PHH CORP
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Prospectus Supplement
February 13, 2003
(To Prospectus dated November 1, 2000)

$1,000,000,000

PHH Corporation

$400,000,000 6.000% Notes due 2008
$600,000,000 7.125% Notes due 2013

The 6.000% notes will mature on March 1, 2008. The 7.125% notes will mature on March 1, 2013. Interest on the notes will be payable on each March 1 and September 1, commencing September 1, 2003.

The notes may be redeemed at any time and from time to time, at our option, in whole or in part, as described in this prospectus supplement under the caption "Description of Notes Optional Redemption." The notes will not have the benefit of any sinking fund.

The notes will be unsecured senior obligations of ours and will rank equally with our other unsecured and unsubordinated indebtedness from time to time outstanding.

Investing in the notes involves risks that are described in the "Risk Factors Relating to the Notes" section beginning on page S-13 of this prospectus supplement.

	Per 6.000% Note due 2008	Total	Per 7.125% Note due 2013	Total
Public offering price(1)	99.590%	$ 398,360,000	99.333%	$ 595,998,000
Underwriting discount	0.600%	$ 2,400,000	0.650%	$ 3,900,000
Proceeds, before expenses, to PHH Corporation	98.990%	$ 395,960,000	98.683%	$ 592,098,000

(1) Plus accrued interest, if any, from February 19, 2003, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about February 19, 2003.

Joint Book-Running Managers

Banc of America Securities LLC **Barclays Capital**

Credit Lyonnais Securities
Daiwa Securities SMBC Europe
RBS Greenwich Capital
Scotia Capital
Wachovia Securities
Goldman, Sachs & Co.

In making your investment decision, you should rely on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. The information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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Prospectus Supplement

Prospectus

FORWARD-LOOKING STATEMENTS

Forward-looking statements about PHH in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives.

Statements preceded by, followed by or that otherwise include the words "believes", "expects", "anticipates", "intends", "project", "estimates", "plans", "may increase", "may fluctuate" and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical facts. You should understand that the following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- terrorist attacks, such as the September 11, 2001 terrorist attacks on New York City and Washington D.C., other attacks, acts of war, or measures taken by governments in response thereto may negatively affect our financial results and could also result in a disruption in our businesses;
- the effect of economic conditions and interest rate changes on the economy on a national, regional or international basis and the impact thereof on our businesses;
- the effects of changes in current interest rates, particularly on our mortgage business;
- the final resolution or outcome of Cendant's unresolved pending litigation relating to its previously announced accounting irregularities and other related litigation;
- our ability to develop and implement operational, technological and financial systems to manage growing operations and to achieve enhanced earnings or effect cost savings;
- competition in our existing and potential future lines of business and the financial resources of, and products available to, competitors;
- failure to reduce quickly our substantial technology costs in response to a reduction in revenue;
- our failure to provide fully integrated disaster recovery technology solutions in the event of a disaster;
- our ability to integrate and operate successfully acquired and merged businesses and risks associated with such businesses, the compatibility of the operating systems of the combining companies, and the degree to which our existing administrative and back-office functions and costs and those of the acquired companies are complementary or redundant;
- our ability to obtain financing on acceptable terms to finance our growth strategy and to operate within the limitations imposed by financing arrangements and to maintain our credit ratings; and
- changes in laws and regulations, including changes in accounting standards and privacy policy regulation.

Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control.

Additional information about issues that could lead to material changes in our performance is contained in our Annual Report on Form 10-K for the year ended December 31, 2001 and our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002.

