. This Warrant may be exercised by the Holder hereof, in whole or in part, by delivering to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) a duly executed copy of the Notice of Exercise in the form attached hereto as Exhibit A (the "**Notice of Exercise**") by facsimile or e-mail attachment. Within two Trading Days following the date of exercise as aforesaid, the Holder shall deliver the Exercise Price (unless the Holder has elected to Net Exercise, if applicable) then in effect with respect to the number of Warrant Shares as to which the Warrant is being exercised by wire transfer or cashier's check drawn on a United States bank. No ink-original Notice of Exercise shall be required, nor any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise shall be required. Upon payment of the Exercise Price (unless the Holder has elected to Net Exercise, if applicable) as set forth in the second preceding sentence, this Warrant shall be deemed to have been exercised immediately prior to the close of business on the date of the delivery to the Company of the Notice of Exercise as provided above, and the person entitled to receive the Warrant Shares issuable upon such exercise shall be treated for all purposes as the Holder of such shares of record as of the close of business on such date. Warrant Shares purchased hereunder shall be transmitted by the Company's transfer agent to the Holder by crediting the account of the Holder's prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("**DWAC**") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the shares are eligible for resale by the holder without volume or manner-of-sale limitations pursuant to Rule 144, and otherwise by electronic book-entry form (unless the Holder requests that the Warrant Shares be issued in certificated form in the Notice of Exercise) by the end of the day on the date that is two Trading Days from the delivery to the Company of the Notice of Exercise (the "**Warrant Share Delivery Date**"); provided that the Company shall not be required to deliver the Warrant Shares until payment of the applicable Exercise Price (other than in the case of Net Exercise) is received by the Company. The Warrant Shares shall be deemed to have been issued, and the Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised (or by Net Exercise, if applicable) irrespective of the date of delivery of the Warrant Shares, provided that payment of the aggregate Exercise Price (other than in the case of Net Exercise) is received by the Company within two Trading Days of delivery of the Exercise Notice. The Company may settle the exercise of each Warrant by delivery of Warrant Shares, by payment of cash in lieu thereof or by a combination thereof. Within three days of the delivery of the Notice of Exercise by the Holder to the Company, the Company will provide written notice to the Holder of its election to settle the exercise of the exercised Warrants in cash, Common Stock or a specified combination thereof; *provided* that if the Company elects to so deliver any cash in lieu of shares of Common Stock, each share of such Common Stock shall be valued for purposes of such settlement at its Final Average Trading Price corresponding to the Warrant Share Delivery Date.

(b) Rescission Rights. If the Company fails to cause its transfer agent to transmit to the Holder the Warrant Shares pursuant to Section 5(a) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

6. CERTIFICATE OF ADJUSTMENT. Whenever the Exercise Price or number or type of securities issuable upon exercise of this Warrant is adjusted, as herein provided, the Company shall, at its expense, promptly deliver to the Holder a certificate of an officer of the Company setting forth the nature of such adjustment and showing in detail the facts upon which such adjustment is based.

7. COMPLIANCE WITH SECURITIES LAWS.

(a) Prior to the sale or transfer of the Warrant Shares issuable upon exercise of this Warrant, the Holder shall furnish to the Company such certificates, representations, agreements and other information, as the Company or the Company's transfer agent reasonably may require to confirm that such sale or transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), unless such Warrant Shares are being sold or transferred pursuant to an effective registration statement.

(b) Until such time that the Warrant or the Warrant Shares have been sold pursuant to an effective registration statement under the Securities Act or transferred pursuant to Rule 144 promulgated under the Securities Act without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Holder acknowledges that (i) the Warrant and the Warrant Shares are "restricted securities" under federal securities laws and (ii) the Company may place a restrictive legend on the Warrant Shares issuable upon exercise of this Warrant in order to comply with applicable securities laws, in substantially the following form and substance:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAWS AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, HYPOTHECATED OR OTHERWISE DISPOSED OF, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO A TRANSACTION WHICH IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS, AND IN THE CASE OF A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS, AND IN THE CASE OF A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS."

