Alleva Lawrence M
Form 4
June 13, 2018

FORM 4

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

OMB APPROVAL	
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Alleva Lawrence M

(Last) (First) (Middle)

C/O BRIGHT HORIZONS FAMILY SOLUTIONS INC, 200 TALCOTT AVENUE SOUTH

(Street)

WATERTOWN, MA 02472

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BRIGHT HORIZONS FAMILY SOLUTIONS INC. [BFAM]

3. Date of Earliest Transaction (Month/Day/Year)
06/12/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/12/2018		A		925	A	$ 0 (1)	5,607	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Alleva Lawrence M C/O BRIGHT HORIZONS FAMILY SOLUTIONS INC 200 TALCOTT AVENUE SOUTH WATERTOWN, MA 02472				

Signatures

/s/ John Casagrande, attorney-in-fact for Lawrence Alleva	06/13/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each restricted stock unit is fully vested and represents the right to receive one share of common stock upon the earliest of the 5th anniversary of the grant, termination of service, and a change in control of the Company.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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$
651,987

$
679,256

$
679,256

Mortgage servicing rights, at amortized cost (c) (e)
3

358,531

462,289

363,722

467,911

Total Mortgage servicing rights

$
1,010,518

$
1,114,276

$
1,042,978

$
1,147,167

(a) Measured at fair value on a recurring basis.
(b) Measured at fair value on a non-recurring basis.
(c) Disclosed, but not carried, at fair value.
(d) The carrying values are net of unamortized debt issuance costs and discount. See Note 11 – Borrowings for additional information.
(e) Balances include the impaired government-insured stratum of amortization method MSRs, which is measured at fair value on a non-recurring basis and reported net of the valuation allowance. Before applying the valuation allowance of $29.6 million, the carrying value of the impaired stratum at March 31, 2017 was $171.2 million. At December 31, 2016, the carrying value of this stratum was $172.9 million before applying the valuation allowance of $28.2 million.

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

	Loans Held for Investment - Reverse Mortgages	HMBS-Related Borrowings	Mortgage-Backed Securities	Financing Liability - MSRs Pledged	Derivatives	MSRs	Total
Three months ended March 31, 2017							
Beginning balance	$3,565,716	$(3,433,781)	$ 8,342	$(477,707)	$ 1,836	$679,256	$343,662
Purchases, issuances, sales and settlements:							
Purchases	—	—	—	—	—	—	—
Issuances	347,080	(306,749)	—	—	—	(706)	39,625
Sales	—	—	—	—	—	(228)	(228)
Settlements (1)	(80,290)	75,099	—	16,999	—	—	11,808
	266,790	(231,650)	—	16,999	—	(934)	51,205
Total realized and unrealized gains and (losses) (2):							
Included in earnings	83,881	(73,834)	316	1,521	426	(26,335)	(14,025)
Transfers in and / or out of Level 3	—	—	—	—	—	—	—
Ending balance	$3,916,387	$(3,739,265)	$ 8,658	$(459,187)	$ 2,262	$651,987	$380,842

	Loans Held for Investment - Reverse Mortgages	HMBS-Related Borrowings	Mortgage-Backed Securities	Financing Liability - MSRs Pledged	Derivatives	MSRs	Total
Three months ended March 31, 2016							
Beginning balance	$2,488,253	$(2,391,362)	$ 7,985	$(541,704)	$ 2,042	$761,190	$326,404
Purchases, issuances, sales and settlements:							
Purchases	—	—	—	—	—	419	419
Issuances	304,058	(233,174)	—	—	—	—	70,884
Sales	—	—	—	—	—	(142)	(142)
Settlements (1)	(87,237)	39,654	—	18,201	(81)	—	(29,463)
	216,821	(193,520)	—	18,201	(81)	277	41,698
Total realized and unrealized gains and (losses):							
Included in earnings	66,168	(63,218)	401	—	(1,391)	(29,293)	(27,333)
Transfers in and / or out of Level 3	—	—	—	—	—	—	—
Ending balance	$2,771,242	$(2,648,100)	$ 8,386	$(523,503)	$ 570	$732,174	$340,769

(1) Settlements for Loans held for investment - reverse mortgages consist chiefly of principal payments received, but also may include non-cash settlements of loans.

(2)

Total gains (losses) attributable to derivative financial instruments still held at March 31, 2017 and March 31, 2016 were $0.4 million and $(1.5) million for the three months ended March 31, 2017 and 2016, respectively. Total losses attributable to MSRs still held at March 31, 2017 and March 31, 2016 were $26.3 million and $29.1 million for the three months ended March 31, 2017 and 2016, respectively.

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

Loans Held for Sale

We originate and purchase residential mortgage loans that we intend to sell to the GSEs. We also own residential mortgage loans that are not eligible to be sold to the GSEs due to delinquency or other factors. Residential forward and reverse mortgage loans that we intend to sell to the GSEs are carried at fair value as a result of a fair value election. Such loans are subject to changes in fair value due to fluctuations in interest rates from the closing date through the date of the sale of the loan into the secondary market. These loans are classified within Level 2 of the valuation hierarchy because the primary component of the price is obtained from observable values of mortgage forwards for loans of similar terms and characteristics. We have the ability to access this market, and it is the market into which conventional and government-insured mortgage loans are typically sold.

We repurchase certain loans from Ginnie Mae guaranteed securitizations in connection with loan modifications and loan resolution activity as part of our contractual obligations as the servicer of the loans. These loans are classified as loans held for sale at the lower of cost or fair value, in the case of modified loans, as we expect to redeliver (sell) the loans to new Ginnie Mae guaranteed securitizations. The fair value of these loans is estimated using published forward Ginnie Mae prices. Loans repurchased in connection with loan resolution activities are modified or otherwise remediated through loss mitigation activities or are reclassified to 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.

For all other loans held for sale, which we report at the lower of cost or fair value, market illiquidity has reduced the availability of observable pricing data. 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. We base the fair value of uncommitted loans on the expected future cash flows discounted at a rate commensurate with the risk of the estimated cash flows.

Loans Held for Investment

We measure these loans at fair value. For transferred reverse mortgage loans that do not qualify as sales for accounting purposes, we base the fair value 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. Significant assumptions include expected prepayment and delinquency rates and cumulative loss curves. The discount rate assumption for these assets is primarily based on an assessment of current market yields on newly originated reverse mortgage loans, expected duration of the asset and current market interest rates.

The more significant assumptions included in the valuations consisted of the following at the dates indicated:

	March 31, 2017		December 31, 2016	
Life in years				
Range	5.5 to 8.5		5.5 to 8.7	
Weighted average	5.9		6.1	
Conditional repayment rate				
Range	5.3% to 53.8%		5.2% to 53.8%	
Weighted average	21.2	%	20.9	%
Discount rate	3.3	%	3.3	%

Significant increases or decreases in any of these assumptions in isolation could result in a significantly lower or higher fair value, respectively. The effects of changes in the assumptions used to value the loans held for investment are largely offset by the effects of changes in the assumptions used to value the HMBS-related borrowings that are associated with these loans.

Mortgage Servicing Rights

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

Third-party valuation experts generally utilize: (a) transactions involving instruments with similar collateral and risk profiles, adjusted as necessary based on specific characteristics of the asset or liability being valued; and/or (b) industry-standard modeling, such as a discounted cash flow model, in arriving at their estimate of fair value. The prices provided by the valuation experts reflect their observations and assumptions related to market activity, including risk premiums and liquidity

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adjustments. The models and related assumptions used by the valuation experts are owned and managed by them and, in many cases, the significant inputs used in the valuation techniques are not reasonably available to us. However, we have an internal understanding of the processes and assumptions used to develop the prices based on our ongoing due diligence, which includes regular discussions with the valuation experts. We believe that the procedures executed by the valuation experts, supported by our internal verification and analytical procedures, provide reasonable assurance that the prices used in our unaudited consolidated financial statements comply with the accounting guidance for fair value measurements and disclosures and reflect the assumptions that a market participant would use.

We evaluate the reasonableness of our third-party experts' assumptions using historical experience adjusted for prevailing market conditions. Assumptions used in the valuation of MSRs include:

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

Amortized Cost MSRs

We estimate the fair value of MSRs carried at amortized cost using a process that involves either actual sale prices obtained or the use of independent third-party valuation experts, supported by commercially available discounted cash flow models and analysis of current market data. To provide greater price transparency to investors, we disclose actual Ocwen sale prices for orderly transactions where available in lieu of third-party valuations.

The more significant assumptions used in the valuations consisted of the following at the dates indicated:

	March 31, 2017	December 31, 2016
Weighted average prepayment speed	8.8 %	8.9 %
Weighted average delinquency rate	10.9 %	11.1 %
Advance financing cost	5-year swap	5-year swap
Interest rate for computing float earnings	5-year swap	5-year swap
Weighted average discount rate	8.9 %	8.9 %
Weighted average cost to service (in dollars)	$107	$ 108

We perform an impairment analysis based on the difference between the carrying amount and fair value after grouping the underlying loans into the applicable strata. Our strata are defined as conventional and government-insured.

Fair Value MSRs

MSRs carried at fair value are classified within Level 3 of the valuation hierarchy. The fair value is equal to the mid-point of the range of prices provided by third-party valuation experts, without adjustment, except in the event we have a potential or completed Ocwen sale, including transactions where we have executed letters of intent, in which case the fair value of the MSRs is carried 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 presumably are contemplated along with other market-based transactions in their model validation.

A change in the valuation inputs utilized by the valuation experts might result in a significantly higher or lower fair value measurement. Changes in market interest rates tend to impact the fair value for Agency MSRs via prepayment speeds by altering the borrower refinance incentive and the Non-Agency MSRs via a market rate indexed cost of advance funding. Other key assumptions used in the valuation of these MSRs include delinquency rates and discount rates.

The primary assumptions used in the valuations consisted of the following at the dates indicated:

	March 31, 2017		December 31, 2016	
	Agency	Non Agency	Agency	Non Agency
Weighted average prepayment speed	7.9 %	16.5 %	8.4 %	16.5 %
Weighted average delinquency rate	1.5 %	29.3 %	1.0 %	29.3 %
Advance financing cost	5-year swap	1-Month LIBOR (1ML) plus 3.5%	5-year swap	1-Month LIBOR (1ML) plus 3.5%
Interest rate for computing float earnings	5-year swap	1ML	5-year swap	1ML
Weighted average discount rate	9.0 %	12.8 %	9.0 %	14.9 %
Weighted average cost to service (in dollars)	$65	$ 308	$64	$ 307

Advances

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

Receivables

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

Automotive Dealer Financing Notes

We estimate the fair value of our automotive dealer financing notes using unobservable inputs within an internally developed cash flow model. Key inputs included projected repayments, interest and fee receipts, deferrals, delinquencies, recoveries and charge-offs of the notes within the portfolio. The projected cash flows are then discounted at a rate commensurate with the risk of the estimated cash flows to derive the fair value of the portfolio.

The more significant assumptions used in the valuation consisted of the following at the dates indicated:

	March 31, 2017	December 31, 2016
Weighted average life in months	2.7	2.7
Average note rate	8.3 %	8.3 %
Discount rate	10.0%	10.0 %
Loan loss rate	26.7%	11.3 %

Mortgage-Backed Securities (MBS)

Our subordinate and residual securities are not actively traded, and therefore, we estimate the fair value of these securities based on the present value of expected future cash flows from the underlying mortgage pools. We use our best estimate of the key assumptions we believe are used by market participants. We calibrate our internally developed discounted cash flow models for trading activity when appropriate to do so in light of market liquidity levels. 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. Changes in the fair value of our investment in subordinate and residual securities are recognized in Other, net in the unaudited consolidated statements of operations.

Discount rates for the subordinate and residual securities are determined based upon an assessment of prevailing market conditions and prices for similar assets. We project the delinquency, loss and prepayment assumptions based on a comparison to actual historical performance curves adjusted for prevailing market conditions.

U.S. Treasury Notes

We base the fair value of U.S. Treasury notes on quoted prices in active markets to which we have access.

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Match Funded Liabilities

For match funded liabilities that bear interest at a rate that is adjusted regularly based on a market index, the carrying value approximates fair value. For match funded liabilities that bear interest at a fixed rate, we determine fair value by discounting the future principal and interest repayments at a market rate commensurate with the risk of the estimated cash flows. We estimate principal repayments of match funded advance liabilities during the amortization period based on our historical advance collection rates and taking into consideration any plans to refinance the notes.

Financing Liabilities

HMBS-Related Borrowings

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

The more significant assumptions used in the valuations consisted of the following at the dates indicated:

	March 31, 2017		December 31, 2016	
Life in years				
Range	4.5 to 8.5		4.5 to 8.7	
Weighted average	5.0		5.1	
Conditional repayment rate				
Range	5.3% to 53.8%		5.2% to 53.8%	
Weighted average	21.2	%	20.9	%
Discount rate	2.7	%	2.7	%

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

MSRs Pledged

We periodically sell the right to receive servicing fees, excluding ancillary income (other than net income on custodial and escrow accounts), relating to certain of our MSRs (Rights to MSRs) and the related servicing advances. Because we have retained legal title to the MSRs, the sales of Rights to MSRs are accounted for as financings. We initially establish the value of the Financing Liability - MSRs Pledged based on the price at which the Rights to MSRs are sold. Thereafter, the carrying value of the Financing Liability - MSRs pledged is adjusted to fair value at each reporting date. We determine fair value by applying the price of the underlying MSRs to the remaining principal balance related to the underlying MSRs. Since we have elected fair value for our portfolio of non-Agency MSRs, future fair value changes in the Financing Liability - MSRs Pledged will be largely offset by changes in the fair value of the related MSRs.

The more significant assumptions used in determination of the prices of the underlying MSRs consisted of the following at the dates indicated:

	March 31, 2017		December 31, 2016	
Weighted average prepayment speed	17.0	%	17.0	%
Weighted average delinquency rate	29.8	%	29.8	%
Advance financing cost	1ML plus 3.5%		1ML plus 3.5%	
Interest rate for computing float earnings	1ML		1ML	
Weighted average discount rate	13.7	%	14.9	%

Weighted average cost to service (in dollars)	$315	$ 313

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

Secured Notes

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

Other Secured Borrowings

The carrying value of secured borrowings that bear interest at a rate that is adjusted regularly based on a market index approximates fair value. For other secured borrowings that bear interest at a fixed rate, we determine fair value by discounting the future principal and interest repayments at a market rate commensurate with the risk of the estimated cash flows. For the SSTL, we based the fair value on quoted prices in a market with limited trading activity.

Senior Notes

We base the fair value on quoted prices in a market with limited trading activity.

Derivative Financial Instruments

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

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

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

Note 4 — Sales of Advances and MSRs

In order to efficiently finance our assets, streamline our operations and generate liquidity, we sell MSRs, Rights to MSRs and servicing advances to market participants. We may retain the right to subservice loans when we sell MSRs. In connection with sales of Rights to MSRs, we retain legal ownership of the MSRs and continue to service the related mortgage loans until such time as all necessary consents to a transfer of the MSRs are received.

During the three months ended March 31, 2017 and 2016, we sold MSRs relating to loans with a UPB of $52.2 million (Agency and non-Agency) and $34.5 million (non-Agency), respectively.

In 2012 and 2013, we sold Rights to MSRs with respect to certain non-Agency MSRs and the related servicing advances to Home Loan Servicing Solutions, Ltd. (HLSS). On April 6, 2015, HLSS closed on the sale of substantially all of its assets to NRZ. NRZ, through its subsidiaries, is the owner of the Rights to MSRs and has assumed HLSS’ rights and obligations under the associated agreements. We refer to the sale of Rights to MSRs and the related servicing advances as the NRZ/HLSS Transactions. As of March 31, 2017, these Rights to MSRs relate to approximately $114.3 billion in UPB of our non-Agency MSRs.

Pursuant to our agreements with NRZ, NRZ has assumed the obligation to fund new servicing advances with respect to the Rights to MSRs. We continue to service the loans for which the Rights to MSRs have been sold to NRZ. Accordingly, in the event NRZ was unable to fulfill its advance funding obligations, as the servicer under our servicing agreements with the residential mortgage backed securitization trusts, we would be contractually obligated to fund such advances under those servicing agreements. At March 31, 2017, NRZ had outstanding advances of approximately $3.7 billion in connection with the Rights to MSRs.

Under our agreements with NRZ, NRZ has certain rights to direct us to transfer the legal ownership of the MSRs and certain other rights under the servicing agreements underlying the Rights to MSRs as follows:

- To HLSS Holdings, LLC (Holdings), a subsidiary of NRZ, if or when Holdings obtains all required third-party consents and licenses. If and when such transfer of legal ownership occurs, OLS would subservice the loans pursuant to the existing subservicing agreement(s), as amended, with Holdings. The subservicing agreement would have a subservicing fee reset date described below.
- To a third party, other than Holdings, who can obtain all required third-party consents and licenses, provided that the transfer is subject to our continued right to be paid the servicing fees and other amounts payable under our agreements with NRZ as described below. To the extent Ocwen remained subservicer, new subservicing agreements would need to be executed.
- If a termination event occurs with respect to an affected servicing agreement, to a replacement servicer that obtains all required third-party consents and licenses. Upon any such transfer, we would no longer be entitled to receive future servicing fee revenue with respect to the transferred servicing agreement.

We are working toward an agreement with NRZ that would transfer legal ownership of MSRs underlying the Rights to MSRs to NRZ. The new agreement would extend our relationship with NRZ out to at least 2022, removing a level of uncertainty concerning NRZ’s future intentions and ability to move servicing without us retaining our rights to be paid the servicing fees and other amounts payable under our existing agreements. During our negotiations with NRZ, NRZ has informed us that its position is that a termination event has occurred under our agreements because our current Moody’s servicer rating (SQ3-) is allegedly below the contractual threshold. NRZ has also informed us that it does not intend to take any action to transfer servicing without us retaining our economics, although it has reserved its rights. As Ocwen has previously publicly stated, Ocwen does not consider any termination event to have occurred based on Ocwen’s current servicer ratings.

Under our existing agreements, the servicing fees payable under the servicing agreements underlying the Rights to MSRs are apportioned between NRZ and us as provided in our agreements with NRZ. NRZ retains a fee based on the UPB of the loans serviced, and OLS receives certain fees, including a performance fee based on servicing fees actually paid less an amount calculated based on the amount of servicing advances and cost of financing those advances. The apportionment of these fees with respect to each tranche of Rights to MSRs sold to NRZ is subject to negotiations required to be commenced by NRZ no later than six months prior to the servicing fee reset date. The servicing fee reset date is the earlier of April 30, 2020 or eight years after the closing date of the sale of each tranche of Rights to MSRs to NRZ, unless there is an uncured “termination event” with respect to an affected servicing agreement due to a servicer rating downgrade of OLS’s S&P or Moody’s residential primary servicer rating for subprime loans to Below Average (or lower) or SQ4 (or lower), respectively, on the sixth anniversary of the closing date of the particular tranche, in which case such six year anniversary shall be the fee reset date. If the parties are not able to agree on servicing fees prior to the fee reset date, NRZ is required to continue paying under the existing fee structure and the agreements between the parties will continue in effect with respect to each underlying servicing agreement unless and until NRZ directs the transfer of servicing under such servicing agreement to a third-party servicer with respect to which all required third-party consents and licenses have been obtained.

To the extent servicing agreements with residential mortgage backed securities (RMBS) trustees underlying Rights to MSRs are terminated as a result of a termination event, NRZ is entitled to payment of an amount equal to an amortized percentage of NRZ’s purchase price for the related Rights to MSRs.

Under our agreements with NRZ, we were required to compensate NRZ for certain increased costs associated with its servicing advance financing facilities. This compensation requirement ran for a period of 12 months and ended in the second quarter of 2016.