You should consider the areas of risk described above in connection with any forward-looking statements that may be made by us and our businesses generally. Except for our ongoing obligations to disclose material information under applicable laws, including the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. You are advised, however, to consult any additional disclosures we make in our Quarterly Reports on Form 10-Q, Annual Report on Form 10-K and Current Reports on Form 8-K to the Securities and Exchange Commission (the "SEC"). See "Where You Can Find More Information" in the accompanying prospectus. Also note that we provide a cautionary discussion of risks and uncertainties under "Risk Factors Relating to the Notes" on page S-13 of this prospectus supplement. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

SUMMARY

This summary may not contain all of the information that may be important to you. You should read this prospectus supplement and the accompanying prospectus in their entirety, including the financial data and related notes included or incorporated by reference in this prospectus supplement and the accompanying prospectus and all of the other documents incorporated by reference herein and therein, before making an investment decision. Unless we have indicated otherwise, references in this prospectus supplement and accompanying prospectus to "PHH," "we," "us" and "our" or similar terms are to PHH Corporation and its subsidiaries.

Our Company

We are a provider of relocation, mortgage and fleet management services. We operate in the following two business segments:

- Our Real Estate Services segment provides assistance in employee relocations through Cendant Mobility Services Corporation, and provides home buyers with mortgages through Cendant Mortgage Corporation, Century 21 Mortgage®, Coldwell Banker Mortgage and ERA Mortgage.
- Our Fleet Management segment provides fleet management and fuel card services to corporate clients and government agencies through PHH Arval and Wright Express.

We are a wholly-owned subsidiary of Cendant Corporation. Our principal executive office is located at One Campus Drive, Parsippany, NJ 07054 (telephone number: (973) 428-9700).

Recent Developments

Fourth Quarter and Full Year 2002 Results

The following discussion of operating results addresses revenues and Adjusted EBITDA on a consolidated basis and by segment. EBITDA is defined as earnings from continuing operations before income taxes, non-program related depreciation and amortization and minority interest. Adjusted EBITDA excludes items that are of a non-recurring or unusual nature, inluding effects on our operations from the September 11, 2001 terrorist attacks. We believe Adjusted EBITDA is the most informative presentation of how management evaluated performance and allocated resources in 2002 and 2001. All 2002 amounts and the 2001 amounts for the three month period ended December 31, 2001 are derived from unaudited financial information.

Our operating results for fourth quarter and full year 2002 and 2001 were as follows:

	Three Months Ended December 31,							
	Revenues			Adjusted EBITDA			Operating Income	
	2002	2001	% Change	2002(b)	2001(c)	% Change	2002	2001
	($ in millions)							
Real Estate Services	$ 366	$ 379(d)	(3)%	$ 120	$ 183(d)	(34)%		
Fleet Management	373	368	1%	27	22	23%		
Total Reportable Segments	739	747		147	205			
Corporate and Other(a)	(2)		*	3	1	*		
Total Company	$ 737	$ 747	(1)%	$ 150	$ 206	(27)%	$ 141	$ 67

	Year Ended December 31,							
	Revenues			Adjusted EBITDA			Operating Income	
	2002	2001	% Change	2002(b)	2001(c)	% Change	2002	2001
	($ in millions)							
Real Estate Services	$ 971(e)	$ 1,225(d)	(21)%	$ 115(e)	$ 482(d)	(76)%		
Fleet Management	1,480	1,266	17%	104	76(f)	37%		
Total Reportable Segments	2,451	2,491		219	558			
Corporate and Other(a)	(2)	87	*		87	*		
Total Company	$ 2,449	$ 2,578	(5)%	$ 219	$ 645	(66)%	$ 164	$ 443

* Not meaningful.

(a) Principally reflects unallocated corporate overhead and the elimination of transactions between segments.

(b) Excludes non-cash credits of $6 million primarily related to changes in the original estimates of costs to be incurred in connection with our restructuring initiatives undertaken during 2001 as a result of the September 11, 2001 terrorist attacks ($5 million and $1 million of credits were recorded in Real Estate Services and Fleet Management, respectively).

(c) Excludes a net charge of $28 million primarily in connection with our restructuring initiatives undertaken during 2001 as a result of the September 11, 2001 terrorist attacks ($24 million and $4 million of charges were recorded in Real Estate Services and Fleet Management, respectively).

(d) Excludes a provision of $94 million for impairment of our mortgage servicing rights asset.

(e) Includes a write-down of $275 million (pre-tax) related to the impairment of our mortgage servicing rights asset.