8. REPLACEMENT OF WARRANTS. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company (but not the posting of any surety or other bond) or, in the case of any such mutilation, on surrender and cancellation of such Warrant, the Company at its expense will execute and deliver, in lieu thereof, a new Warrant of like tenor.

9. NO IMPAIRMENT. Except to the extent as may be waived by the Holder, the Company will not, by amendment of its charter or through a Change of Control, dissolution, sale of assets or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against impairment. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

10. TRADING DAYS. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be other than a day on which the Common Stock is traded on the Trading Market, then such action may be taken or such right may be exercised on the next succeeding day on which the Common Stock is so traded.

11. TRANSFERS; EXCHANGES.

(a) Subject to compliance with applicable federal and state securities laws and Section 7 hereof, the Holder may sell, assign, transfer, pledge or dispose of all or any portion of this Warrant at any time or from time to time to any Affiliate of the Holder (a "**Permitted Transfer**"). Notwithstanding the foregoing, the Holder may transfer any portion of the Warrant that is not exercisable pursuant to the beneficial ownership restrictions under Section 1(e) hereof at any time. For a transfer of this Warrant as an entirety by the Holder or any such subsequent Holder, upon surrender of this Warrant to the Company, together with the Notice of Assignment in the form attached hereto as Exhibit B duly completed and executed on behalf of the Holder or any such subsequent Holder, the Company shall issue a new Warrant of the same denomination to the assignee. For a transfer of this Warrant with respect to a portion of the Warrant Shares purchasable hereunder, upon surrender of this Warrant to the Company, together with the Notice of Assignment in the form attached hereto as Exhibit B duly completed and executed on behalf of the Holder, the Company shall issue a new Warrant to the assignee, in such denomination as shall be requested by the Holder, and shall issue to the Holder a new Warrant covering the number of shares in respect of which this Warrant shall not have been transferred.

(b) Upon any Permitted Transfer, this Warrant is exchangeable, without expense, at the option of the Holder, upon presentation and surrender hereof to the Company for other warrants of different denominations entitling the holder thereof to purchase in the aggregate the same number of shares of Common Stock purchasable hereunder. This Warrant may be divided or combined with other warrants that carry the same rights upon presentation hereof at the principal office of the Company together with a written notice specifying the denominations in which new warrants are to be issued to the Holder and signed by the Holder hereof. The term "**Warrants**" as used herein includes any warrants into which this Warrant may be divided or exchanged.

12. AUTHORIZED SHARES. The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant (taking into account the adjustment provisions of Section 2). The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, of any requirements of the Trading Market upon which the Common Stock may be quoted or listed, or any preemptive rights or other contingent purchase rights. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof. Without limiting the generality of the foregoing, the Company will: (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior

to such increase in par value, and (ii) use commercially reasonable efforts to obtain all authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be necessary to enable the Company to perform its obligations under this Warrant.

13. MISCELLANEOUS.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the United States of America and the State of New York, both substantive and remedial, without regard to New York conflicts of law principles. Any judicial proceeding brought under this Agreement or any dispute arising out of this Agreement or any matter related hereto shall be brought in the courts of the State of New York, New York County, or in the United States District Court for the Southern District of New York.

(b) Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be sent by confirmed facsimile or electronic mail, or mailed by first-class registered or certified airmail, or nationally recognized overnight express courier, postage prepaid, and shall be deemed given when so sent in the case of facsimile or electronic mail transmission, or when so received in the case of mail or courier, and addressed as follows: (a) if to the Company, at Ocwen Financial Corporation, 1661 Worthington Road, Suite 100, West Palm Beach, Florida, 33409, Attn: John Britti, e-mail: ________; with a copy to (which shall not constitute notice) Mayer Brown LLP, 1221 Avenue of the Americas, New York, New York 10020, Attn: Anna T. Pinedo, Esq., e-mail: ________, and (b) if to the Holder, at such address or addresses (including copies to counsel) as may have been furnished by the Holder to the Company in writing.

(c) The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provisions.

(d) No Voting Rights. Nothing contained in this Warrant shall be construed as conferring upon the Holder hereof, prior to exercise hereof as set forth in Section 1, the right to vote or to consent to receive notice as a stockholder of the Company.