The Rights to MSRs transactions are accounted for as financings. If and when transfer of legal ownership of the underlying MSRs occurs (which would follow receipt of the necessary consents), we would derecognize the related MSRs and the related financing liability. Upon derecognition, any resulting gain or loss would be deferred and amortized over the life of the related subservicing agreement. Until derecognition, we will continue to recognize the full amount of servicing revenue and changes in the fair value of the MSRs.

The sales of advances in connection with MSR sales, including the NRZ/HLSS Transactions, meet the requirements for sale accounting, and the advances are derecognized from our consolidated financial statements at the servicing transfer date, or, in the case of advances sold in connection with the sale of Rights to MSRs, at the time of the sale.

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Note 5 – Loans Held for Sale

Loans Held for Sale - Fair Value

The following table summarizes the activity in the balance:

	For the Three Months Ended March 31,	
	2017	2016
Beginning balance	$284,632	$309,054
Originations and purchases	840,999	789,180
Proceeds from sales	(817,033)	(783,187)
Principal collections	(744)	(3,280)
Gain (loss) on sale of loans	(396)	7,646
Increase in fair value of loans	5,628	1,785
Other	472	541
Ending balance (1)	$313,558	$321,739

(1) At March 31, 2017 and 2016, the balances include $10.5 million and $13.7 million, respectively, of fair value adjustments.

At March 31, 2017, loans held for sale, at fair value with a UPB of $231.9 million were pledged as collateral to warehouse lines of credit in our Lending segment.

Loans Held for Sale - Lower of Cost or Fair Value

The following table summarizes the activity in the net balance:

	For the Three Months Ended March 31,	
	2017	2016
Beginning balance	$29,374	$104,992
Purchases	396,536	421,896
Proceeds from sales	(354,285)	(372,583)
Principal collections	(1,850)	(6,453)
Transfers to accounts receivable	(48,752)	(61,212)
Transfers to real estate owned	(55)	(1,224)
Gain (loss) on sale of loans	(998)	5,010
Decrease (increase) in valuation allowance	4,429	(3,335)
Other	1,196	(21)
Ending balance (1)	$25,595	$87,070

(1) At March 31, 2017 and 2016, the balances include $20.0 million and $55.5 million, respectively, of loans that we were required to repurchase from Ginnie Mae guaranteed securitizations as part of our servicing obligations. Repurchased loans are modified or otherwise remediated through loss mitigation activities or are reclassified to receivables.

The changes in the valuation allowance are as follows:

	For the Three Months Ended March 31,	
	2017	2016
Beginning balance	$10,064	$14,658
Provision	364	2,597
Transfer from liability for indemnification obligations	255	1,030
Sales of loans	(5,045)	—
Other	(3)	(292)
Ending balance	$5,635	$17,993

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At March 31, 2017, Loans held for sale, at lower of cost or fair value, with a UPB of $13.4 million were pledged as collateral to a warehouse line of credit in our Servicing segment.

Gain on Loans Held for Sale, Net

The following table summarizes the activity in Gain on loans held for sale, net:

	For the Three Months Ended March 31,	
	2017	2016
MSRs retained on transfers of forward loans	$8,126	$6,484
Fair value gains related to transfers of reverse mortgage loans, net	7,638	356
Gain (loss) on sale of repurchased Ginnie Mae loans	(998)	5,010
Other gains related to loans held for sale, net	2,146	6,089
Gain on sales of loans, net	16,912	17,939
Change in fair value of IRLCs	1,060	7,465
Change in fair value of loans held for sale	7,666	3,521
Loss on economic hedge instruments	(2,514)	(13,202)
Other	(180)	(151)
	$22,944	$15,572

Note 6 – Advances

Advances, net, which represent payments made on behalf of borrowers or on foreclosed properties, consisted of the following at the dates indicated:

	March 31, 2017	December 31, 2016
Principal and interest	$23,125	$ 31,334
Taxes and insurance	154,690	170,131
Foreclosures, bankruptcy and other	92,202	94,369
	270,017	295,834
Allowance for losses	(35,844)	(37,952)
	$234,173	$ 257,882

Advances at March 31, 2017 and December 31, 2016 include $25.0 million and $29.0 million, respectively, of previously sold advances in connection with sales of loans that did not qualify for sale accounting.

The following table summarizes the activity in net advances:

	For the Three Months Ended March 31,	
	2017	2016
Beginning balance	$257,882	$444,298
Sales of advances	(3)	(261)
Collections of advances, charge-offs and other, net	(25,814)	(126,067)
Decrease (increase) in allowance for losses	2,108	(622)
Ending balance	$234,173	$317,348

The changes in the allowance for losses are as follows:

	For the Three Months Ended March 31,	
	2017	2016
Beginning balance	$37,952	$41,901
Provision	3,421	3,483
Charge-offs, net and other	(5,529)	(2,861)
Ending balance	$35,844	$42,523

Note 7 – Match Funded Assets

Match funded assets are comprised of the following at the dates indicated:

	March 31, 2017	December 31, 2016
Advances:		
Principal and interest	$651,837	$ 711,272
Taxes and insurance	508,573	530,946
Foreclosures, bankruptcy, real estate and other	205,015	209,746
	1,365,425	1,451,964
Automotive dealer financing notes (1)	26,996	—
	$1,392,421	$ 1,451,964

(1) On February 24, 2017 and on March 17, 2017, we entered into loan agreements under a new automotive dealer loan financing facility to which these notes are pledged.

The following table summarizes the activity in match funded assets:

	For the Three Months Ended March 31,		
	2017		2016
	Advances	Automotive Dealer Financing Notes	Advances
Beginning balance	$1,451,964	$ —	$1,706,768
Transfer from Other assets	—	25,180	—
Sales	(245)	—	—
New advances/notes (collections of pledged assets), net	(86,294)	1,816	14,129
Ending balance	$1,365,425	$ 26,996	$1,720,897

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Note 8 – Mortgage Servicing

Mortgage Servicing Rights – Amortization Method

The following table summarizes changes in the net carrying value of servicing assets that we account for using the amortization method:

	For the Three Months Ended March 31,	
	2017	2016
Beginning balance	$363,722	$377,379
Additions recognized in connection with asset acquisitions	1,229	4,263
Additions recognized on the sale of mortgage loans	8,126	7,156
Sales	(430)	—
	372,647	388,798
Amortization	(12,715)	(12,806)
Increase in impairment valuation allowance (1)	(1,401)	(29,953)
Ending balance	$358,531	$346,039
Estimated fair value at end of period	$462,289	$390,970

(1) Impairment of MSRs is recognized in Servicing and origination expense in the unaudited consolidated statements of operations. See Note 3 – Fair Value for additional information regarding impairment and the valuation allowance.

Mortgage Servicing Rights – Fair Value Measurement Method

The following table summarizes changes in the fair value of servicing assets that we account for at fair value on a recurring basis:

	For the Three Months Ended March 31,					
	2017			2016		
	Agency	Non-Agency	Total	Agency	Non-Agency	Total
Beginning balance	$13,357	$ 665,899	$679,256	$15,071	$ 746,119	$761,190
Sales	—	(228)	(228)	—	(142)	(142)
Servicing transfers and adjustments	—	(706)	(706)	—	419	419
Changes in fair value (1):						
Changes in valuation inputs or other assumptions	494	—	494	(2,709)	(3,671)	(6,380)
Realization of expected future cash flows and other changes	(445)	(26,384)	(26,829)	(351)	(22,562)	(22,913)
Ending balance	$13,406	$ 638,581	$651,987	$12,011	$ 720,163	$732,174

(1) Changes in fair value are recognized in Servicing and origination expense in the unaudited consolidated statements of operations.

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 that we carry at fair value as of March 31, 2017 given hypothetical shifts in lifetime prepayments and yield assumptions:

	Adverse change in fair value	
	10%	20%
Weighted average prepayment speeds	$(63,546)	$(129,059)
Discount rate (option-adjusted spread)	(12,177)	(24,349)

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The sensitivity analysis measures the potential impact on fair values based on hypothetical changes, which in the case of our portfolio at March 31, 2017 are increased prepayment speeds and a decrease in the yield assumption.

Portfolio of Assets Serviced

The following table presents the composition of our primary servicing and subservicing portfolios by type of property serviced as measured by UPB. The servicing portfolio represents loans for which we own the servicing rights while subservicing represents all other loans. The UPB of assets serviced for others are not included on our unaudited consolidated balance sheets.

	Residential	Commercial	Total
UPB at March 31, 2017			
Servicing	$83,841,793	$ —	$83,841,793
Subservicing	4,196,729	92,817	4,289,546
NRZ (1)	114,330,492	—	114,330,492
	$202,369,014	$ 92,817	$202,461,831
UPB at December 31, 2016			
Servicing	$86,049,298	$ —	$86,049,298
Subservicing	4,330,084	92,933	4,423,017
NRZ (1)	118,712,748	—	118,712,748
	$209,092,130	$ 92,933	$209,185,063
UPB at March 31, 2016			
Servicing	$97,826,653	$ —	$97,826,653
Subservicing	6,517,180	136,473	6,653,653
NRZ (1)	132,737,203	—	132,737,203
	$237,081,036	$ 136,473	$237,217,509

(1) UPB of loans serviced for which the Rights to MSRs have been sold to NRZ.

Residential assets serviced includes foreclosed real estate. Residential assets serviced also includes small-balance commercial assets with a UPB of $1.4 billion, $1.4 billion and $1.7 billion at March 31, 2017, December 31, 2016 and March 31, 2016, respectively. Commercial assets consist of large-balance foreclosed real estate.

A significant portion of the servicing agreements for our non-Agency servicing portfolio contain provisions where we could be terminated as servicer without compensation upon the failure of the serviced loans to meet certain portfolio delinquency or cumulative loss thresholds. As a result of the economic downturn beginning in 2007 - 2008, the portfolio delinquency and/or cumulative loss threshold provisions have been breached by many private-label securitizations in our non-Agency servicing portfolio. To date, terminations as servicer as a result of a breach of any of these provisions have been minimal.

Certain of our servicing agreements require that we maintain specified servicer ratings from rating agencies such as Moody’s and S&P. Of 3,762 non-Agency servicing agreements, 721 with approximately $33.1 billion of UPB as of March 31, 2017 have minimum servicer ratings criteria. As a result of our current servicer ratings, termination rights have been triggered in 174 of these non-Agency servicing agreements. This represents approximately $10.5 billion in UPB as of March 31, 2017, or approximately 6.8% of our total non-Agency servicing portfolio.

Downgrades in servicer ratings could adversely affect our ability to finance servicing advances and 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.

Servicing Revenue

The following table presents the components of servicing and subservicing fees:

	For the Three Months Ended March 31, 2017	2016
Loan servicing and subservicing fees:		
Servicing	$67,172	$76,509
Subservicing	3,605	7,239
NRZ	147,311	162,129
	218,088	245,877
Home Affordable Modification Program (HAMP) fees	20,983	22,618
Late charges	16,784	18,603
Loan collection fees	6,318	7,129
Other	10,329	3,269
	$272,502	$297,496

Float balances (balances in custodial accounts, which represent collections of principal and interest that we receive from borrowers), are held in escrow by an unaffiliated bank and are excluded from our unaudited consolidated balance sheets. Float balances amounted to $2.0 billion and $2.3 billion at March 31, 2017 and March 31, 2016, respectively.

Note 9 – Receivables

	March 31, 2017	December 31, 2016
Servicing:		
Government-insured loan claims (1)	$114,386	$133,063
Due from NRZ	34,199	21,837
Reimbursable expenses	29,056	29,358
Due from custodial accounts	13,449	44,761
Other	22,654	27,086
	213,744	256,105
Income taxes receivable	40,652	61,932
Other receivables	19,111	21,125
	273,507	339,162
Allowance for losses (1)	(60,726)	(73,442)
	$212,781	$265,720

(1) At March 31, 2017 and December 31, 2016, the allowance for losses related entirely to receivables of our Servicing business. Allowance for losses related to defaulted FHA or VA insured loans repurchased from Ginnie Mae guaranteed securitizations (government-insured loan claims) at March 31, 2017 and December 31, 2016 were $41.4 million and $53.3 million, respectively.

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Note 10 – Other Assets

	March 31, 2017	December 31, 2016
Contingent loan repurchase asset (1)	$267,029	$ 246,081
Prepaid expenses (2)	56,316	57,188
Debt service accounts	43,268	42,822
Derivatives, at fair value	10,027	9,279
Prepaid lender fees, net	8,817	9,023
Mortgage backed securities, at fair value	8,658	8,342
Prepaid income taxes	7,699	8,392
Interest-earning time deposits	6,269	6,454
Real estate	4,474	5,249
Automotive dealer financing notes, net (3)	1,368	33,224
Other	14,692	12,050
	$428,617	$ 438,104

(1) With respect to previously transferred Ginnie Mae mortgage loans for which we have the right or the obligation to repurchase under the applicable agreement, we re-recognize the loans in Other assets and a corresponding liability in Other liabilities.

(2) In connection with the sale of Agency MSRs in 2015, we placed $52.9 million in escrow for the payment of representation, warranty and indemnification claims associated with the underlying loans. Prepaid expenses at March 31, 2017 and December 31, 2016 includes the remaining balance of $36.4 million and $34.9 million, respectively.

(3) These notes represent short-term inventory-secured floor plan loans – provided to independent used car dealerships through our ACS venture – that have not been pledged to our automotive dealer loan financing facility. Automotive dealer financing notes are net of an allowance of $10.5 million and $4.4 million at March 31, 2017 and December 31, 2016, respectively. We recognized a provision for losses on these notes of $6.1 million and $0.05 million during the three months ended March 31, 2017 and 2016, respectively.

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Note 11 – Borrowings
Match Funded Liabilities

Borrowing Type	Maturity (1)	Amortization Date (1)	Available Borrowing Capacity (2)	March 31, 2017 Weighted Average Interest Rate (3)	March 31, 2017 Balance	December 31, 2016 Weighted Average Interest Rate (3)	December 31, 2016 Balance
Advance Financing Facilities:							
Advance Receivables Backed Notes - Series 2014-VF3 (4)	Aug. 2047	Aug. 2017	$ 88,625	3.12 %	$ 51,375	3.12 %	$ 74,394
Advance Receivables Backed Notes - Series 2014-VF4 (4)	Aug. 2047	Aug. 2017	88,625	3.12	51,375	3.12	74,394
Advance Receivables Backed Notes - Series 2015-VF5 (4)	Aug. 2047	Aug. 2017	88,626	3.12	51,374	3.12	74,394
Advance Receivables Backed Notes - Series 2015-T3 (5)	Nov. 2047	Nov. 2017	—	3.48	400,000	3.48	400,000
Advance Receivables Backed Notes - Series 2016-T1 (5)	Aug. 2048	Aug. 2018	—	2.77	265,000	2.77	265,000
Advance Receivables Backed Notes - Series 2016-T2 (5)	Aug. 2049	Aug. 2019	—	2.99	235,000	2.99	235,000
Total Ocwen Master Advance Receivables Trust (OMART)			265,876	3.14	1,054,124	3.14	1,123,182
Ocwen Servicer Advance Receivables Trust III (OSART III) - Advance Receivables Backed Notes, Series 2014-VF1 (6)	Dec. 2047	Dec. 2017	14,052	4.18 %	60,948	4.03 %	63,093
Ocwen Freddie Advance Funding (OFAF) - Advance Receivables Backed Notes, Series 2015-VF1 (7)	Jun. 2047	Jun. 2017	78,873	3.75 %	81,127	3.54 %	94,722
			358,801	3.23 %	1,196,199	3.21 %	1,280,997
Automotive Dealer Loan Financing Facility:							
Loan Series 2017-1	Feb. 2021	Feb. 2019	40,493	6.55 %	9,507	— %	—
Loan Series 2017-2	Mar. 2021	Mar. 2019	40,494	5.98	9,506	—	—
Total Automotive Capital Asset Receivables Trust (ACART) (8)			80,987	6.26 %	19,013	— %	—
			$ 439,788	3.28 %	$ 1,215,212	3.21 %	$ 1,280,997

(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 to reduce the balance of the note outstanding, and any new advances are ineligible to be financed.

(2) Borrowing capacity is available to us provided that we have additional eligible collateral to pledge. Collateral may only be pledged to one facility. At March 31, 2017, none of the available borrowing capacity of our advance financing notes could be used based on the amount of eligible collateral that had been pledged.

(3) 1ML was 0.98% and 0.77% at March 31, 2017 and December 31, 2016, respectively.

(4) The borrowing capacity of each series of variable rate notes is $140.0 million. There is a ceiling of 75 bps for 1ML in determining the interest rate for the notes. Rates on the individual notes are based on 1ML plus a margin of 185 to 545 basis points (bps).

(5) Under the terms of the agreement, we must continue to borrow the full amount of the Series 2015-T3, Series 2016-T1 and Series 2016-T2 fixed-rate term notes until the amortization date. If there is insufficient collateral to support the level of borrowing, the excess cash proceeds are not distributed to Ocwen but are held by the trustee, and interest expense continues to be based on the full amount of the notes. The Series 2016-T1 and 2016-T2 notes have a total borrowing capacity of $500.0 million. The Series 2015-T3 notes have a borrowing capacity of $400.0 million. Rates on the individual notes range from 2.5207% to 4.6870%

(6) The maximum borrowing capacity under this facility is $75.0 million. There is a ceiling of 75 bps for 1ML in determining the interest rate for these variable rate notes. Rates on the individual notes are based on the lender's cost of funds plus a margin of 230 to 470 bps.

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(7) The combined borrowing capacity of the Series 2015-VF1 Notes is $160.0 million. There is a ceiling of 125 bps for 1ML in determining the interest rate for these variable rate notes. Rates on the individual notes are based on 1ML plus a margin of 240 to 480 bps.

(8) We entered into the loan agreements for the Series 2017-1 Notes on February 24, 2017 and for the Series 2017-2 Notes on March 17, 2017. The committed borrowing capacity for each of the Series 2017-1 and Series 2017-2 variable rate notes is $50.0 million. We may from time to time request increases in the aggregate maximum borrowing capacity of the facility to a maximum aggregate borrowing capacity of $200.0 million. Rates on the Series 2017-1 notes are based on 1ML plus a margin of 500 bps and rates on the Series 2017-2 notes are based on the lender's cost of funds plus a margin of 500 bps.

Pursuant to our agreements with NRZ, NRZ has assumed the obligation to fund new servicing advances with respect to the MSRs underlying the Rights to MSRs, or NRZ/HLSS Transactions. We are dependent upon NRZ for funding the servicing advance obligations for Rights to MSRs where we are the servicer. NRZ currently uses advance financing facilities in order to fund a substantial portion of the servicing advances that they are contractually obligated to purchase pursuant to our agreements with them. As of March 31, 2017, we were the servicer on Rights to MSRs sold to NRZ pertaining to approximately $114.3 billion in UPB and the associated outstanding servicing advances as of such date were approximately $3.7 billion. Should NRZ's advance financing facilities fail to perform as envisaged or should NRZ otherwise be unable to meet its advance funding obligations, our liquidity, financial condition and business could be materially and adversely affected. As the servicer, we are contractually required under our servicing agreements to make the relevant servicing advances even if NRZ does not perform its contractual obligations to fund those advances.

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

Financing Liabilities

Borrowings	Collateral	Interest Rate	Maturity	March 31, 2017	December 31, 2016
Financing liability – MSRs pledged	MSRs	(1)	(1)	$459,187	$ 477,707
Secured Notes, Ocwen Asset Servicing Income Series, Series 2014-1 (2)	MSRs	(2)	Feb. 2028	78,990	81,131
Financing liability – Advances pledged (3)	Advances on loans	(3)	(3)	17,966	20,193
HMBS-related borrowings (4)	Loans held for investment	1ML + 263 bps	(4)	3,739,265	3,433,781
				$4,295,408	$ 4,012,812

(1) This financing liability arose in connection with the NRZ/HLSS Transactions and has no contractual maturity or repayment schedule. The balance of the liability is adjusted each reporting period to its fair value based on the present value of the estimated future cash flows underlying the related MSRs.

(2) OASIS noteholders are entitled to receive a monthly payment amount equal to the sum of: (a) the designated servicing fee amount (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. We accounted for this transaction as a financing. 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 security.

(3) Certain sales of advances did not qualify for sales accounting treatment and were accounted for as a financing. This financing liability has no contractual maturity.

(4) Represents amounts due to the holders of beneficial interests in Ginnie Mae guaranteed HMBS. The beneficial interests have no maturity dates, and the borrowings mature as the related loans are repaid.

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Other Secured Borrowings

Borrowings	Collateral	Interest Rate	Maturity	Available Borrowing Capacity (1)	March 31, 2017	December 31, 2016
Senior secured term loan (SSTL)						
SSTL (2)	(2)	1-Month Euro-dollar rate + 500 bps with a Eurodollar floor of 100 bps (2)	Dec. 2020	$ —	$ 330,813	$ 335,000
Mortgage loan warehouse facilities:						
Repurchase agreement (3)	Loans held for sale (LHFS)	1ML + 200 - 345 bps	Sep. 2017	36,824	13,176	12,370
Master repurchase agreements (4)	LHFS	1ML + 200 bps; 1ML floor of 0.0%	Feb. 2018	69,600	130,400	173,543
Participation agreements (5)	LHFS	N/A	Apr. 2017 (5)	—	163,956	92,739
Participation agreements (6)	LHFS (reverse mortgages)	1ML + 275 bps; 1ML floor of 300 or 350 bps	Aug. 2017	—	48,709	26,254
Master repurchase agreement (7)	LHFS (reverse mortgages)	1ML + 275 bps; 1ML floor of 25 bps	Jan. 2018	37,925	62,075	50,123
				144,349	418,316	355,029
				$ 144,349	749,129	690,029
Unamortized debt issuance costs - SSTL					(7,079)	(7,612)
Discount - SSTL					(3,603)	(3,874)
					$ 738,447	$ 678,543
Weighted average interest rate					4.70 %	4.56 %

(1) For our mortgage loan warehouse facilities, available borrowing capacity does not consider the amount of the facility that the lender has extended on an uncommitted basis. Of the borrowing capacity extended on a committed basis, $0.8 million could be used at March 31, 2017 based on the amount of eligible collateral that had been pledged.

(2) On December 5, 2016, we entered into an Amended and Restated Senior Secured Term Loan Facility Agreement that established a new SSTL with a borrowing capacity of $335.0 million and a maturity date of December 5, 2020. We may request increases to the loan amount of up to $100.0 million in total, with additional increases subject to certain limitations. We are required to make quarterly payments on the SSTL in an amount of $4.2 million the first of which was paid on March 31, 2017.

The borrowings under the SSTL are secured by a first priority security interest in substantially all of the assets of Ocwen, OLS and the other guarantors thereunder, excluding among other things, 35% of the capital stock of foreign subsidiaries, securitization assets and equity interests of securitization entities, assets securing permitted funding indebtedness and non-recourse indebtedness, REO assets, servicing agreements where an acknowledgment from the GSE has not been obtained, as well as other customary carve-outs.

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

(3) Fifty percent of the maximum borrowing amount of $100.0 million is available on a committed basis and fifty percent is available at the discretion of the lender. We use this facility to fund the repurchase of certain loans from Ginnie Mae guaranteed securitizations in connection with loan modifications and loan resolution activity as part of our contractual obligations as the servicer of the loans.

(4) Under this repurchase agreement, the lender provides financing on a committed basis for $200.0 million. On February 24, 2017, we executed a $200.0 million warehouse facility to replace the existing facility of the same size and with the same lender with a maturity date of February 23, 2018.

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(5) Under these participation agreements, the lender provides financing for a combined total of $250.0 million at the discretion of the lender. The participation agreement allows the lender to acquire a 100% beneficial interest in the underlying mortgage loans. The transaction does not qualify for sale accounting treatment and is accounted for as a secured borrowing. The lender earns the stated interest rate of the underlying mortgage loans while the loans are financed under the participation agreement. On April 25, 2017, the term of these participation agreements was extended to April 30, 2018.

(6) Under this participation agreement, the lender provides uncommitted reverse mortgage financing for $110.0 million at the discretion of the lender. The lender has indicated to us that it does not currently intend to lend more than $20.0 million under this facility. The participation agreement allows the lender to acquire a 100% beneficial interest in the underlying mortgage loans. The transaction does not qualify for sale accounting treatment and is accounted for as a secured borrowing. The lender earns the stated interest rate of the underlying mortgage loans while the loans are financed under the participation agreement.

(7) The lender provides financing on a committed basis for $100.0 million.

Senior Notes

	March 31, 2017	December 31, 2016
6.625% Senior unsecured notes due May 15, 2019	$3,122	$ 3,122
8.375% Senior secured notes due November 15, 2022	346,878	346,878
	350,000	$ 350,000
Unamortized debt issuance costs	(3,071)	(3,211)
	$346,929	$ 346,789

Senior Unsecured Notes

Ocwen may redeem all or a part of the remaining Senior Unsecured Notes, upon not less than 30 nor more than 60 days' notice, at the redemption price (expressed as percentages of principal amount) of 103.313% and 100.000% for the twelve-month periods beginning May 15, 2017 and 2018, respectively, plus accrued and unpaid interest and additional interest, if any.

Senior Secured Notes

The Senior Secured Notes are guaranteed by Ocwen, OMS, Homeward Residential Holdings, Inc., Homeward and ACS (the Guarantors). The Senior Secured Notes are secured by second priority liens on the assets and properties of OLS and the Guarantors that secure the first priority obligations under the SSTL, excluding certain MSRs.

At any time, OLS may redeem all or a part of the 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. Prior to November 15, 2018, the Senior Secured Notes may be redeemed at a redemption price equal to 100.0% of the principal amount of the Senior Secured Notes redeemed, plus the applicable make whole premium (as defined in the indenture). On or after November 15, 2018, OLS may redeem all or a part of the Senior Secured Notes at the redemption prices (expressed as percentages of principal amount) specified in the Indenture. The redemption prices during the twelve-month periods beginning on November 15 of each year are as follows:

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

At any time, on or prior to November 15, 2018, OLS may, at its option, use the net cash proceeds of one or more equity offerings (as defined in the Indenture) to redeem up to 35.0% of the principal amount of all Senior Secured Notes issued at a redemption price equal to 108.375% of the principal amount of the Senior Secured Notes redeemed plus accrued and unpaid interest to the date of redemption, provided that: (i) at least 65.0% of the principal amount of all Senior Secured Notes issued under the Indenture (including any additional Senior Secured Notes) remains outstanding immediately after any such redemption; and (ii) OLS makes such redemption not more than 120 days after the consummation of any such Equity Offering.

Upon a change of control (as defined in the indenture), OLS is required to make an offer to the holders of the Senior Secured Notes to repurchase all or a portion of each holder’s Senior Secured Notes at a purchase price equal to 101.0% of the principal amount of the Senior Secured Notes purchased plus accrued and unpaid interest to the date of purchase.
In connection with our issuance of the Senior Secured Notes, we incurred certain costs that we capitalized and are amortizing over the period from the date of issuance to November 15, 2022. The unamortized balance of these issuance costs was $3.0 million and $3.2 million at March 31, 2017 and December 31, 2016, respectively.

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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 debt, paying dividends of 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 OLS or any Guarantor, enter into transactions with an affiliate;
- 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 a requirement under our SSTL 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 our debt agreements require that we maintain, among other things:

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

As of March 31, 2017, the most restrictive consolidated tangible net worth requirements were for a minimum of $1.1 billion at OLS under our match funded debt agreements and three repurchase agreements and $450.0 million at Ocwen under a master repurchase agreement.

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, 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 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. Our lenders can waive their contractual rights in the event of a default.

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

Note 12 – Other Liabilities

	March 31, 2017	December 31, 2016
Contingent loan repurchase liability	$267,029	$ 246,081
Accrued legal fees and settlements	82,037	93,797
Other accrued expenses	69,025	80,021
Due to NRZ	50,651	83,248
Servicing-related obligations	36,579	35,324
Amounts due in connection with MSR sales	36,041	39,398
Liability for indemnification obligations	23,133	27,546
Liability for uncertain tax positions	23,123	23,216
Checks held for escheat	18,301	16,890
Accrued interest payable	11,211	3,698
Other	26,584	32,020
	$643,714	$ 681,239

Note 13 – Derivative Financial Instruments and Hedging Activities

Because many of our current derivative agreements are not exchange-traded, we are exposed to credit loss in the event of nonperformance by the counterparty to the agreements. We manage counterparty credit risk by entering into financial instrument transactions through national exchanges, primary dealers or approved counterparties and the use of mutual margining agreements whenever possible to limit potential exposure. We regularly evaluate the financial position and creditworthiness of our counterparties. The notional amount of our contracts does not represent our exposure to credit loss.

Interest Rate Risk

Match Funded Liabilities

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

Loans Held for Sale, at Fair Value

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

Interest Rate Lock Commitments

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

The following table summarizes derivative activity, including the derivatives used in each of our identified hedging programs:

	Interest Rate Risk		
	IRLCs and Loans held for sale		Borrowings
	IRLCs	Forward MBS Trades	Interest Rate Caps
Notional balance at December 31, 2016	$360,450	$609,177	$955,000
Additions	1,427,753	971,499	—
Amortization	—	—	(90,000)
Maturities	(1,149,358)	(379,055)	—
Terminations	(247,899)	(600,812)	—
Notional balance at March 31, 2017	$390,946	$600,809	$865,000
Maturity	Apr. 2017 - Jun. 2017	Jun. 2017	Oct. 2017 - Dec. 2018
Fair value of derivative assets (liabilities) at:			
March 31, 2017	$7,765	$(3,868)	$2,262
December 31, 2016	6,507	(614)	1,836
Gains (losses) on derivatives during the three months ended:	Gain on loans held for sale, net	Gain on loans held for sale, net	Other, net
March 31, 2017	$1,060	$(2,514)	$359
March 31, 2016	7,465	(13,202)	(1,496)

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

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

Included in Accumulated other comprehensive loss (AOCL) at March 31, 2017 and 2016, respectively, were $1.3 million and $1.6 million of deferred unrealized losses, before taxes of $0.1 million and $0.1 million, respectively, on interest rate swaps that we had designated as cash flow hedges.

Other income (expense), net, includes the following related to derivative financial instruments:

	For the Three Months Ended March 31,	
	2017	2016
Gains (losses) on economic hedges	$426	$(1,391)
Write-off of losses in AOCL for a discontinued hedge relationship	(67)	(105)
	$359	$(1,496)

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Note 14 – Interest Expense

The following table presents the components of interest expense:

	For the Three Months Ended March 31,	
	2017	2016
Financing liabilities (1) (2)	$52,969	$67,707
Match funded liabilities	12,849	18,174
Other secured borrowings	9,548	12,713
Senior notes	7,456	6,208
Other	1,240	1,287
	$84,062	$106,089

(1) Includes interest expense related to financing liabilities recorded in connection with the NRZ/HLSS Transactions as indicated in the table below. The reduction in the financing liability does not include reimbursements to NRZ/HLSS for the loss of servicing revenues when we were terminated as servicer and where the related Rights to MSRs had been sold to HLSS.

	For the Three Months Ended March 31,	
	2017	2016
Servicing fees collected on behalf of NRZ/HLSS	$147,311	$162,129
Less: Subservicing fee retained by Ocwen	79,154	84,370
Net servicing fees remitted to NRZ/HLSS	68,157	77,759
Less: Reduction in financing liability	16,999	18,201
Interest expense on NRZ/HLSS financing liability	$51,158	$59,558

(2) Includes $6.2 million of fees incurred during the three months ended March 31, 2016 in connection with our agreement to compensate NRZ/HLSS for a period of 12 months (beginning June 2015) for certain increased costs associated with its servicing advance financing facilities that were the direct result of a previous downgrade of our S&P servicer rating.

Interest expense that we expect to be paid on the HMBS-related borrowings is included with net fair value gains in Other revenues.

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Note 15 – Basic and Diluted Earnings (Loss) per Share

Basic earnings or loss per share excludes common stock equivalents and is calculated by dividing net income or loss attributable to Ocwen common stockholders by the weighted average number of common shares outstanding during the period. We calculate diluted earnings or loss per share by dividing net income 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. The following is a reconciliation of the calculation of basic loss per share to diluted loss per share:

	For the Three Months Ended March 31,	
	2017	2016
Basic loss per share:		
Net loss attributable to Ocwen stockholders	$(32,724)	$(111,331)
Weighted average shares of common stock	124,014,928	124,093,339
Basic loss per share	$(0.26)	$(0.90)
Diluted loss per share (1):		
Net loss attributable to Ocwen stockholders	$(32,724)	$(111,331)
Weighted average shares of common stock	124,014,928	124,093,339
Effect of dilutive elements (1):		
Stock option awards	—	—
Common stock awards	—	—
Dilutive weighted average shares of common stock	124,014,928	124,093,339
Diluted loss per share	$(0.26)	$(0.90)
Stock options and common stock awards excluded from the computation of diluted earnings per share:		
Anti-dilutive (2)	2,056,215	6,985,914
Market-based (3)	782,446	2,080,938

(1) For the three months ended March 31, 2017 and 2016, we have excluded the effect of 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.

(2) These stock options were anti-dilutive because their exercise price was greater than the average market price of Ocwen's stock.

(3) Shares that are issuable upon the achievement of certain market-based performance criteria related to Ocwen's stock price.

Note 16 – 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. While our expense allocation methodology for the current period is consistent with that used in prior periods presented, during the first quarter of 2017, we moved certain functions which had been associated with corporate cost centers to our Lending and Servicing segments because these functions align more closely with those segments. As applicable, the results of operations for the first quarter of 2016 have been recast to conform to the current period presentation. As a result of these changes, income before income taxes for the Lending segment decreased by $2.6 million while loss before income taxes for the Servicing segment decreased by the same amount for the three months ended March 31, 2016.

A brief description of our current business segments is as follows:
Servicing. This segment is primarily comprised of our core residential servicing business. 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 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

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portfolio includes conventional, government-insured and non-Agency loans. Non-Agency loans include subprime loans, which represent residential loans that generally did not qualify under GSE guidelines or have subsequently become delinquent.

Lending. The Lending segment is focused on originating and purchasing conventional and government-insured residential forward and reverse mortgage loans mainly through our correspondent lending arrangements, broker relationships and directly with mortgage customers. The loans are typically sold shortly after origination into a liquid market on a servicing retained basis.

Corporate Items and Other. Corporate Items and Other includes revenues and expenses of ACS and our other 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, interest expense on corporate debt and certain corporate expenses. Our cash balances are included in Corporate Items and Other. ACS provides short-term inventory-secured loans to independent used car dealers to finance their inventory. In addition, Ocwen formed CR Limited (CRL), our wholly-owned captive reinsurance subsidiary, and entered into a quota share re-insurance agreement effective in 2016 with a third-party insurer related to coverage on foreclosed real estate properties owned or serviced by us.

We allocate portions of interest income and interest expense to each business segment, including interest earned on cash balances and short-term investments and interest incurred on corporate debt. We also allocate expenses incurred by corporate support services to each business segment.

Financial information for our segments is as follows:

	Servicing	Lending	Corporate Items and Other	Corporate Eliminations	Business Segments Consolidated
Results of Operations					
Three months ended March 31, 2017					
Revenue	$284,019	$30,746	$7,099	$ —	$ 321,864
Expenses	216,913	29,332	30,138	—	276,383
Other income (expense):					
Interest income	87	2,748	928	—	3,763
Interest expense	(67,351)	(3,284)	(13,427)	—	(84,062)
Gain on sale of mortgage servicing rights, net	287	—	—	—	287
Other	3,002	231	800	—	4,033
Other expense, net	(63,975)	(305)	(11,699)	—	(75,979)
Income (loss) before income taxes	$3,131	$1,109	$(34,738)	$ —	$ (30,498)
Three months ended March 31, 2016					
Revenue	$307,427	$23,285	$45	$ —	$ 330,757
Expenses	274,317	24,378	29,962	—	328,657
Other income (expense):					
Interest income	(147)	3,611	726	—	4,190
Interest expense	(96,474)	(3,448)	(6,167)	—	(106,089)
Gain on sale of mortgage servicing rights, net	1,175	—	—	—	1,175
Other	(3,343)	351	(509)	—	(3,501)
Other income (expense), net	(98,789)	514	(5,950)	—	(104,225)
Loss before income taxes	$(65,679)	$(579)	$(35,867)	$ —	$ (102,125)

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	Servicing	Lending	Corporate Items and Other	Corporate Eliminations	Business Segments Consolidated
Total Assets					
March 31, 2017	$3,157,083	$4,248,844	$457,217	$ —	$ 7,863,144
December 31, 2016	$3,312,371	$3,863,862	$479,430	$ —	$ 7,655,663
March 31, 2016	$3,808,495	$3,116,541	$482,074	$ —	$ 7,407,110

	Servicing	Lending	Corporate Items and Other	Business Segments Consolidated
Depreciation and Amortization Expense				
Three months ended March 31, 2017				
Depreciation expense	$ 1,402	$ 48	$ 5,631	$ 7,081
Amortization of mortgage servicing rights	12,643	72	—	12,715
Amortization of debt discount	—	—	271	271
Amortization of debt issuance costs	—	—	673	673
Three months ended March 31, 2016				
Depreciation expense	$ 1,135	$ 72	$ 3,832	$ 5,039
Amortization of mortgage servicing rights	12,725	81	—	12,806
Amortization of debt discount	206	—	—	206
Amortization of debt issuance costs	2,933	—	344	3,277

Note 17 – Regulatory Requirements

Our business is subject to extensive regulation by federal, state and local governmental authorities, including the CFPB, the Department of Housing and Urban Development (HUD), the SEC and various state agencies that license, audit 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 monitoring or reporting. 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 the changing environment in which we operate. We devote substantial resources to regulatory compliance, while, at the same time, striving to meet the needs and expectations of our customers, clients and other stakeholders. Our failure to comply with applicable federal, state and local laws, regulations and licensing requirements could lead to (i) loss of our licenses and approvals to engage in our servicing and lending businesses, (ii) governmental investigations and enforcement actions, including cease and desist orders, (iii) administrative fines and penalties and litigation, (iv) civil and criminal liability, including class action lawsuits and actions to recover incentive and other payments made by governmental entities, (v) breaches of covenants and representations under our servicing, debt or other agreements, (vi) damage to our reputation, (vii) inability to raise capital or otherwise fund our operations and (viii) inability to execute on our business strategy. In addition to amounts paid to resolve regulatory matters, we could be required to pay for the costs of third-party firms to monitor our compliance with such resolutions. We have recognized $175.4 million in such third-party monitoring costs from

January 1, 2014 through March 31, 2017 in connection with our settlements with the CA DBO and the NY DFS and in connection with our National Mortgage Settlement.