(e) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any such Warrant Shares or as a stockholder of the Company with respect to such Warrant Shares, whether such liability is asserted by the Company or by creditors of the Company.

(f) Remedies. Each party, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. Each party agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be inadequate.

(g) Amendment. This Warrant may be modified or amended or the provisions hereof waived only with the written consent of the Company and the Holder.

(h) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of a party shall operate as a waiver of such right or otherwise prejudice such party's rights, powers or remedies, notwithstanding the fact that the Holder's right to exercise this Warrant terminates on the Termination Date. If a party willfully and knowingly fails to comply with any provision of this Warrant or the Securities Purchase Agreement, which results in any material damage to the other party, the defaulting party shall pay to the non-defaulting party such amounts as shall be sufficient to cover the costs and expenses, including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the non-defaulting party in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed as of the date first above written.

OCWEN FINANCIAL CORPORATION

By:
Name:
Title:

<u>EXHIBIT A</u>

NOTICE OF EXERCISE

(To be signed only upon exercise of Warrant)

To:___________________________

The undersigned, the holder of a right to purchase common stock, par value $0.01 per share (“**Common Stock**”), of OCWEN FINANCIAL CORPORATION, a Florida corporation (the “**Company**”), pursuant to the attached Warrant to Purchase Shares of Common Stock of Ocwen Financial Corporation (the “**Warrant**”), dated as of [●], 2021, hereby elects to exercise the purchase right represented by such Warrant for, and to purchase thereunder, _______________________________ (_________) shares of Common Stock and (choose one):

1) _______ will, within two Trading Days (as such term is defined in the Warrant) make payment of _______________________________ Dollars ($__________) therefor by cashier’s check from a United States bank, or by wire transfer of immediately available funds to the account designated below by the Company.

Amount of Transfer: $________________
Date of Transfer: ________, 20__
Bank: [•]
ABA Number: [•]
A/C Number: [•]
A/C Name: [•]
Ref: [•]
ATT: [•]

OR

2) _______ herewith elects to Net Exercise the Warrant pursuant to <u>Section 1(c)</u> thereof.

The undersigned requests that the certificates or book entry position representing the shares of Common Stock to be acquired pursuant to such exercise be issued in the name of, and delivered to ____, whose address is ____.

By its signature below the undersigned hereby represents and warrants that it is an “accredited investor” as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, and agrees to be bound by the terms and conditions of the attached Warrant as of the date hereof, including Section 7 thereof.

DATED: ________________

[NAME OF HOLDER]

By:

Name:

Its:

EXHIBIT B

NOTICE OF ASSIGNMENT FORM

FOR VALUE RECEIVED, [_________] (the "**Assignor"**) hereby sells, assigns and transfers all of the rights of the undersigned Assignor under the attached Warrant with respect to the number of shares of common stock of **OCWEN FINANCIAL CORPORATION**, a Florida corporation (the "**Company**"), covered thereby set forth below, to the following "**Assignee**" and, in connection with such transfer, represents and warrants to the Company that the transfer is in compliance with Sections 7 and 11 of the Warrant and applicable federal and state securities laws:

NAME OF ASSIGNEE:	ADDRESS/FAX NUMBER:
______________________________	______________________________
	______________________________
	______________________________
	______________________________
Number of shares: ______________	Signature: ______________________
Dated: ______________	Witness: ______________________

ASSIGNEE ACKNOWLEDGMENT

The undersigned Assignee acknowledges that it has reviewed the attached Warrant and by its signature below it hereby represents and warrants that it is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended, and agrees to be bound by the terms and conditions of the Warrant as of the date hereof, including Section 7 thereof.

Signature:______________________

By: ______________________

Title: ______________________

Address:

____

____

____

____

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, 2020, 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
MSR Asset Vehicle LLC (1)	California
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 use in this Registration Statement Nos. 333-218218, 333-143275 and 333-44999 on Form S-8 of our reports dated February 19, 2021, 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. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ DELOITTE & TOUCHE LLP

New York, New York
February 19, 2021

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 19, 2021	/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 19, 2021

/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, 2020 (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 19, 2021

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, 2020 (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 19, 2021