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

Telephone Consumer Protection Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Fair Credit Reporting Act and 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. The recent trend among federal, state and local lawmakers and regulators has been toward increasing laws, regulations and investigative proceedings with regard to residential real estate lenders and servicers.
Ocwen has various subsidiaries, including OLS, Homeward and Liberty, that are licensed to originate and/or service forward and reverse mortgage loans in those jurisdictions in which they operate and which require licensing. Our licensed entities are required to renew their licenses, typically on an annual basis, and to do so they must satisfy the license renewal requirements of each jurisdiction, which generally include financial requirements such as providing audited financial statements or satisfying minimum net worth requirements and non-financial requirements such as 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, 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. 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 March 31, 2017.
As discussed in Note 19 – Contingencies, since April 20, 2017, the CFPB, thirty state mortgage and banking regulatory agencies and two state attorneys general have taken regulatory action against us alleging breaches of various laws, regulations and licensing requirements. We believe we have factual and legal defenses to the CFPB's and the state attorneys general's allegations and intend to vigorously defend ourselves. With respect to the state regulatory agencies, we intend to vigorously defend against unfounded claims while continuing to work with the state regulatory agencies to resolve their concerns.
OLS, Homeward and Liberty are also parties 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 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. To date, none of these counterparties has communicated any material sanction, suspension or prohibition in connection with our seller/servicer obligations. We believe we were in compliance with the related net worth requirements at March 31, 2017. 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 is based on the total assets of OLS and was $372.7 million at March 31, 2017.
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 the winding up of companies as well as the relationships between shareholders, our corporate entities, the public and the government in these countries. Non-compliance with the laws and regulations of India or the Philippines could result in (i) restrictions on our operations in these counties, (ii) fines, penalties or sanctions or (iii) reputational damage.
We expect to continue to invest in our risk and compliance infrastructure in order to comply with applicable laws and regulations. Furthermore, there may be additional federal, state or international laws enacted that place additional

obligations on us and require additional investments by us.

Note 18 — Commitments

Unfunded Lending Commitments

We have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of $1.3 billion at March 31, 2017. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. We also had short-term commitments to lend $343.6 million and $47.3 million in connection with our forward and reverse mortgage loan interest rate lock commitments, respectively, outstanding at March 31, 2017. We finance originated and

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purchased forward and reverse mortgage loans with repurchase and participation agreements, commonly referred to as warehouse lines.

Long Term Contracts

Our business is currently dependent on many of the services and products provided by Altisource Portfolio Solutions, S.A. (Altisource) under long-term agreements, many of which include renewal provisions. Our servicing platform runs on an information technology system that we license from Altisource. If Altisource were to fail to fulfill its contractual obligations to us, including through a failure to provide services at the required level to maintain and support our systems, or if Altisource were to become unable to fulfill such obligations, our business and operations would suffer. In addition, if Altisource fails to develop and maintain its technology so as to provide us with a competitive platform, our business could suffer.

Each of Ocwen and OMS are parties to a Services Agreement, a Technology Products Services Agreement, an Intellectual Property Agreement and a Data Center and Disaster Recovery Services Agreement with Altisource. Under the Services Agreements, Altisource provides various business process outsourcing services, such as valuation services and property preservation and inspection services, among other things. Altisource provides certain technology products and support services under the Technology Products Services Agreements and the Data Center and Disaster Recovery Services Agreements. These agreements expire August 31, 2025. Ocwen and Altisource have also entered into a Master Services Agreement pursuant to which Altisource provides certain loan origination services to Homeward and Liberty, and a General Referral Fee agreement 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.

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

Note 19 – 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. 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.

These proceedings are generally based on alleged violations of federal, state and local laws and regulations governing our mortgage servicing and lending activities, including wrongful foreclosure and eviction actions, allegations of wrongdoing in connection with lender-placed insurance arrangements, claims relating to our pre-foreclosure property preservation activities, claims relating to our written and telephonic communications with our borrowers such as claims under the Telephone Consumer Protection Act, claims related to our payment, escrow and other processing operations, 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. In view of the inherent difficulty of predicting the outcome of any threatened or pending legal proceedings, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, we generally cannot predict what the eventual outcome of such proceedings will be, what the timing of the ultimate resolution will be, or what the eventual loss, if any, will be. Any material adverse resolution could materially and adversely affect our business, reputation, financial condition and results of operations.

Where we determine that a loss contingency is probable in connection with a pending or threatened legal proceeding and the amount of our loss can be reasonably estimated, we record an accrual for the loss. Excluding expenses of internal or external legal counsel, we have accrued $57.9 million as of March 31, 2017 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. We cannot currently estimate the amount, if any, of reasonably possible losses above amounts that have been recorded at March 31, 2017.

We have previously disclosed several putative securities fraud class action lawsuits filed against Ocwen and certain of its officers and directors that contain allegations in connection with the restatements of our 2013 and first quarter 2014 financial statements and our December 2014 Consent Order with the NY DFS, among other matters. Those lawsuits have been consolidated and are pending in federal court in Florida. In December 2015, the court dismissed the action in part. In November 2016, the court granted plaintiffs' motion for class certification with respect to the pending claims. We have recorded $8.0 million in our consolidated financial statements as of March 31, 2017 related to this certified, consolidated matter based on developments during the quarter. The amount recorded reflects our assessment of the probable contribution Ocwen would make to a settlement and consists of an accrual of $18.0 million, net of $10.0 million expected insurance recoveries. If we are successful in defending ourselves against this matter, it is possible that our losses could be less than $8.0 million. It is also possible that we could incur losses that materially exceed the amount accrued, and the resolution of this matter could have a material adverse impact on our business, reputation, financial condition, liquidity and results of operations. We cannot currently estimate the amount, if any, of reasonably possible loss above amounts previously accrued.

In January 2016, Ocwen was named as a defendant in a separate securities action brought on behalf of certain putative shareholders of Ocwen. Additional lawsuits may be filed and, at this time, Ocwen is unable to predict the outcome of these lawsuits, the possible loss or range of loss, if any, associated with the resolution of these lawsuits or any potential impact they may have on us or our operations. Ocwen and the other defendants intend to vigorously defend against these lawsuits. If our efforts to defend these lawsuits are not successful, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

As a result of the federal and state regulatory actions described below under "Regulatory", and the impact on our stock price, several putative securities fraud class action lawsuits have been filed against Ocwen and certain of its officers that contain allegations in connection with Ocwen's statements concerning its efforts to satisfy the evolving regulatory environment, and the resources it devoted to regulatory compliance. Additional lawsuits may be filed and, at this time, Ocwen is unable to predict the outcome of these lawsuits, the possible loss or range of loss, if any, associated with the resolution of these lawsuits or any potential impact they may have on us or our operations. Ocwen and the other defendants intend to vigorously defend against these lawsuits. If our efforts to defend these lawsuits are not successful, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

On February 17, 2017, OFC, OLS and Homeward signed an agreement with two qui tam relators to settle the following previously disclosed litigation matters relating to claims under the False Claims Act: (the Fisher Cases). The settlement agreement, which was subsequently approved by the United States, contained no admission of liability or wrongdoing by Ocwen and provided for the payment of $15.0 million to the United States and $15.0 million for the private citizens' attorneys' fees and costs. We accrued $30.0 million in 2016 with respect to the settlement agreement. The $57.9 million accrual for litigation matters noted above included the $30.0 million accrual that existed as of March 31, 2017 for the Fisher Cases. We paid the settlement amount in April 2017.

In several recent court actions, mortgage loan sellers against whom repurchase claims have been asserted based on alleged breaches of representations and warranties are defending on various grounds including the expiration of statutes of limitation, lack of notice and opportunity to cure, and vitiation of the obligation to repurchase as a result of foreclosure or charge-off of the loan. We have entered into tolling agreements with respect to our role as servicer for a small number of securitizations relating to our performance under the servicing agreements for those securitizations and may enter into additional tolling agreements in the future. Other court actions have been filed against certain RMBS trustees alleging that the trustees breached their contractual and statutory duties by, among other things, failing to require the loan servicers to abide by the servicers' obligations and failing to declare that certain alleged servicing events of default under the applicable contracts occurred.

Ocwen is a party in certain of these actions, is the servicer for certain securitizations involved in other such actions and is the servicer for other securitizations as to which actions have been threatened by certificate holders. We intend to vigorously defend ourselves in the lawsuits to which we have been named a party. Should Ocwen be made a party to other similar actions or should Ocwen be asked to indemnify any parties to such actions, we may need to defend ourselves against allegations that we failed to service loans in accordance with applicable agreements and that such failures prejudiced the rights of repurchase

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claimants against loan sellers or otherwise diminished the value of the trust collateral. At this time, we are unable to predict the ultimate outcome of these lawsuits, the possible loss or range of loss, if any, associated with the resolution of these lawsuits or any potential impact they may have on us or our operations. If, however, we were required to compensate claimants for losses related to the alleged loan servicing breaches, then our business, liquidity, financial condition and results of operations could be adversely affected.

In addition, a number of RMBS trustees have received notices of default alleging material failures by servicers to comply with applicable servicing agreements. Although Ocwen has not yet been sued by an RMBS trustee in response to a notice of default, there is a risk that Ocwen could be replaced as servicer as a result of said notices, that the trustees could take legal action on behalf of the trust certificateholders, or, under certain circumstances, that the investors who issue notices of default could seek to press their allegations against Ocwen, independent of the trustees. At present, one such group of affiliated investors sought to direct one trustee to bring suit against Ocwen. The trustee declined to bring suit, and the investors instead brought suit against Ocwen directly. Ocwen is vigorously defending itself in that action. We are unable at this time to predict what, if any, actions any trustee will take in response to a notice of default, nor can we predict at this time the potential loss or range of loss, if any, associated with the resolution of any notices of default or the potential impact on our operations. If Ocwen were to be terminated as servicer, or other related legal actions were pursued against Ocwen, it could have an adverse effect on Ocwen’s business, financing activities, financial condition and results of operations.

Regulatory

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

CFPB

On April 20, 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 platform and integrity of Ocwen’s mortgage servicing data, (2) Ocwen’s foreclosure practices and (3) various purported servicer errors with respect to borrower escrow accounts, hazard insurance policies, timely cancellation of private mortgage insurance, handling of customer complaints, and marketing of optional products. The CFPB alleges violations of unfair, deceptive acts or abusive practices, as well as violations of specific laws or regulations. The CFPB does not claim specific monetary damages, although it does seek consumer relief, disgorgement of allegedly improper gains, and civil money penalties. We believe we have factual and legal defenses to the CFPB’s allegations and intend to vigorously defend ourselves.

Prior to the CFPB instituting legal proceedings, we had been engaged with the CFPB in efforts to resolve the matter. We recorded $12.5 million as of December 31, 2016 as a result of these discussions. If we are successful in defending ourselves against the CFPB, it is possible that our losses could be less than $12.5 million. It is also possible that we could incur losses that materially exceed the amount accrued, and the resolution of the matters raised by the CFPB could have a material adverse impact on our business, reputation, financial condition, liquidity and results of operations. We cannot currently estimate the amount, if any, of reasonably possible loss above amounts previously accrued.

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 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, 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 loan origination and servicing businesses. We also regularly engage with state attorneys general and the CFPB and, on occasion, we engage with the Department of Justice 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

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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 or payment of monetary amounts to settle issues identified in connection with examinations or regulatory or other oversight activities.

On April 20, 2017 and subsequently, thirty state mortgage and banking regulatory agencies issued orders against OLS and certain other Ocwen companies. In general, the orders are styled as “cease and desist orders,” and we use that term to refer to all of the orders for ease of reference; we also include the District of Columbia regulator as a state regulator for ease of reference. All of the cease and desist orders apply to OLS, but additional Ocwen entities are named in some state orders, including Ocwen Financial Corporation, OMS, Homeward and Liberty. While each state’s cease and desist order is different, the orders generally prohibit a range of actions, including (1) acquiring new MSRs (17 states), (2) originating or acquiring new mortgage loans, where we would be the servicer (13 states), (3) originating or acquiring new mortgage loans (4 states) and (4) conducting foreclosure activities (2 states), among others. We intend to vigorously defend ourselves against unfounded claims while continuing to work with these regulatory agencies to resolve their concerns. We are currently working toward an agreement of an escrow account review plan to be conducted by an independent firm engaged by Ocwen. The independent firm would develop a statistically-based sample population, consistent with MMC guidelines (which would be substantially less than the entire loan population), as well as a possible targeted review of escrow accounts linked to certain loan categories. An agreement and implementation of an escrow review plan could be one aspect of a resolution of the cease and desist orders issued by the states described above. We have agreed with certain regulatory agencies, where necessary, to obtain delays or exceptions to the orders. Additionally, we have revised our operations, where necessary, so as to comply with the orders in the interim period while we attempt to negotiate resolutions. For example, in certain states, we are arranging to release servicing on new originations and we have paused our origination activities in two states. If we are unable to obtain timely resolutions in certain states, more serious consequences could result. For example, we could be required to transfer all of our mortgage servicing in Massachusetts and we could be required to cease mortgage servicing in Rhode Island. It is possible that the outcome of these state regulatory actions, whether through negotiated settlements or other resolutions, could be materially adverse to our business, reputation, financial condition, liquidity and results of operations. We cannot currently estimate the amount, if any, of reasonably possible loss related to these matters.

Certain of the state regulators’ cease and desist orders reference a confidential supervisory memorandum of understanding (MOU) that we entered into with the Multistate Mortgage Committee (MMC), a multistate coalition of various mortgage banking regulators, and six states relating to a servicing examination from 2013 to 2015. The MOU contained various provisions relating to servicing practices and safety and soundness aspects of the regulatory review, as a step toward closing the 2013-2015 examination. There were no monetary or other penalties under the MOU. Ocwen responded to the MOU items.

In April 2017, two state attorneys general took actions against us relating to our servicing practices. The Florida Attorney General 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 Attorney General’s lawsuit seeks injunctive and equitable relief, costs, and civil money penalties in excess of $10,000 per confirmed violation of the applicable statute. As previously disclosed, the Massachusetts Attorney General had sent us a civil investigative demand requesting information relating to various aspects of our servicing practices, including lender-placed insurance and property preservation fees. Subsequently, the Massachusetts Attorney General filed a lawsuit against OLS in the Superior Court for the Commonwealth of Massachusetts alleging violations of state consumer financial laws relating to our servicing business, including with respect to our activities relating to lender-placed insurance and property preservation fees. The Massachusetts Attorney General’s lawsuit seeks injunctive and equitable relief, costs, and civil money penalties of $5,000 per confirmed violation of the applicable statute. We believe we have valid defenses to the claims made in both lawsuits and are vigorously defending ourselves in both of them. The outcome of these two lawsuits, whether through negotiated settlements in conjunction with other state settlements or otherwise, could be materially adverse to our business, reputation, financial condition, liquidity and results of operations. We cannot currently estimate the amount, if any, of reasonably possible loss related to these matters.

On occasion, we engage with the Department of Justice 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 letter stated that at this point, the investigation is preliminary in nature and the Department of Justice has not made any determination as to whether OLS violated the act.

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. The subpoena consisted of a request for information but did not contain allegations against us.

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New York Department of Financial Services

In December 2014, we entered into a consent order (the 2014 NY Consent Order) with the NY DFS as a result of an investigation relating to Ocwen's servicing of residential mortgages. The 2014 NY Consent Order contained monetary and non-monetary provisions including the appointment of a third-party Operations Monitor to monitor various aspects of our operations and restrictions on our ability to acquire MSRs that effectively prohibit any such future acquisitions until we have satisfied certain specified conditions. We were also required to pay all reasonable and necessary costs of the Operations Monitor, and those costs were substantial.

On March 27, 2017, we entered into a consent order (the 2017 NY Consent Order) with the NY DFS that provided for (1) the termination of the engagement of the Operations Monitor on April 14, 2017, (2) a regulatory examination of our servicing business, following which the DFS would make a determination on whether the restrictions on our ability to acquire MSRs contained in the 2014 NY Consent Order should be eased and (3) certain reporting and other obligations, including in connection with matters identified in a final report by the Operations Monitor. In addition, if the NY DFS concludes that we have materially failed to comply with these obligations or otherwise finds that our servicing operations are materially deficient, the NY DFS may, among other things and in addition to its general authority to take regulatory action against us, require us to retain an independent consultant to review and issue recommendations on our servicing operations.

California Department of Business Oversight

In January 2015, OLS entered into a consent order (the 2015 CA Consent Order) with the CA DBO relating to our failure to produce certain information and documents during a routine licensing examination. The order contained monetary and non-monetary provisions, including the appointment of an independent third-party auditor (the CA Auditor) to assess OLS' compliance with laws and regulations impacting California borrowers and a prohibition on acquiring any additional MSRs for loans secured in California. We were also required to pay all reasonable and necessary costs of the CA Auditor, and those costs were substantial.

On February 17, 2017, OLS and two other subsidiaries, Ocwen Business Solutions, Inc. (OBS) and OFSPL, reached an agreement, in three consent orders (collectively, the 2017 CA Consent Order), with the CA DBO that terminated the 2015 CA Consent Order and resolved open matters between the CA DBO and OLS, OBS and OFSPL, including certain matters relating to OLS' servicing practices and the licensed activities of OBS and OFSPL. The 2017 CA Consent Order does not involve any admission of wrongdoing by OLS, OBS or OFSPL. Additionally, we have certain reporting and other obligations under the 2017 CA Consent Order. If the CA DBO were to allege that we failed to comply with these obligations or otherwise were in breach of applicable laws, regulations or licensing requirements, it could take regulatory action against us.

Ocwen National Mortgage Settlement

In December 2013, we entered into a settlement with the CFPB and various state attorneys general and other state agencies that regulate the mortgage servicing industry relating to various allegations regarding deficient mortgage servicing practices, including those with respect to foreclosures (the Ocwen National Mortgage Settlement). The settlement contained monetary and non-monetary provisions, including quarterly testing on various metrics to ensure compliance with the Ocwen National Mortgage Settlement.

For periods prior to 2016, the Office of Mortgage Settlement Oversight (OMSO) reports have detailed a number of instances where our testing has exceeded the applicable error rate threshold for a specific metric. Exceeding the metric error rate threshold for the first time does not result in a violation of the settlement, but rather it is deemed a "potential violation" which then is subject to a cure period following submission, approval and completion of a corrective action plan (CAP) to OMSO. Any further fails in the cure period or the quarter following that cure period would subject us to financial penalties. These penalties start at an amount of not more than $1.0 million for the first uncured violation and increase to an amount of not more than $5.0 million for the second uncured violation for certain metrics. In addition, in the event of substantial noncompliance with the settlement's servicing standards, it is possible that a party to the settlement could bring an action to enforce the terms of the settlement and seek to impose on us a broader range of financial, injunctive or other penalties. OMSO has not yet released any reports relating to 2016 testing. Ocwen's Internal Review Group's analysis for 2016 has not found any instances for a tested metric where we exceeded the applicable error rate threshold, but this analysis has not been validated by any third party.

While, to date, our performance under the Ocwen National Mortgage Settlement has not resulted in financial or other penalties, if we are found to have breached the settlement terms, we could become subject to financial penalties or other regulatory action could be taken against us.

Securities and Exchange Commission

In February 2015, we received a letter from the New York Regional Office of the SEC (the Staff) informing us that it was conducting an investigation relating to the use of collection agents by mortgage loan servicers. The letter requested that we

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voluntarily produce documents and information. We believe that the February 2015 letter was also sent to other companies in the industry. On February 11, 2016, we received a letter from the Staff informing us that it was conducting an investigation relating to fees and expenses incurred in connection with liquidated loans and REO properties held in non-agency RMBS trusts. The letter requested that we voluntarily produce documents and information. We are cooperating with the Staff on these matters.

To the extent that an examination, monitorship, 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) loss of our licenses and approvals to engage in our servicing and lending businesses, (ii) governmental investigations and enforcement actions, (iii) administrative fines and penalties and litigation, (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.

Loan Put-Back and Related Contingencies

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

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

Additionally, in one of the servicing contracts that Homeward acquired in 2008 from Freddie Mac, Homeward assumed the origination representations and warranties even though it did not originate the loans.

We receive origination representations and warranties from our network of approved originators in connection with loans we purchase 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 the current market environment, 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. As our lending business grows, we expect that our exposure to indemnification risks and repurchase requests is likely to increase. If home values were to decrease, our realized loan losses from loan repurchases and indemnifications may increase as well. As a result, our liability for repurchases may increase beyond our current expectations. If we are required to indemnify or repurchase loans that we originate and sell, or where we have assumed this risk on loans that we service, as discussed above, in either case resulting in losses that exceed our related liability, our business, financial condition and results of operations could be adversely affected.

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

At March 31, 2017 and March 31, 2016, we had outstanding representation and warranty repurchase demands of $45.4 million UPB (249 loans) and $81.9 million UPB (408 loans), respectively. We review each demand and monitor through resolution, primarily through rescission, loan repurchase or make-whole payment.

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The following table presents the changes in our liability for representation and warranty obligations, compensatory fees for foreclosures that may ultimately exceed investor timelines and similar indemnification obligations:

	For the Three Months Ended March 31,	
	2017	2016
Beginning balance	$24,285	$36,615
Provision for representation and warranty obligations	(2,680)	(840)
New production reserves	181	152
Charge-offs and other (1)	(2,250)	(3,598)
Ending balance	$19,536	$32,329

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

We believe that it is reasonably possible that losses beyond amounts currently recorded for potential representation and warranty obligations and other claims described above could occur, and such losses could have an adverse impact on our results of operations, financial condition or cash flows. However, based on currently available information, we are unable to estimate a range of reasonably possible losses above amounts that have been recorded at March 31, 2017.

Other

OLS, on its own behalf and on behalf of various investors, has been 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. Ocwen is in the process of settlement discussions with certain mortgage insurers. In some cases, Ocwen has entered into tolling agreements, initiated arbitration or litigation, or taken other similar actions. While we expect the ultimate outcome to result in recovery of some unpaid mortgage insurance claims, we cannot quantify the likely amount at this time.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as other portions of this Form 10-Q, may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. You can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could”, “intend,” “consider,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict” or “continue” or the ne terms or other comparable terminology. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Our business has been undergoing substantial change, which has magnified such uncertainties. You should bear these factors in mind when considering such statements and should not place undue reliance on such statements. Forward-looking statements involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those suggested by such statements. In the past, actual results have differed from those suggested by forward-looking statements, and this may happen again. You should consider all uncertainties and risks discussed or referenced in this report, including those under “Forward-Looking Statements” and Item 1A, Risk Factors, as well as those discussed in our other reports and filings with the SEC, including those in Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2016 and our Current Reports on Form 8-K since such date.

OVERVIEW

We are a financial services company that services and originates loans. As of March 31, 2017, our residential servicing portfolio consisted of 1,353,956 loans with a UPB of $202.4 billion. We primarily originate, purchase, sell and securitize conventional and government-insured forward mortgage loans and reverse mortgages. In the first quarter of 2017, our lending business originated or purchased forward and reverse mortgage loans with a UPB of $840.5 million and $273.1 million, respectively.

Business Overview

We are a leader in the servicing industry in foreclosure prevention and loss mitigation that helps families stay in their homes and improves financial outcomes for investors. Our leadership in the industry is evidenced by our high cure rate for delinquent loans and above average rate of continuing performance by homeowners whose loans we have modified. Overall, Ocwen has completed over 735,000 loan modifications from January 1, 2008 through March 31, 2017.

As discussed in further detail under “Operations Summary” and “Segment Results of Operations” below, a key driver of our first quarter of 2017 operating results as compared to the first quarter of 2016, was a decline in expenses that was primarily driven by favorable fair value changes and lower legal and monitor expenses. This decrease in expenses more than offset a decrease in servicing revenue driven largely by normal portfolio runoff. We have continued to make progress in our efforts to improve financial results through our various cost improvement initiatives. Our servicing and lending segments were both profitable in the first quarter of 2017.

Our business continues to be impacted by regulatory actions, regulatory settlements and the current regulatory environment. We have faced, and expect to continue to face, heightened regulatory and public scrutiny as well as stricter and more comprehensive regulation of our business. For example, since April 20, 2017, the CFPB, thirty state mortgage and banking regulatory agencies and two state attorneys general have taken regulatory actions against us, as discussed in further detail below under “Recent Regulatory Actions.” We continue to work diligently to assess the implications of the regulatory environment in which we operate and to meet the requirements of the current environment. We devote substantial resources to regulatory compliance and to addressing regulatory actions and engagements, while, at the same time, striving to meet the needs and expectations of our customers, clients and other stakeholders. Our business, operating results and financial condition have been significantly impacted in recent periods by legal and other fees and settlement payments related to litigation and regulatory matters, including the costs of third-party monitoring firms under our regulatory settlements. To the extent we are unable to avoid, mitigate or offset similar expenses in future periods, our business, operating results and financial condition will continue to be adversely affected, even if we are successful in our ongoing efforts to optimize our cost structure and grow our revenue through investment in our lending business and new business ventures.

Our regulatory settlements with the NY DFS in December 2014 and the CA DBO in January 2015 have significantly limited our ability in recent periods to grow our servicing portfolio, which naturally decreases over time through portfolio runoff. In connection with a settlement reached in February 2017, the CA DBO restrictions have now been lifted. However, we are still subject to restrictions under the NY DFS consent order. In addition, as discussed further below under “Recent Regulatory Actions,” we currently anticipate that, if we are successful in coming to a negotiated resolution with some or all of the state regulatory agencies, we may continue to be restricted from acquiring MSRs for some additional period of time. If we are successful in removing regulatory restrictions on acquisitions of servicing, we would consider acquiring servicing if we view the purchase price and other terms to be attractive. We would also need to determine that such acquisitions were an appropriate use of our available capital at such time. Generally, we would benefit from economies of scale if we were able to increase the size of our servicing portfolio.

Our servicing revenues in recent years have benefited significantly from our participation in the Federal Government’s HAMP loan modification program. HAMP expired on December 31, 2016, although borrowers, who have requested assistance or to whom an offer of assistance has been extended as of that date, will have until September 30, 2017 to finalize their modification. Accordingly, even though we continue to receive certain trailing fees, such as HAMP success fees to the extent that a borrower remains current in any agreed-upon loan modification, we anticipate that our servicing revenues will be significantly and adversely affected by the expiration of the HAMP program. HAMP fees accounted for $21.0 million, or 7% of total servicing segment revenues in the first quarter of 2017, and $22.6 million, or 7% of total servicing segment revenues in the first quarter of 2016.

We anticipate that our future financial results and our financial condition will likely be impacted by the two factors discussed below, recent regulatory actions against us and our recent discussions with NRZ.

Recent Regulatory Actions

Significant recent regulatory developments impacting our business include the following:

- On February 17, 2017, we entered into three consent orders (collectively, the 2017 CA Consent Order) with the CA DBO that terminated a 2015 consent order with the CA DBO, including terminating the engagement of an independent third-party auditor (the CA Auditor) and rescinding the prohibition on Ocwen acquiring MSRs for loans secured in California. The termination of the CA Auditorship will reduce Professional services expenses going forward.
- On March 27, 2017, we entered into a consent order with the NY DFS that provided for the termination of the engagement of the third-party operations monitor and for a determination on whether the restrictions on acquisition of MSRs should be eased following completion of a scheduled servicing examination. The termination of the NY DFS monitorship will reduce Professional services expenses going forward.

- On April 20, 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. 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 intend to vigorously defend ourselves. We have asked the federal court to consider making an early ruling that the CFPB is unconstitutional and the enforcement action should be dismissed for that reason. We also informed the district court that the Department of Justice recently stated its official conclusion that the CFPB is unconstitutionally structured, and so we asked the district court to invite the Department to participate in the legal briefing in our case.

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- On April 20, 2017, the Florida Attorney General 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. On April 28, 2017, the Massachusetts Attorney General filed an action against OLS in the Superior Court for the Commonwealth of Massachusetts alleging violations of state consumer financial laws relating to our servicing business. Ocwen strongly disputes the claims of these Attorneys General and intends to vigorously defend itself in these actions.
- Since April 20, 2017, thirty state mortgage and banking regulatory agencies have taken regulatory action against us alleging breaches of various laws, regulations and licensing requirements, including those related to escrow administration and proper licensing of business activities. We intend to vigorously defend against unfounded claims while continuing to work with these regulatory agencies to resolve their concerns.

See Note 17 – Regulatory Requirements and Note 19 – Contingencies to the Unaudited Consolidated Financial Statements for additional information for further information regarding regulatory requirements, regulatory settlements and regulatory-related contingencies.

With respect to the actions of state regulatory agencies, we intend to vigorously defend against unfounded claims while continuing to work with the state regulatory agencies to resolve their concerns. We have agreed with certain regulatory agencies, where necessary, to obtain delays or exceptions to the orders. Additionally, we have revised our operations, where necessary, so as to comply with the orders in the interim period while we attempt to negotiate resolutions. For example, in certain states we are arranging to release servicing on new originations and we have paused our origination activities in two states. We have also paused foreclosure activity in two states, which currently impacts less than 150 mortgage loans. While we do not currently believe these limitations on our loan origination or servicing activities will have a material impact on our financial results if we can resolve these agencies' concerns on a timely basis, we do expect our loan origination volumes to decline until such time as we reach resolution. We also expect that our legal expenses will increase and it is possible that our borrowing costs could also increase, among other factors. If we are unable to obtain timely resolutions in certain states, more serious consequences could result. For example, we could be required to transfer all of our mortgage servicing in Massachusetts and we could be required to cease mortgage servicing in Rhode Island. To the extent we are unable to reach a timely resolution with some or all of the state regulatory agencies or attorneys general or should the number or scope of the regulatory actions against us increase or expand, our business, reputation, financial condition, liquidity and results of operations could be adversely affected.

Recent NRZ Developments

On May 1, 2017, we announced we are working toward an agreement with NRZ that would convert NRZ's existing Rights to MSRs to fully-owned MSRs and extend the term of our relationship for at least two years; the process of transferring legal ownership would be initiated as soon as possible upon execution of definitive agreements, which would include a new fixed term subservicing agreement. In effect, the new arrangement would convert the existing arrangement into a more traditional subservicing arrangement and involve upfront payments to Ocwen as MSRs transfer based on an amortized value of $425.0 million, depending on the time it takes to receive consents for MSR transfers. Conceptually, these upfront payments are a proxy for the net present value of the difference between higher future fees for servicing the mortgage loans under the existing agreements and the lower fees for servicing the mortgage loans under the new subservicing arrangement. Under the agreement, NRZ would also make an equity investment in Ocwen, acquiring newly-issued common shares equal to 4.9% of the outstanding shares post-issuance. Unless and until a definitive agreement is executed, Ocwen and NRZ will continue to operate under the existing Rights to MSRs agreements. There can be no assurance that a definitive agreement will be entered into with NRZ on the terms currently being discussed or at all.

We believe that these new arrangements will solidify and strengthen our relationship with NRZ by extending our relationship out to at least 2022 and by providing for NRZ to be further invested in our economic success through its equity stake. These new arrangements would also remove a level of uncertainty that exists in the marketplace concerning NRZ's future intentions and ability to move servicing without us retaining our rights to be paid the servicing fees and other amounts payable under our agreements with NRZ. Under our existing agreements with NRZ, if a termination event exists, NRZ has the right to direct the transfer of servicing with respect to any affected servicing agreements to an appropriately licensed replacement servicer that obtains all required third-party consents without Ocwen retaining its economics. During our negotiations with NRZ, NRZ has informed us that its position is that a termination event has occurred under our agreements with NRZ because our current Moody’s servicer rating is allegedly below the threshold to trigger a termination event. NRZ has also informed us that it does not intend to take any action to transfer servicing without us retaining our economics, although it has reserved its rights. As Ocwen has previously publicly stated, Ocwen does not consider any termination event to have occurred based on Ocwen’s current servicer ratings. Hypothetically, even if a termination event had occurred, we believe that NRZ’s potential transfer rights would apply to only a small portion of the NRZ portfolio and a very small portion of Ocwen's overall portfolio because affected servicing agreements would need to contain a servicer rating event of default that was triggered in order to be “affected” under the terms of Ocwen’s agreements with NRZ. In such a scenario, based on existing rating agency servicer ratings, as of March 31, 2017, NRZ could exercise this potential right on approximately 9% of its Ocwen servicing portfolio, representing just 5% of Ocwen's overall servicing portfolio. NRZ has informed Ocwen that it disagrees with Ocwen on this point and that its position is that it could transfer all of Ocwen's servicing away from Ocwen if a termination event relating to a rating agency servicer rating has occurred without us retaining our economics. We are currently negotiating toward a definitive agreement with NRZ to implement these new arrangements.

Results of Operations and Financial Condition

The following discussion and analysis of our results of operations and financial condition should be read in conjunction with our unaudited consolidated financial statements and the related notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operation appearing in Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Operations Summary

The following table presents summarized consolidated operating results for the three months ended March 31:

	2017	2016	% Change
Revenue			
Servicing and subservicing fees	$272,502	$297,496	(8)%
Gain on loans held for sale, net	22,944	15,572	47
Other	26,418	17,689	49
Total revenue	321,864	330,757	(3)
Expenses			
Compensation and benefits	91,801	96,249	(5)
Servicing and origination	67,907	95,692	(29)
Professional services	41,829	70,907	(41)
Technology and communications	27,347	26,869	2
Occupancy and equipment	17,749	24,745	(28)
Amortization of mortgage servicing rights	12,715	12,806	(1)
Other	17,035	1,389	n/m
Total expenses	276,383	328,657	(16)
Other income (expense)			
Interest expense	(84,062)	(106,089)	(21)
Gain on sale of mortgage servicing rights, net	287	1,175	(76)
Other, net	7,796	689	n/m
Total other expense, net	(75,979)	(104,225)	(27)
Loss before income taxes	(30,498)	(102,125)	(70)
Income tax expense	2,125	9,076	(77)
Net loss	(32,623)	(111,201)	(71)
Net income attributable to non-controlling interests	(101)	(130)	(22)
Net loss attributable to Ocwen stockholders	$(32,724)	$(111,331)	(71)
Segment income (loss) before income taxes:			
Servicing	$3,131	$(65,679)	(105)%
Lending	1,109	(579)	(292)
Corporate Items and Other	(34,738)	(35,867)	(3)
	$(30,498)	$(102,125)	(70)%

n/m: not meaningful

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Three Months Ended March 31, 2017 versus 2016

Servicing and subservicing fees for the first quarter of 2017 were $25.0 million, or 8%, lower than the first quarter of 2016, primarily due to portfolio runoff. The average UPB and average number of assets in our residential portfolio declined 16% and 14%, respectively, as compared to the first quarter of 2016.

Gains on loans held for sale for the first quarter of 2017 increased $7.4 million, or 47%, as compared to the first quarter of 2016. Gains on loans held for sale from our lending operations increased $6.2 million, primarily as a result of higher volumes and improved margin rates in our reverse lending business.

Expenses were $52.3 million, or 16%, lower in the first quarter of 2017 as compared to the first quarter of 2016. MSR amortization and valuation adjustments (including both fair value adjustments and impairment charges), decreased $31.6 million, or 44%, as compared to the first quarter of 2016, principally due to a $28.6 million decrease in impairment charges related to our government insured MSRs and the effects of portfolio runoff. Monitor expenses decreased $25.7 million as compared to the first quarter of 2016 primarily as a result of reduced costs related to the CA Auditor, whose appointment was terminated in February 2017.

Excluding MSR amortization and valuation adjustments and monitor expenses, expenses were $5.0 million, or 2%, higher in the first quarter of 2017 than the first quarter of 2016. Other expense increased by $15.6 million - to $17.0 million - primarily due to a $6.1 million provision for losses on automotive dealer financing notes we recognized in the first quarter of 2017 and a $3.3 million increase in the provision for indemnification obligations. The loss provision recorded by the ACS business on its portfolio of automotive dealer financing notes was required principally because of the deterioration since December 31, 2016 in the credit quality of notes due from certain dealers. At March 31, 2017, due to the increase in the age of these notes, we have assumed that the notes due from these dealers are fully collateral-dependent, with no recoveries beyond estimated liquidation value of the remaining unsold inventory.

Servicing and origination expense, excluding MSR valuation adjustments, increased $3.7 million. Occupancy and equipment expense declined by $7.0 million, or 28%, largely because of the effect of the decline in the size of the servicing portfolio on various expenses, particularly postage and other delivery services, and the effect of consolidating facilities. Compensation and benefits expense declined $4.4 million, or 5%, as average headcount declined by 9%, including a 9% reduction in U.S.-based headcount. The decline in headcount occurred principally in our Servicing business where headcount declined by 11%, including a 19% reduction in the U.S. Professional services expense, excluding monitor expenses, was $3.4 million, or 8%, lower in the first quarter of 2017 as compared to the first quarter of 2016 due to a $2.9 million decline in consulting fees and other professional fees.

Interest expense for the first quarter of 2017 declined $22.0 million, or 21%, as compared to the first quarter of 2016 primarily due to declines in the value of the NRZ financing liability, principally as a result of runoff of the NRZ servicing portfolio, lower match funded liabilities consistent with the decline in servicing advances and the effect of the higher amortization of facility costs in the first quarter of 2016. In addition, interest expense for the first quarter of 2016 included $6.2 million of additional payments to NRZ to compensate it for certain increased costs associated with an earlier downgrade of our S&P servicer rating.

Although we incurred a pre-tax loss of $30.5 million for the first quarter of 2017, we recorded income tax expense of $2.1 million due to the mix of earnings among different tax jurisdictions with different statutory tax rates, which impacts the amount of the tax benefit or expense recorded. Finally, we recognized income tax expense related to uncertain tax positions. The overall effective tax rate for the first quarter of 2017 was (7)%, compared to (9)% for the first quarter of 2016. This change primarily resulted from a reduction in income tax expense related to uncertain tax positions in the first quarter of 2017 as compared to the first quarter of 2016.

Financial Condition Summary

The following table presents summarized consolidated balance sheet data at the dates indicated:

	March 31, 2017	December 31, 2016	% Change
Cash	$268,320	$ 256,549	5 %
Mortgage servicing rights	1,010,518	1,042,978	(3)
Advances and match funded advances	1,599,598	1,709,846	(6)
Loans held for sale	339,153	314,006	8
Loans held for investment, at fair value	3,916,387	3,565,716	10
Other	729,168	766,568	(5)
Total assets	$7,863,144	$ 7,655,663	3 %
Total assets by segment:			
Servicing	$3,157,083	$ 3,312,371	(5)%
Lending	4,248,844	3,863,862	10
Corporate Items and Other	457,217	479,430	(5)
	$7,863,144	$ 7,655,663	3 %
Financing liabilities	4,295,408	4,012,812	7
Match funded liabilities	1,215,212	1,280,997	(5)%
SSTL and other secured borrowings, net	738,447	678,543	9
Senior notes, net	346,929	346,789	—
Other	643,714	681,239	(6)
Total liabilities	$7,239,710	$ 7,000,380	3 %
Total liabilities by segment:			
Servicing	$2,238,790	$ 2,369,697	(6)%
Lending	4,156,394	3,785,974	10
Corporate Items and Other	844,526	844,709	—
	$7,239,710	$ 7,000,380	3 %
Total equity	$623,434	$ 655,283	(5)%

Changes in the composition and balance of our assets and liabilities during the three months ended March 31, 2017 are principally attributable to Loans held for investment and Financing liabilities, which increased as a result of our reverse mortgage securitizations accounted for as secured financings. Match funded liabilities declined consistent with lower advances and match funded advances on a declining servicing portfolio. Total equity declined as a result of the net loss we incurred for the three months ended March 31, 2017.

SEGMENT RESULTS OF OPERATIONS

Our activities are organized into two reportable business segments that reflect our primary lines of business - Servicing and Lending - as well as a Corporate Items and Other segment. While our expense allocation methodology for the current period is consistent with that used in prior periods presented, during the first quarter of 2017, we moved certain functions which had been associated with corporate cost centers to our Lending and Servicing segments because these functions align more closely with those segments. As applicable, the results of operations for the first quarter of 2016 have been recast to conform to the current period presentation. As a result of these changes, income before income taxes for the Lending segment decreased by $2.6 million while loss before income taxes for the Servicing segment decreased by the same amount for the three months ended March 31, 2016.

Explanation of Responses:

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 HAMP fees, float earnings, REO referral commissions, Speedpay® fees and late fees, in connection with owned MSRs. We also earn fees under both subservicing and special servicing arrangements with banks and other institutions that own the MSRs. We typically earn these fees either as a percentage of UPB or on a per loan basis. Per loan fees typically vary based on delinquency status.

Loan Resolutions

Because we recognize servicing fees as revenue when the fees are earned, loan resolution activities are important to our financial performance. We recognize delinquent servicing fees and late fees as revenue when we collect cash on resolved loans, where permitted. 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 the best 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.

Because the majority of our loan modifications have been in connection with the HAMP loan modification program, its expiration on December 31, 2016, will significantly, and adversely, affect our servicing revenue and the financial performance of our servicing segment in future periods if we are unable to replace HAMP with other modification programs. We estimate the balance of deferred servicing fees related to delinquent borrower payments was $357.7 million and $380.2 million, respectively, at March 31, 2017 and December 31, 2016. We are contractually obligated to remit to NRZ all deferred servicing fees collected in connection with MSRs underlying Rights to MSRs. However, under our agreements with NRZ, in addition to base servicing fees, we are entitled to performance fees that increase to the extent we collect deferred servicing fees. As such, the majority of the deferred servicing fees collected are recognized by us as additional revenue without a corresponding increase in interest expense related to the NRZ financing liability.

Advance Obligation

As a servicer, we are generally obliged 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 loans in non-Agency securitization trusts, if we determine that our P&I Advances cannot be recovered from the projected future cash flows, we generally have the right to cease making P&I Advances, declare advances, where permitted including T&I and Corporate advances, in excess of net proceeds to be non-recoverable and, in most cases, immediately recover any such excess advances from the general collection accounts of the respective trust. 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, but not all, subservicing agreements provide for more rapid reimbursement of any advances from the owner of the servicing rights. NRZ effectively funds advances on loans for which we have sold the Rights to MSRs because NRZ is contractually required to buy the advances we make on those loans under our agreements with NRZ.

HUD Note Sales

We participate in HUD's asset sale programs for non-performing loans insured by FHA (HUD Note Sales), the majority of which are associated with the Aged Delinquent Portfolio Loan Sale (ADPLS) program. HUD Note Sales programs are alternatives to the normal conveyance claim process in which a servicer must complete the foreclosure process and then convey the vacant, and potentially rehabilitated, home to FHA. Under each sale, the assignment of the loan to HUD by the servicer accelerates the receipt of claim proceeds by the servicer, significantly shortening the foreclosure and claim timelines and reducing related servicer expenses. HUD accepts and pools the resulting uninsured loans for resale through an auction process. The cancellation of the FHA insurance by HUD and sale of the uninsured loan delays the foreclosure process and gives the borrower more time and another chance to avoid foreclosure, options that may not have been feasible while the loans were insured. ADPLS differs from other HUD loan sale programs, in which Ocwen has participated on a smaller scale, in that the

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loans targeted for approval are over three years delinquent. There have been no new HUD Note Sales announced in 2017, but we would expect to participate if or when available.
Similar to 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, Morningstar, S&P and Fitch. Favorable ratings from these agencies are important to the conduct of our loan servicing and lending businesses.
The following table summarizes our key ratings by these rating agencies:

	Moody's	Morningstar	S&P	Fitch
Residential Prime Servicer	SQ3-	MOR RS3	Average	RPS3-
Residential Subprime Servicer	SQ3-	MOR RS3	Average	RPS3-
Residential Special Servicer	SQ3-	MOR RS3	Average	RSS3-
Residential Second/Subordinate Lien Servicer	SQ3-	—	Average	RPS3-
Residential Home Equity Servicer	—	—	—	RPS3-
Residential Alt A Servicer	—	—	—	RPS3-
Master Servicing	SQ3	—	Average	RMS3-
Ratings Outlook	N/A	Positive	Stable	Negative
Date of last action	April 24, 2017	April 25, 2017	August 9, 2016	April 25, 2017

In addition to servicer ratings, each of the rating agencies will from time to time assign an outlook (or a ratings watch such as Moody's review status) to the rating status of a mortgage servicer. A negative outlook is generally used to indicate that a rating "may be lowered," while a positive outlook is generally used to indicate a rating "may be raised." S&P's servicer ratings outlook for Ocwen is stable in general and its outlook for master servicing is positive. Fitch Ratings changed the servicer ratings Outlook to Negative from Stable on April 25, 2017. Moody's placed the servicer ratings on Review for Downgrade on April 24, 2017. Morningstar changed its forecast to On Alert from Positive on April 25, 2017.
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. In addition, a termination event under our existing agreements with NRZ could be triggered if our current residential primary servicer ratings for subprime loans with S&P, Moody's or Fitch are downgraded, which would give NRZ the right to direct the transfer of servicing with respect to any affected servicing agreements to an appropriately licensed replacement servicer that obtains all required third-party consents without Ocwen retaining its economics. As discussed above, we are currently in the process of negotiating new arrangements with NRZ.

The following table presents the results of operations of our Servicing segment for the three months ended March 31. The amounts presented are before the elimination of balances and transactions with our other segments:

	2017	2016	% Change
Revenue			
Servicing and subservicing fees:			
Residential	$270,551	$295,858	(9)%
Commercial	2,254	1,783	26
	272,805	297,641	(8)
Gain (loss) on loans held for sale, net	168	(853)	(120)
Other	11,046	10,639	4
Total revenue	284,019	307,427	(8)
Expenses			
Compensation and benefits	41,122	50,126	(18)
Servicing and origination	62,215	92,974	(33)
Professional services	19,883	33,503	(41)
Technology and communications	12,273	15,460	(21)
Occupancy and equipment	12,348	20,551	(40)
Amortization of mortgage servicing rights	12,643	12,725	(1)
Other	56,429	48,978	15
Total expenses	216,913	274,317	(21)
Other income (expense)			
Interest income	87	(147)	(159)
Interest expense	(67,351)	(96,474)	(30)
Gain on sale of mortgage servicing rights, net	287	1,175	(76)
Other, net	3,002	(3,343)	(190)
Total other expense, net	(63,975)	(98,789)	(35)
Income (loss) before income taxes	$3,131	$(65,679)	(105)%

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The following tables provide selected operating statistics at or for the three months ended March 31:

	2017	2016	% Change
Residential Assets Serviced at March 31			
Unpaid principal balance (UPB):			
Performing loans (1)	$180,776,877	$206,279,041	(12)%
Non-performing loans	17,597,841	25,600,505	(31)
Non-performing real estate	3,994,296	5,201,490	(23)
Total	$202,369,014	$237,081,036	(15)%
Conventional loans (2)	$58,602,462	$72,791,181	(19)%
Government-insured loans	22,713,860	24,944,465	(9)
Non-Agency loans	121,052,692	139,345,390	(13)
Total	$202,369,014	$237,081,036	(15)%
Percent of total UPB:			
Servicing portfolio	41 %	41 %	— %
Subservicing portfolio	2	3	(33)
NRZ (3)	56	56	—
Non-performing assets	11	13	(15)
Count:			
Performing loans (1)	1,244,813	1,397,702	(11)%
Non-performing loans	88,685	126,165	(30)
Non-performing real estate	20,458	27,100	(25)
Total	1,353,956	1,550,967	(13)%
Conventional loans (3)	344,293	413,455	(17)%
Government-insured loans	166,585	181,030	(8)
Non-Agency loans	843,078	956,482	(12)
Total	1,353,956	1,550,967	(13)%
Percent of total count:			
Servicing portfolio	39 %	39 %	— %
Subservicing portfolio	2	3	(33)
NRZ (3)	58	58	—
Non-performing assets	8	10	(20)

	2017	2016	% Change
Residential Assets Serviced for the Three Months Ended March 31			
Average UPB:			
Servicing portfolio	$84,197,052	$98,990,262	(15)%
Subservicing portfolio	4,237,038	10,049,109	(58)
NRZ (3)	116,848,651	134,958,899	(13)
Total	$205,282,741	$243,998,270	(16)%

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	2017	2016	% Change
Prepayment speed (average CPR)	14 %	13 %	8 %
% Voluntary	79	77	3
% Involuntary	21	23	(9)
% CPR due to principal modification	2	2	—
Average count:			
Servicing portfolio	535,788	620,460	(14)%
Subservicing portfolio	30,679	62,103	(51)
NRZ (3)	805,146	906,267	(11)
	1,371,613	1,588,830	(14)%
Residential Servicing and Subservicing Fees for the Three Months Ended March 31			
Loan servicing and subservicing fees:			
Servicing	$66,405	$75,470	(12)%
Subservicing	3,520	7,239	(51)
NRZ	147,311	162,129	(9)
	217,236	244,838	(11)
HAMP fees	20,971	22,622	(7)
Late charges	16,708	18,525	(10)
Loan collection fees	6,308	7,119	(11)
Other	9,328	2,754	239
	$270,551	$295,858	(9)%
Interest Expense on NRZ/HLSS Financing Liability (4)			
Servicing fees collected on behalf of NRZ/HLSS	$147,311	$162,129	(9)%
Less: Subservicing fee retained by Ocwen	79,154	84,370	(6)%
Net servicing fees remitted to NRZ/HLSS	68,157	77,759	(12)%
Less: Reduction in financing liability	16,999	18,201	(7)%
Interest expense on NRZ/HLSS financing liability	$51,158	$59,558	(14)%
Number of Completed Modifications			
HAMP	8,948	7,699	16 %
Non-HAMP	9,447	8,905	6
Total	18,395	16,604	11 %

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	2017	2016	% Change
Financing Costs			
Average balance of advances and match funded advances	$1,647,852	$2,103,995	(22)%
Average borrowings			
Match funded liabilities	1,243,155	1,570,931	(21)
Financing liabilities	568,025	685,364	(17)
Other secured borrowings	25,136	422,829	(94)
Interest expense on borrowings			
Match funded liabilities	12,727	18,174	(30)
Financing liabilities	52,972	67,707	(22)
Other secured borrowings	416	9,333	(96)
Effective average interest rate			
Match funded liabilities	4.10 %	4.63 %	(11)
Financing liabilities (4)	37.30	39.52	(6)
Other secured borrowings	6.62	8.83	(25)
Facility costs included in interest expense	$1,597	$8,675	(82)
Discount amortization included in interest expense	—	206	(100)
Average 1-month LIBOR	0.83 %	0.43 %	93
Average Employment			
India and other	5,583	6,167	(9)%
U. S.	1,253	1,540	(19)
Total	6,836	7,707	(11)%
Collections on loans serviced for others	$9,280,536	$9,653,475	(4)%

(1) Performing loans include those loans that are current (less than 90 days past due) and those loans for which borrowers are making scheduled payments under loan modification, forbearance or bankruptcy plans. We consider all other loans to be non-performing.

(2) Conventional loans include 159,304 and 191,455 prime loans with a UPB of $29.1 billion and $36.9 billion at March 31, 2017 and March 31, 2016, respectively, that we service or subservice.

(3) Loans serviced by Ocwen for which the Rights to MSRs have been sold to NRZ. Under the agreements associated with the NRZ/HLSS Transactions, we remit servicing fees collected on the underlying MSRs, except for the ancillary fees (other than float earnings). The servicing fees that we remit, net of the subservicing and performance fees that we receive, are accounted for as a reduction of the NRZ financing liability and as interest expense. Changes in the fair value of the MSRs underlying the financing liability are also included in the amount reported as interest expense.

(4) The effective average interest rate on the financing liability that we recognized in connection with the sales of Rights to MSRs to NRZ is 43.64% and 49.31% for the three months ended March 31, 2017 and 2016, respectively. Interest expense on financing liabilities for the three months ended March 31, 2016 included $6.2 million of fees incurred in connection with our agreement to compensate NRZ through June 2016 for certain increased costs associated with its servicing advance financing facilities that were the direct result of a downgrade of our S&P servicer rating in 2015.

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

	Amount of UPB		Count	
	2017	2016	2017	2016
Portfolio at January 1	$209,092,130	$250,966,112	1,393,766	1,624,762
Additions	1,403,213	1,531,715	6,675	7,969
Sales	(52,162)	(34,643)	(260)	(126)
Servicing transfers	(220,169)	(6,745,819)	(1,253)	(34,506)
Runoff	(7,853,998)	(8,636,329)	(44,972)	(47,132)
Portfolio at March 31	$202,369,014	$237,081,036	1,353,956	1,550,967

Three Months Ended March 31, 2017 versus 2016

The key driver of our servicing segment operating results, as compared to the first quarter of 2016, was a $57.4 million, or 21% decline in total expenses, which more than offset the $25.3 million, or 9% decline in total residential servicing and subservicing fee revenue driven by a decline in the average UPB and average number of assets in our residential servicing and subservicing portfolio due to runoff of the portfolio.

Total completed modifications increased 11% as compared to the first quarter of 2016. The increase in modification volume is primarily attributed to the streamlined HAMP program, which began in the second quarter of 2016. The portion of modifications completed under HAMP (including streamlined HAMP) as a percentage of total modifications increased to 49% in the first quarter of 2017 as compared to 46% for the first quarter of 2016 in spite of the expiration of the HAMP program on December 31, 2016. Borrowers who had requested assistance or to whom an offer of assistance had been extended as of that date have until September 30, 2017 to finalize their modification. We recognized revenue of $39.2 million and $42.0 million during the first quarter of 2017 and 2016, respectively, in connection with loan modifications. Modification related revenue declined, despite an increase in completed modifications, due to lower levels of delinquencies on completed modifications and lower incentive fees paid on previously modified loans that continue to perform (HAMP success fees). HAMP success fees can be earned for up to three years after a successful modification, but were only available through earlier HAMP programs for which there have been fewer new modifications to replace those where we no longer earn incentive payments despite the continued good standing of the loan.

Expenses were $57.4 million, or 21%, lower in the first quarter of 2017 as compared to the first quarter of 2016. A 19% reduction in average U.S.-based headcount and the migration of certain operations offshore, where we believe we realize cost efficiencies while maintaining operational effectiveness, enabled reductions in Compensation and benefits expense of $9.0 million, or 18%.

Servicing and origination expense, excluding MSR valuation adjustments, increased only $0.8 million, or 2% in the first quarter of 2017 as compared to the first quarter of 2016.

MSR amortization and valuation adjustments (including both fair value adjustments and impairment charges) decreased $31.6 million due to a decrease in impairment charges related to our government insured MSRs and the effects of portfolio runoff. Increasing interest rates typically result in decreased prepayment activity for MSRs, which generally increases the value of our MSRs as the underlying loans prepay slower. We recognized impairment charges of $1.4 million and $30.0 million on our government-insured MSRs during the first quarter of 2017 and 2016, respectively, reflecting higher interest rates as compared to the first quarter of 2016.

Occupancy and equipment expense declined $8.2 million largely because of the effect of the decline in the average number of assets in our servicing portfolio and various cost improvement initiatives on various expenses, principally the cost of postage and other delivery services. Professional services expense declined $13.6 million largely due to a $10.4 million decline in legal expenses that was principally the result of expenses incurred during the first quarter of 2016 in connection with our defense of various legal proceedings, primarily the now-settled Fisher matter.

Technology and communication expense declined by $3.2 million. However, this decline was more than offset by an increase of $5.5 million in technology allocations, which are part of the costs charged through corporate overhead allocations. Excluding technology allocations, costs charged through corporate overhead allocations (which are included in Other expense) declined $1.2 million.

Interest expense declined by $29.1 million, or 30%, in the first quarter of 2017 compared to the first quarter of 2016 primarily due to reductions in interest expense related to the NRZ financing liability, the December 2016 transfer of the SSTL from Servicing to Corporate Items and Other when we entered into an amended and restated SSTL facility agreement, and

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lower match funded liabilities and related commitment fees. The payment of servicing fees to NRZ less subservicing fees retained by us is recognized as interest expense on the NRZ financing liabilities. This interest expense decreased by $14.6 million, principally because of the decline in the average UPB of the NRZ servicing portfolio due to runoff and because of improvements in the ratio of advances to UPB, which impacts the amount of performance fees paid to Ocwen. In addition, interest expense for the first quarter of 2016 includes $6.2 million of fees in connection with our agreement to compensate NRZ/HLSS for certain increased costs associated with its servicing advance financing facilities that were the direct result of a previous downgrade of our S&P servicer rating. The decline in match funded liabilities was consistent with the decline in servicing advances on our smaller servicing portfolio.

During the first quarter of 2017, we recognized net gains of $0.3 million in Other income on the sale of Agency and non-Agency MSRs relating to loans with a UPB of $52.2 million. Other income for the first quarter of 2016 includes net gains of $1.2 million recognized on the sale of Agency MSRs relating to loans with a UPB of $34.5 million.

Lending

While we expect our loan origination volumes to decline until such time as we reach resolution with respect to the recent actions of state regulatory agencies, we are working to increase the scale and breadth of our Lending business. Although the slowing of the HARP program presents a challenge, we are focused on increasing conversion rates (i.e., recapture) on our existing servicing portfolio and expanding our geographic footprint through growing our wholesale origination businesses. Building the sales and operations capacity to meet this need is a goal for the business, as well as investment in the development of our Loan Operating System (LOS) and the continued use of process improvements to drive productivity.

Our lending business represents an organic source of new MSRs for our servicing business through the MSRs retained from originated and purchased loans that we sell into the secondary market. A portion of our servicing portfolio is susceptible to refinance activity during periods of declining interest rates. Our lending activity partially mitigates this risk. Origination volume and related gains have historically offset, to a degree, the economic impact of declining MSR values as interest rates decline.

We originate and purchase conventional and government-insured forward mortgage loans through our forward lending operations. Reverse mortgages are originated and purchased through our reverse lending operations under the guidelines of the HECM reverse mortgage insurance program of HUD. Loans originated under this program are guaranteed by the FHA, which provides investors with protection against risk of borrower default. We retain the servicing rights to reverse loans securitized through the Ginnie Mae HMBS program. We have originated HECM loans under which the borrowers have additional borrowing capacity of $1.3 billion at March 31, 2017. These draws are funded by the servicer and can be subsequently securitized or sold (Future Value). We do not incur any substantive underwriting, marketing or compensation costs in connection with any future draws, although we must maintain sufficient capital resources and available borrowing capacity to ensure that we are able to fund these Future Value draws. We recognize this Future Value over time as future draws are securitized or sold. At March 31, 2017, unrecognized Future Value is estimated to be $66.5 million. We use a third-party valuation expert to determine Future Value based on the net present value of the estimated future cash flows of the loans, utilizing a discount rate of 12% and projected performance assumptions in line with historical experience and industry benchmarks.

Loans are acquired through three primary channels: correspondent lender relationships, broker relationships (wholesale) and directly with mortgage customers (retail). Per-loan margins vary by channel, with correspondent typically being the lowest margin and retail the highest margin. Given this margin profile, we are emphasizing retail and wholesale channel origination in our forward lending business.

After origination, we generally package and sell the loans in the secondary mortgage market, through GSE securitizations and whole loan transactions. We typically retain the associated MSRs as we view this as a low cost means to acquire MSRs with solid return profiles. Lending revenues 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, and fee income earned at origination.

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 in connection with loans we purchase through our correspondent lending channel. 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 investor. To the extent that we have recourse against a third-party originator, we may recover part or all of any loss we incur.

The following table presents the results of operations of the Lending segment for the three months ended March 31. The amounts presented are before the elimination of balances and transactions with our other segments:

	2017	2016	% Change
Revenue			
Gain on loans held for sale, net			
Forward loans	$11,361	$13,059	(13)%
Reverse loans	11,297	3,444	228
	22,658	16,503	37
Other	8,088	6,782	19
Total revenue	30,746	23,285	32
Expenses			
Compensation and benefits	18,965	16,684	14
Servicing and origination	4,261	2,643	61
Professional services	342	155	121
Technology and communications	780	1,318	(41)
Occupancy and equipment	1,149	1,123	2
Amortization of mortgage servicing rights	72	81	(11)
Other	3,763	2,374	59
Total expenses	29,332	24,378	20
Other income (expense)			
Interest income	2,748	3,611	(24)
Interest expense	(3,284)	(3,448)	(5)
Other, net	231	351	(34)
Other income (expense), net	(305)	514	(159)
Income (loss) before income taxes	$1,109	$(579)	(292)%

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The following table provides selected operating statistics for our Lending segment at or for the three months ended March 31:

	2017	2016	% Change
Loan Production by Channel			
Forward loans			
Correspondent	$297,245	$352,473	(16)%
Wholesale	361,888	355,880	2
Retail	181,400	79,779	127
	$840,533	$788,132	7 %
% HARP production	5 %	7 %	(29)%
% Purchase production	34	33	3
% Refinance production	66	67	(1)
Reverse loans			
Correspondent	$163,549	$91,784	78 %
Wholesale	79,553	67,701	18
Retail	29,975	31,671	(5)
	$273,077	$191,156	43 %

Three Months Ended March 31, 2017 versus 2016

Total revenue increased by $7.5 million or 32% in first quarter of 2017 as total loan production increased by $134.3 million, or 14%. The $6.2 million, or 37% increase in Gains on loans held for sale, net is largely attributed to improved margin rates in our reverse lending business. This was partially offset by lower gains in the forward lending business due to lower retail margin rates substantially offset by higher retail volume, and lower correspondent volume and lower correspondent margin rates.

Other revenue increased $1.3 million, or 19%, in the first quarter of 2017 primarily as a result of an increase in the excess of changes in the fair value of our HECM loans held for investment over changes in the fair value of the HMBS financing liability.

Total expenses increased $5.0 million, or 20%, in the first quarter of 2017. Compensation and benefits expense increased $2.3 million, or 14%, primarily due to increased staffing for continued expansion of our retail channel, development of our proprietary LOS and transition of certain functions previously performed by third parties. Servicing and origination expenses generally are largely variable and fluctuate in line with our production volume. Direct acquisition costs are offset by origination fee income that is included in Other revenue. The increase in Other expenses in the first quarter of 2017 was driven primarily by a $2.7 million increase in the provision for indemnification obligations due to a $3.1 million reversal of the liability in the first quarter of 2016.

Interest income consists primarily of interest earned on newly originated and purchased loans prior to sale to investors. Interest income is offset by interest expense 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.

Corporate Items and Other

Corporate Items and Other includes revenues and expenses of ACS, CRL 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, interest expense on corporate debt and certain corporate expenses. Our cash balances are included in Corporate Items and Other.

ACS provides short-term inventory-secured loans to independent used car dealers to finance their inventory. In addition, Ocwen formed CRL, our wholly-owned captive reinsurance subsidiary, and entered into a quota share re-insurance agreement effective in 2016 with a third-party insurer related to coverage on foreclosed real estate properties owned or serviced by us.

Portions of interest income and interest expense are allocated to the Servicing and Lending segments, including interest earned on cash balances and short-term investments and interest incurred on corporate debt. Expenses incurred by corporate support services are also allocated to the Servicing and Lending segments.

The following table presents the results of operations of Corporate Items and Other for the three months ended March 31. The amounts presented are before the elimination of balances and transactions with our other segments:

	2017	2016	% Change
Revenue	$7,099	$45	n/m
Expenses			
Compensation and benefits	31,714	29,439	8
Servicing and origination	1,431	75	n/m
Professional services	21,604	37,249	(42)
Technology and communications	14,294	10,452	37
Occupancy and equipment	4,252	3,071	38
Other	14,632	3,666	299
Total expenses before corporate overhead allocations	87,927	83,952	5
Corporate overhead allocations			
Servicing segment	(56,806)	(52,465)	8
Lending segment	(983)	(1,525)	(36)
Total expenses	30,138	29,962	1
Other income (expense), net			
Interest income	928	726	28
Interest expense	(13,427)	(6,167)	118
Other	800	(509)	(257)
Other expense, net	(11,699)	(5,950)	97
Loss before income taxes	$(34,738)	$(35,867)	(3)%

n/m: not meaningful

Three Months Ended March 31, 2017 versus 2016

The $7.1 million increase in revenue is due to $6.4 million of premiums generated by CRL in the first quarter of 2017 under the quota share reinsurance agreement with a third-party insurer effective in the second quarter of 2016.

The $4.0 million, or 5%, increase in expenses before allocations is primarily due to our in-sourcing of technology infrastructure and facilities functions and our investment in new business ventures, resulting in increases of $2.3 million in Compensation and benefits expense and $3.8 million in Technology and communications expense. Additionally, Servicing and origination expense increased due to $1.4 million of reinsurance commissions incurred in the first quarter of 2017 in connection with the reinsurance agreement executed by CRL. Other expense for the first quarter of 2017 includes the provision for losses on ACS automotive dealer financing notes of $6.1 million principally as a result of the deterioration in credit quality of notes due from certain dealers. At March 31, 2017, due to the increase in the age of these notes, we have assumed that the notes due from these dealers are fully collateral-dependent, with no recoveries beyond estimated liquidation value of the remaining unsold inventory. Offsetting these increases in expenses was a $15.6 million decline in Professional services expense, which resulted from a $25.7 million decrease in regulatory monitoring costs offset in part by an $8.6 million increase in legal fees and settlements.

Interest expense in the first quarter of 2017 increased by $7.3 million, or 118%, primarily as a result of our transfer of the SSTL from Servicing to Corporate Items and Other when we entered into an amended and restated SSTL facility agreement in December 2016. In addition, also in December 2016, we exchanged $346.9 million of 6.625% Senior Unsecured Notes due 2019 for a like amount of 8.375% Senior Second Lien Notes due 2022.

LIQUIDITY AND CAPITAL RESOURCES

Overview

At March 31, 2017, our cash position was $268.3 million compared to $256.5 million at December 31, 2016. We invest cash that is in excess of our immediate operating needs primarily in money market deposit accounts. Our priorities for

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deployment of excess cash are: (1) supporting our core servicing and lending businesses and investing in these core assets, (2) reducing corporate leverage, (3) reducing revolving lines of credit in order to reduce interest expense and (4) expanding into similar or complementary businesses that meet our return on capital requirements.

Sources of Funds

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

- Collections of servicing fees and ancillary revenues;
- Proceeds from match funded advance financing facilities;
- Proceeds from other borrowings, including warehouse facilities; and
- Proceeds from sales of originated loans and repurchased loans.

Servicing advances are an important component of our business and represent amounts that we, as servicer, are required to advance to, or on behalf of, our servicing clients if we do not receive such amounts from borrowers. Our ability to finance servicing advances is a significant factor that affects our liquidity. Our use of advance financing facilities is integral to our servicing advance financing strategy. Revolving variable funding notes issued by our advance financing facilities to large global financial institutions generally have a 364-day revolving period. Term notes are generally issued to institutional investors with one-, two- or three-year maturities. The revolving periods for our variable funding notes with a total borrowing capacity of $655.0 million and term notes of $400.0 million end in 2017.

Borrowings under our advance financing facilities are incurred by special purpose entities (SPEs) that we consolidate because we have determined that Ocwen is the primary beneficiary of the SPE. We transfer the financed advances to the SPEs, and the SPEs issue debt supported by collections on the transferred advances. Holders of the debt issued by the SPEs have recourse only to the assets of the SPEs for satisfaction of the debt. In connection with our sale of servicing advances to these advance financing SPEs and to NRZ in connection with the Rights to MSRs, we make certain representations, warranties and covenants primarily related to the nature of the transferred advance receivables, our financial condition and our servicing practices.

Advances and match funded advances comprised 20% of total assets at March 31, 2017. Our borrowings under our advance financing facilities are secured by pledges of servicing advances that are sold to the related SPE and by cash held in debt service accounts.

Although there has been no change in the maximum borrowing capacity under our advance financing facilities since December 31, 2016, available borrowing capacity has increased by $84.8 million to $358.8 million at March 31, 2017 from $274.0 million at December 31, 2016. This increase occurred largely because of the decline in advances. Our ability to continue to pledge collateral under our advance financing facilities depends on the performance of the advances, among other factors. At March 31, 2017, none of the available borrowing capacity could be used based on the amount of available collateral.

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. These warehouse facilities are structured as repurchase or participation agreements under which ownership of the loans is temporarily transferred to the lender. The loans are transferred at a discount, or haircut, which serves as the primary credit enhancement for the lender. Currently, all of our master repurchase and participation agreements 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. At March 31, 2017, we had total borrowing capacity under our warehouse facilities of $760.0 million. Of the borrowing capacity extended on a committed basis, $144.3 million was available at March 31, 2017, and $0.8 million could be used based on the amount of eligible collateral that had been pledged. Uncommitted amounts ($197.3 million at March 31, 2017) are advanced solely at the discretion of the lender, and there can be no assurance that any uncommitted amounts will be available to us at any particular time.

We also rely on the secondary mortgage market as a source of long-term capital to support our lending operations. Substantially all of the mortgage loans that we originate or purchase are sold or securitized in the secondary mortgage market in the form of residential mortgage backed securities guaranteed by Fannie Mae or Freddie Mac and, in the case of mortgage backed securities guaranteed by Ginnie Mae, are mortgage loans insured or guaranteed by the FHA or VA.

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, nonpayment of principal or interest, noncompliance with our covenants, breach of representations, the occurrence of a material adverse change, insolvency, bankruptcy, certain material judgments and litigation and changes of control.

Covenants and default provisions of this type are commonly found in debt agreements such as ours. Certain of these covenants and default provisions are open to subjective interpretation and, if our interpretation were contested by a lender, a court may ultimately be required to determine compliance or lack thereof. In addition, our debt agreements generally include cross default provisions such that a default under one agreement could trigger defaults under other agreements. If we fail to comply with our debt agreements and are unable to avoid, remedy or secure a waiver of any resulting default, we may be subject to adverse action by our lenders, including termination of further funding, acceleration of outstanding obligations, enforcement of liens against the assets securing or otherwise supporting our obligations, and other legal remedies, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. We believe that we are in compliance with the qualitative and quantitative covenants in our debt agreements as of the date this Quarterly Report on Form 10-Q is filed with the SEC.
We continue to assess the impact of the recent regulatory actions taken against us by the CFPB, thirty state mortgage and banking regulatory agencies and two state attorneys general, including with respect to the potential of these actions to impact adversely our liquidity and capital resources. We have revised our operations, where necessary, so as to comply with the orders in the interim period while we attempt to negotiate resolutions. While we do not currently believe the limitations resulting from these regulatory actions on our loan origination or servicing activities will have a material impact on our financial results if we can resolve these agencies' concerns on a timely basis, we do expect our loan origination volumes to decline, at least in the short term, and our legal expenses to increase. We have also adjusted aspects of our originations funding strategy to align with lower expected origination volumes and an indication from one reverse mortgage lender that it does not currently intend to fund its uncommitted amount of $110.0 million above $20.0 million. We do not consider these operational adjustments to be significant, as we believe we have appropriate workarounds and we continue to believe that we can continue to operate our lending business with the same basic strategy and objectives during this interim period without a material impact on our liquidity and capital resources. If we are unable to obtain timely resolutions, more serious consequences could result, which could result in material and adverse impacts on our strategy, liquidity and capital resources, including those outlined in Item 1A, Risk Factors.

Use of Funds

Our primary uses of funds are:

- Payments for advances in excess of collections on existing servicing portfolios;
- Payment of interest and operating costs;
- Funding of originated and repurchased loans;
- Repayments of borrowings, including match funded liabilities and warehouse facilities; and
- Working capital and other general corporate purposes.

Outlook

We closely monitor our liquidity position and ongoing funding requirements, and we regularly monitor and project cash flow by period to mitigate liquidity risk.

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

- Business financial projections for revenues, costs and net income;
- Requirements for maturing liabilities compared to amounts generated from maturing assets and operating cash flow;
- Projected future sales of MSRs and the reimbursement of related servicing advances;
- The change in advances and match funded advances compared to the change in match funded liabilities and available borrowing capacity;
- Projected future originations and purchases of forward and reverse mortgage loans as well as automobile dealer floor plan loans; and
- Projected funding requirements of new business initiatives.

We have considered the impact of financial projections on our liquidity analysis and have evaluated the appropriateness of the key assumptions in our forecast such as revenues, expenses, our assessment of the likely impact of recent regulatory actions, recurring and nonrecurring costs and sales of MSRs and other assets. We have analyzed our cash requirements and financial obligations. Based upon these evaluations and analyses, we believe that we have sufficient liquidity to meet our obligations and fund our operations for the next twelve months.

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

The revolving periods of our advance financing facilities end during 2017 for variable funding notes with a total borrowing capacity of $655.0 million and $296.2 million of outstanding borrowings at March 31, 2017. In the event we are unable to

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renew, replace or extend the revolving period of one or more of these advance financing facilities, monthly amortization of the outstanding balance must generally begin at the end of the respective 364-day revolving period. In addition, we would be required to begin amortizing our two-year term notes with a borrowing capacity of $400.0 million if we do not renew, replace or extend these notes during 2017.

Similarly, all of our master repurchase and participation agreements for financing new loan originations have 364-day terms. At March 31, 2017, we had $225.8 million outstanding under these financing arrangements that mature in 2017.

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

We remain actively engaged with our lenders, and recent financing developments so far in 2017 include the following:

- On February 24, 2017, we executed a $200.0 million warehouse facility to replace an existing facility of the same size and with the same lender maturing in February 2018.
- On February 24, 2017 and on March 17, 2017, we executed two match funded lending agreements under which we can borrow up to $50.0 million each to finance the automotive dealer loans made by our ACS business. We may from time to time request increases in the maximum borrowing capacity under these agreements to a maximum of $100.0 million each.
- On April 25, 2017, we extended to April 30, 2018 the maturity of two warehouse facilities with a combined uncommitted borrowing capacity of $250.0 million.

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

Credit Ratings

Credit ratings are intended to be an indicator of the creditworthiness of a particular company, security or obligation. 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 securities 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	B3	Review for Downgrade	Apr. 21, 2017
S&P	B-	Negative	Apr. 20, 2017
Fitch	B–	Rating Watch Negative	Apr. 24, 2017
Kroll Bond Rating Agency	CCC	Watch Downgrade	Apr. 20, 2017

On April 20, 2017, S&P downgraded our long-term corporate rating to “B-” and placed our ratings on CreditWatch with Negative implications. Kroll Bond Rating Agency downgraded our corporate ratings to CCC and placed our ratings on Watch Downgrade status. On April 21, 2017, Moody’s placed our corporate rating on Review for Downgrade. On April 24, 2017, Fitch placed our ratings on Rating Watch Negative. It is possible that additional actions by credit rating agencies could have a material adverse impact on our liquidity and funding position, including materially changing the terms on which we may be able to borrow money.

Cash Flows

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

Cash flows for the three months ended March 31, 2017

Our operating activities provided $85.7 million of cash largely due to $106.0 million of net collections of servicing advances. Net cash paid on loans held for sale was $63.6 million for the three months ended March 31, 2017.
Our investing activities used $275.0 million of cash. The primary uses of cash in our investing activities include net cash outflows in connection with our HECM reverse mortgages of $266.8 million, net cash outflows of $2.0 million in connection

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with our ACS business and additions to premises and equipment of $5.3 million. Cash inflows include the receipt of $1.8 million of net proceeds from the sale of MSRs and related advances.

Our financing activities provided $201.1 million of cash. Cash inflows include $306.7 million received in connection with our reverse mortgage securitizations, which are accounted for as secured financings, less repayments on the related financing liability of $75.1 million. In addition, we increased borrowings under our mortgage warehouse facilities used to fund loan originations by $63.3 million. Cash outflows include $65.8 million of net repayments on match funded liabilities as a result of advance recoveries, and $4.2 million of repayments on the SSTL.

Cash flows for the three months ended March 31, 2016

Our operating activities provided $140.9 million of cash largely due to $109.1 million of net collections of servicing advances. Net cash paid on loans held for sale during the three months ended March 31, 2016 was $45.6 million.

Our investing activities used $183.0 million of cash. The primary uses of cash in our investing activities include net cash outflows in connection with our HECM reverse mortgages of $216.8 million and additions to premises and equipment of $19.8 million. Cash inflows for the three months ended March 31, 2016 include the receipt of $56.3 million of net proceeds from the sale of MSRs and related advances.

Our financing activities provided $65.3 million of cash. Cash inflows include $233.2 million received in connection with our reverse mortgage securitizations, less repayment of the related financing liability of $39.7 million. Cash outflows are primarily comprised of $47.0 million of net repayments on match funded liabilities as a result of advance recoveries, $18.6 million of repayments on the SSTL, including $15.3 million of required prepayments, and a $17.4 million net reduction in borrowings under mortgage warehouse facilities used to fund loan originations. Cash outflows for the three months ended March 31, 2016 also include the repurchase of 991,985 shares of common stock under our share repurchase program for $5.9 million prior to its expiration on July 31, 2016.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET ARRANGEMENTS

Contractual Obligations

We have analyzed our unfunded commitments and other contractual obligations and have evaluated the appropriateness of the key assumptions in forecasting our ability to satisfy these obligations. Based upon these evaluations and analyses, we believe that we have adequate resources to fund all unfunded commitments to the extent required and meet all contractual obligations as they come due. At March 31, 2017, such contractual obligations were primarily comprised of secured and unsecured borrowings, interest payments, operating leases and commitments to originate or purchase loans, including equity draws on reverse mortgages. Other than the execution of two new match funded lending agreements to finance automotive dealer loans made by our ACS business and the renewal of certain mortgage loan warehouse facilities, there were no significant changes to our contractual obligations during the three months ended March 31, 2017. See Note 11 – Borrowings to the Unaudited Consolidated Financial Statements for additional information.

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

Off-Balance Sheet Arrangements

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

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.

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The underlying trends for loan repurchases and indemnifications are volatile, and there is significant uncertainty regarding our expectations of future loan repurchases and indemnifications and related loss severities. Due to the significant uncertainties surrounding estimates related to future repurchase and indemnification requests by investors and insurers as well as uncertainties surrounding home prices, it is possible that our exposure could exceed our recorded mortgage loan repurchase and indemnification liability. Our estimate of the mortgage loan repurchase and indemnification liability considers the current macro-economic environment and recent repurchase trends; however, if we experience a prolonged period of higher repurchase and indemnification activity or a decline in home values, then our realized losses from loan repurchases and indemnifications may ultimately be in excess of our recorded liability. Given the levels of realized losses in recent periods, there is a reasonable possibility that future losses may be in excess of our recorded liability. See Note 2 – Securitizations and Variable Interest Entities, Note 12 – Other Liabilities and Note 19 – Contingencies to the Unaudited Consolidated Financial Statements for additional information.

Involvement with SPEs. We use SPEs for a variety of purposes but principally in the financing of our servicing advances and in the securitization of mortgage loans. We consolidate the servicing advance financing SPEs.

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.

VIEs. If we determine that we are the primary beneficiary of a VIE, we include the VIE in our consolidated financial statements. We have interests in VIEs that we do not consolidate because we have determined that we are not the primary beneficiary of the VIEs. In addition, we have transferred forward and reverse mortgage loans in transactions accounted for as sales or as secured borrowings for which we retain the obligation for servicing and for standard representations and warranties on the loans. See Note 2 – Securitizations and Variable Interest Entities to the Unaudited Consolidated Financial Statements for additional information.

Derivatives. We record all derivatives at fair value on our consolidated balance sheets. We use these derivatives primarily to manage our interest rate risk. The notional amounts of our derivative contracts do not reflect our exposure to credit loss. See Note 13 – Derivative Financial Instruments and Hedging Activities to the Unaudited Consolidated Financial Statements for additional information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our ability to measure and report our financial position and operating results is influenced by the need to estimate the impact or outcome of future events on the basis of information available at the date of the financial statements. An accounting estimate is considered critical if it requires that management make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. We have processes in place to monitor these judgments and assumptions, and management is required to review critical accounting policies and estimates with the Audit Committee of the Board of Directors. Our significant accounting policies and critical accounting estimates are disclosed in Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2016 in Note 1 to the Consolidated Financial Statements and in Management’s Discussion and Analysis of Financial Condition and Results of Operations under “Critical Accounting Policies and Estimates.”

Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 3 – Fair Value to the Unaudited Consolidated Financial Statements for the fair value hierarchy, descriptions of valuation methodologies used to measure significant assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

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

	March 31, 2017	December 31, 2016
Loans held for sale	$339,153	$314,006
Loans held for investment - Reverse mortgages	3,916,387	3,565,716
MSRs - recurring basis	651,987	679,256
MSRs - nonrecurring basis, net (1)	141,682	144,783
Derivative assets	10,027	9,279
Mortgage-backed securities	8,658	8,342
U.S. Treasury notes	2,065	2,078
Assets at fair value	$5,069,959	$4,723,460
As a percentage of total assets	64 %	62 %
Financing liabilities	$4,198,452	$3,911,488
Derivative liabilities	—	1,550
Liabilities at fair value	$4,198,452	$3,913,038
As a percentage of total liabilities	58 %	56 %
Assets at fair value using Level 3 inputs	$4,746,571	$4,429,307
As a percentage of assets at fair value	94 %	94 %
Liabilities at fair value using Level 3 inputs	$4,198,452	$3,911,488
As a percentage of liabilities at fair value	100 %	100 %

(1) The balance represents our impaired government-insured stratum of amortization method MSRs, which is measured at fair value on a nonrecurring basis. The carrying value of this stratum is net of a valuation allowance of $29.6 million and $28.2 million at March 31, 2017 and December 31, 2016, respectively.

Assets at fair value using Level 3 inputs increased during the three months ended March 31, 2017 primarily due to reverse mortgage originations. Liabilities at fair value using Level 3 inputs increased primarily in connection with reverse mortgage securitizations, which we account for as secured financings. Our net economic exposure to Loans held for investment - Reverse mortgages and the related Financing liabilities (HMBS-related borrowings) is limited to the residual value we retain. Changes in inputs used to value the loans held for investment are largely offset by changes in the value of the related secured financing.

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

Valuation and Amortization of MSRs

MSRs are assets that represent the right to service a portfolio of mortgage loans. We originate MSRs from our lending activities and obtain MSRs through asset acquisitions or business combinations. For initial measurement, acquired and originated MSRs are initially measured at fair value. Subsequent to acquisition or origination, we account for MSRs using the amortization or fair value measurement method. For MSRs accounted for using the amortization measurement method, we assess servicing assets or liabilities for impairment or increased obligation based on fair value on a quarterly basis. We group our MSRs by stratum for impairment testing based on the predominant risk characteristics of the underlying mortgage loans. We recognized $1.4 million of impairment charges on our government-insured MSRs during the three months ended March 31, 2017, as the fair value for this stratum declined to less than its carrying value. This impairment was primarily due to higher delinquency, offset in part by higher interest rates. The carrying value of this stratum at March 31, 2017 was $141.7 million, net of the valuation allowance of $29.6 million. We recognize MSR impairment charges in Servicing and origination expense in the consolidated statements of operations.

The determination of the fair value of MSRs requires management judgment due to the number of assumptions that underlie the valuation. We estimate the fair value of our MSRs using a process based upon the use of independent third-party valuation experts and supported by commercially available discounted cash flow models and analysis of current market data.

The key assumptions used in the valuation of these MSRs include prepayment speeds, loan delinquency, cost to service and discount rates.

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 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.

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.

As a result of these evaluations, as of December 31, 2016, we recognized a full valuation allowance for the $95.5 million of U.S. deferred tax assets and for the $36.2 million on our USVI deferred tax assets as 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.

Indemnification Obligations

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

Litigation

We monitor our litigation matters, including advice from external legal counsel, and regularly perform assessments of these matters for potential loss accrual and disclosure. We establish liabilities for settlements, judgments on appeal and filed and/or threatened claims for which we believe it is probable that a loss has been or will be incurred and the amount can be reasonably estimated.

Going Concern

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

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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

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- other conditions and events, when considered in conjunction with the above items, that may adversely affect our ability to meet obligations within one year after the date that the financial statements are issued (e.g., negative financial trends, indications of possible financial difficulties, internal matters such as a need to significantly revise operations and external matters such as adverse regulatory/legal proceedings or rating agency decisions).

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

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

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

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

RECENT ACCOUNTING DEVELOPMENTS

Recent Accounting Pronouncements

We adopted each recent Accounting Standards Update (ASU) listed below on January 1, 2017. Our adoption of these standards did not have a material impact on our Unaudited Consolidated Financial Statements.

- Income Taxes: Balance Sheet Classification of Deferred Taxes (ASU 2015-17)
- Derivatives and Hedging: Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (ASU 2016-05)
- Derivatives and Hedging: Contingent Put and Call Options in Debt Instruments (ASU 2016-06)
- Investments - Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting (ASU 2016-07)
- Compensation - Stock Compensation: Improvements to Employee Shared-Based Payment Accounting (ASU 2016-09)
- Consolidation: Interests Held through Related Parties That Are under Common Control (ASU 2016-17)
- Technical Corrections and Improvements (ASU 2016-19)

We are also evaluating the impact of recently issued ASUs not yet adopted that are not effective for us until on or after January 1, 2018. While we do not anticipate that our adoption of most of these ASUs will have a material impact on our consolidated financial statements, we are currently evaluating the effect of adopting certain ASUs.

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

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

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

Our Market Risk Committee establishes and maintains policies that govern our hedging program, including such factors as our target hedge ratio, the hedge instruments that we are permitted to use in our hedging activities and the counterparties with whom we are permitted to enter into hedging transactions. See Note 13 – Derivative Financial Instruments and Hedging Activities to the Unaudited Consolidated Financial Statements for additional information regarding our use of derivatives.

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

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IRLCs and Loans Held for Sale

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. In our lending business, mortgage loans held for sale 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. As a result, we are exposed to interest rate risk and related price risk during the period from the date of the lock commitment through (i) the lock commitment cancellation or expiration date or (ii) through the date of sale of the resulting loan into the secondary mortgage market. Loan commitments for forward loans range from 5 to 90 days, but the majority of our commitments are for 15 days (in the correspondent and broker channels) or 60 days (for the retail channel). Our holding period for mortgage loans from funding to sale is typically less than 30 days. Our interest rate exposure on these derivative loan commitments is hedged with freestanding derivatives such as forward contracts. We enter into forward contracts with respect to both fixed and variable rate loan commitments.

For loans held for sale that we have elected to carry at fair value, we manage the associated interest rate risk through an active hedging program overseen by our Investment Committee. Our hedging policy determines the hedging instruments to be used in the mortgage loan hedging program, which include forward sales of agency “to be announced” securities (TBAs), whole loan forward sales, Eurodollar futures and interest rate options. Forward mortgage-backed securities (MBS) trades are primarily used to fix the forward sales price that will be realized upon the sale of mortgage loans into the secondary market. Our hedging policy also stipulates the hedge ratio we must maintain in managing this interest rate risk, which is also monitored by our Investment Committee.

Fair Value MSRs

We have elected to account for two classes of MSRs at fair value. The first is a class of acquired Agency MSRs, principally originated during 2012, for which we hedged the interest rate risk because the mortgage notes underlying the MSRs permit the borrowers to prepay the loans. Effective April 1, 2013, we modified our strategy for managing the risks of the portfolio of loans underlying this class of fair value MSRs and closed out the remaining economic hedge positions associated with this class. We terminated these hedges because we determined that they were ineffective for large movements in interest rates and only assured losses in substantial increasing-rate environments. The second class of MSRs accounted for at fair value was designated on January 1, 2015, when we elected fair value accounting for a newly created class of non-Agency MSRs that we previously accounted for using the amortization method.

Interest Rate Sensitive Financial Instruments

The tables below present the notional amounts of our financial instruments that are sensitive to changes in interest rates and the related fair value of these instruments at the dates indicated. We use certain assumptions to estimate the fair value of these instruments. See Note 3 – Fair Value to the Unaudited Consolidated Financial Statements for additional information regarding fair value of financial instruments.

	March 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Rate-Sensitive Assets:				
Interest-earning cash	$110,908	$110,908	$146,698	$146,698
Loans held for sale, at fair value	313,558	313,558	284,632	284,632
Loans held for sale, at lower of cost or fair value (1)	25,595	25,595	29,374	29,374
Loans held for investment, at fair value	3,916,387	3,916,387	3,565,716	3,565,716
Automotive dealer financing notes (including match funded)	28,364	28,244	33,224	33,147
U.S. Treasury notes	2,065	2,065	2,078	2,078
Debt service accounts and interest-earning time deposits	49,537	49,537	49,276	49,276
Total rate-sensitive assets	$4,446,414	$4,446,294	$4,110,998	$4,110,921

Explanation of Responses:

	March 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Rate-Sensitive Liabilities:				
Match funded liabilities	$1,215,212	$1,208,789	$1,280,997	$1,275,059
HMBS-related borrowings	3,739,265	3,739,265	3,433,781	3,433,781
Other secured borrowings (2)	738,447	752,023	678,543	682,703
Senior notes (2)	346,929	360,371	346,789	355,303
Total rate-sensitive liabilities	$6,039,853	$6,060,448	$5,740,110	$5,746,846

	March 31, 2017		December 31, 2016	
	Notional Balance	Fair Value	Notional Balance	Fair Value
Rate-Sensitive Derivative Financial Instruments:				
Derivative assets (liabilities):				
Interest rate caps	$865,000	$2,262	$955,000	$1,836
IRLCs	390,946	7,765	360,450	6,507
Forward MBS trades	600,809	(3,868)	609,177	(614)
Derivatives, net		$6,159		$7,729

(1) Net of market valuation allowances and including non-performing loans.
(2) The carrying values are net of unamortized debt issuance costs and discount.

Sensitivity Analysis

Fair Value MSRs, Loans Held for Sale and Related Derivatives

The following table summarizes the estimated change in the fair value of our MSRs and loans held for sale that we have elected to carry at fair value as well as any related derivatives at March 31, 2017, given hypothetical instantaneous parallel shifts in the yield curve. We used March 31, 2017 market rates to perform the sensitivity analysis. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves. These sensitivities are hypothetical and presented for illustrative purposes only. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship to the change in fair value may not be linear.

	Change in Fair Value	
	Down 25 bps	Up 25 bps
Loans held for sale	$3,410	$(3,367)
Forward MBS trades	(3,487)	3,481
Total loans held for sale and related derivatives	(77)	114
Fair value MSRs (1)	(832)	833
MSRs, embedded in pipeline	(388)	402
Total fair value MSRs	(1,220)	1,235
Total, net	$(1,297)	$1,349

(1) This change in fair value reflects the impact of market rate changes on projected prepayments on the Agency MSR portfolio carried at fair value. Additionally, non-Agency MSRs carried at fair value can exhibit cash flow sensitivity for advance financing costs and / or float earnings indexed to a market rate. However, we believe the pricing levels on aged non-Agency MSRs should remain stable despite the recent rise in LIBOR rates, given the lack of market transactions supporting any pricing change, and the general industry approach to conservatively

valuing such assets. As such, we have assumed zero sensitivity to a 25 bps change in market rates for the non-Agency MSR portfolio.

Borrowings

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

Based on March 31, 2017 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 $10.1 million resulting from an increase of $23.2 million in annual interest income and an increase of $13.0 million in annual interest expense. The increase in interest expense reflects the effect of our hedging activities, which would offset $7.3 million of the increase in interest on our variable rate debt.

ITEM 4. CONTROLS AND PROCEDURES

Our management, under the supervision of and with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), as of March 31, 2017.

Based on such evaluation, and solely because of the previously disclosed material weakness in internal control over financial reporting (see our Annual Report on Form 10-K/A for the year ended December 31, 2016) related to ineffective controls regarding the review and disclosure of regulatory matters, our Chief Executive Officer and Chief Financial Officer have concluded that our internal control over financial reporting was not effective as of March 31, 2017. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Ocwen is evaluating the necessary changes to its controls to remediate this weakness and expects to provide an update in its June 30, 2017 Form 10-Q.

There have not been any changes in our internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 19 – Contingencies to the Unaudited Consolidated Financial Statements. That information is incorporated into this item by reference.

ITEM 1A. RISK FACTORS

An investment in our common stock involves significant risk. We describe the most significant risks that management believes affect or could affect us under Part I of Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2016. Understanding these risks is important to understanding any statement in such Annual Report and in our subsequent SEC filings, (including this Form 10-Q) and to evaluating an investment in our common stock. You should carefully read and consider the risks and uncertainties described therein together with all of the other information included or incorporated by reference in such Annual Report and in our subsequent SEC filings before you make any decision regarding an investment in our common stock. You should also consider the information set forth under "Forward-Looking Statements." If any of the risks actually occur, our business, financial condition 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.

The following risk factors are in addition to the risk factors described under Part I of Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2016:

Recent actions taken by the CFPB, certain state regulators and state attorneys general, or other actions of the same or a similar nature, could have adverse impacts on our business, financial condition, liquidity, results of operations, ability to grow, and reputation.

Since April 20, 2017, the CFPB, thirty state mortgage and banking regulatory agencies and two state attorneys general have taken regulatory action against us alleging breaches of various laws, regulations and licensing requirements. We believe we have factual and legal defenses to the CFPB's and the state attorney general's allegations and intend to vigorously defend ourselves. With respect to the state regulatory agencies, we intend to vigorously defend against unfounded claims while continuing to work with the state regulatory agencies to resolve their concerns. To the extent that Ocwen is unsuccessful in defending itself against any or all of these regulatory actions or in negotiating satisfactory consensual resolutions, or should the number or scope of the regulatory actions against us increase or expand, this could lead to (i) loss of our licenses and approvals to engage in our servicing and lending businesses, (ii) fines and penalties, (iii) civil liability, (iv) breaches of covenants or representations under our servicing, debt or other agreements, (v) damage to our reputation, (vi) inability to raise capital or otherwise fund our operations and (vii) inability to execute on our business strategy. Any of these occurrences could increase our operating expenses, reduce our revenues, hamper our ability to grow or otherwise materially and adversely affect our business, reputation, financial condition, liquidity and results of operations.

Public allegations regarding our business practices by regulators and other third parties and settlements with regulators may adversely affect perceptions of us by other regulators, rating agencies and counterparties, which could adversely impact our business, liquidity, financial condition and results of operations.

Public allegations regarding our business practices by regulators (including the CFPB, state mortgage and banking regulatory agencies and state attorneys general) and other third parties and settlements with regulators may adversely affect perceptions of us by other regulators, rating agencies and counterparties. As a result, our interactions with other regulators, rating agencies, vendors, lenders and other key counterparties may be materially and adversely affected, which could adversely impact our business, liquidity, financial condition and results of operations. We may incur additional compliance costs and management time may be diverted from other aspects of our business to address such issues. It is possible that we may incur fines or penalties or even that we could lose the licenses and approvals necessary to engage in our servicing and lending businesses. Our access to financing may also be materially and adversely affected, including with respect to the cost and other terms of our financing, and it is possible that one or more lenders could cease lending to us. In addition, vendors and other counterparties, including surety bond providers, could attempt to alter or terminate their business arrangements with us in ways that materially and adversely affect us. For example, vendors could require advance payments for servicers or surety bond providers could require that surety bonds be collateralized by cash. Any of these occurrences could materially and adversely affect our business, reputation, financial condition, liquidity and results of operations.

Changes in taxation and the ability to quantify such changes could adversely affect Ocwen's financial results.

Ocwen is subject to taxation by the various taxing authorities at the Federal, state and local levels where it does business, both in the U.S. and outside the U.S. Legislation or regulation, which could affect Ocwen's tax burden, could be enacted by any of these governmental authorities. In the U.S., there are several proposals under consideration to reform tax law, including proposals that may reduce or eliminate the deferral of U.S. income tax on our unrepatriated earnings, penalize certain transfer

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pricing structures and reduce or eliminate certain foreign or domestic tax credits or deductions. Ocwen cannot predict the timing or extent of such tax-related developments, which could have a negative impact on the financial results.
A reduction in future enacted tax rates could have material impact to the value of our deferred tax assets.
Our net deferred tax assets are measured using the tax rates under the current enacted tax law expected to apply to taxable income in future years. The effects of future changes in tax laws or rates are not anticipated in the determination of the value of our deferred tax assets and liabilities. Under GAAP, the effects of a change in tax rates and laws on deferred tax balances are recognized in the period the new legislation is enacted.
ITEM 6. EXHIBITS

3.1	Amended and Restated Articles of Incorporation (1)
3.2	Articles of Amendment to Articles of Incorporation (2)
3.3	Articles of Amendment to Articles of Incorporation (2)
3.4	Articles of Amendment to Articles of Incorporation (3)
3.5	Articles of Correction (3)
3.6	Articles of Amendment to Articles of Incorporation, Articles of Designation, Preferences and Rights of Series A Perpetual Convertible Preferred Stock (4)
3.7	Amended and Restated Bylaws of Ocwen Financial Corporation (5)
11.1	Computation of earnings per share (6)
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of the Chief 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 Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	XBRL Instance Document (filed herewith)
101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)

(1) Incorporated by reference from the similarly described exhibit filed in connection with the Registrant’s Registration Statement on Form S-1 (File No. 333-5153) as amended, declared effective by the SEC on September 25, 1996.
(2) 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.
(3) 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, 2010.
(4) Incorporated by reference from the similarly described exhibit included with the Registrant’s Form 8-K filed with the SEC on December 28, 2012.
(5) Incorporated by reference to the similarly described exhibit included with the Registrant’s Form 8-K filed with the SEC on February 19, 2016.
(6) Incorporated by reference from “Note 15 – Basic and Diluted Earnings (Loss) per Share” to the Unaudited Consolidated Financial Statements.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Ocwen Financial Corporation

By: /s/ Michael R. Bourque, Jr.
Michael R. Bourque, Jr.
Executive Vice President and Chief Financial Officer
(On behalf of the Registrant and as its principal financial officer)

Date: May 15, 2017

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