(f) Excludes charges of $4 million related to the acquisition and integration of the fleet businesses acquired from Avis Group Holdings, Inc. in March 2001.

Real Estate Services

During fourth quarter 2002, revenues within the Real Estate Services segment decreased 3% from $379 million in 2001 to $366 million in 2002, while Adjusted EBITDA decreased 34% from $183 million in 2001 to $120 million in 2002. For full year 2002, revenues within this segment decreased 21% from $1,225 million in 2001 to $971 million in 2002, while Adjusted EBITDA decreased 76% from $482 million in 2001 to $115 million in 2002.

Principally driving the decreases in revenues and Adjusted EBITDA during fourth quarter 2002 were (i) a reduction of approximately $30 million in revenues from mortgage-related activities due to a decline in net revenues from mortgage servicing activities (which includes amortization of the mortgage servicing rights asset) and (ii) a reduction in revenue from relocation activities as a result of a decline in relocation-related homesale closings and lower interest rates charged to our clients. Partially offsetting the decrease in mortgage servicing revenues was continued growth in our mortgage production channels. Additionally, these decreases were also partially offset by an increase in revenues

generated from our title and appraisal business. The decline in Adjusted EBITDA for fourth quarter 2002 further reflects an increase in operating expenses due to higher expenses incurred in our mortgage business to support the continued high levels of mortgage loan production, which was offset in part by a reduction in relocation-related spending reflecting a weaker corporate spending environment.

Principally driving the decreases in revenues and Adjusted EBITDA during full year 2002 was a $275 million non-cash provision for impairment of our mortgage servicing rights asset ("MSR"), which is the capitalized value of expected future servicing fees. Excluding the $275 million non-cash provision for impairment of the MSR asset, revenues and Adjusted EBITDA for this segment reflect (i) an increase of approximately $30 million in revenue generated from mortgage-related activities due to continued growth in our mortgage production channels offset in part by a decrease in servicing revenue, (ii) an increase in revenues generated from our title and appraisal business and (iii) a reduction in revenue from relocation activities as a result of a decline in relocation-related homesale closings and lower interest rates charged to our clients. The decline in Adjusted EBITDA for full year 2002 further reflects an increase in operating expenses due to higher expenses incurred in our mortgage business to support the continued high levels of mortgage loan production, partially offset by a reduction in relocation-related spending reflecting a weaker corporate spending environment.

Fleet Management

During fourth quarter 2002, revenues within the Fleet Management segment increased 1% to $373 million in 2002 from $367 million in 2001, while Adjusted EBITDA increased 23% to $27 million in 2002 from $22 million in 2001. For full year 2002, revenues within this segment increased 17% to $1,480 million in 2002 from $1,266 million in 2001, while Adjusted EBITDA increased 37% to $104 million in 2002 from $76 million in 2001.

Fourth quarter 2002 results were positively impacted by an increase in service-based revenues primarily due to an increase in the number of fuel and maintenance cards being serviced. Adjusted EBITDA for fourth quarter 2002 also benefited from cost reductions resulting primarily from restructuring actions undertaken during fourth quarter 2001.

The businesses comprising this segment were acquired in the March 2001 acquisition of the fleet management operations of Avis Group Holdings, Inc. (the car rental operations of Avis are owned by a Cendant subsidiary not within our ownership structure). Accordingly, the revenues and Adjusted EBITDA for full year 2001 only include ten months of results (March through December). The acquisition of the fleet businesses contributed incremental revenues and Adjusted EBITDA in 2002 of $239 million and $16 million, respectively. On a comparable basis, post acquisition (ten months ended December 31, 2002 versus the comparable prior year period), revenues decreased by $25 million, while Adjusted EBITDA increased by $12 million. Principally driving these year-over-year changes on a comparable basis are lower interest revenues offset by lower interest expense on vehicle funding, which is substantially passed through to clients and therefore results in lower revenues but has minimal Adjusted EBITDA impact. This was partially offset by an increase in depreciation on leased vehicles which is also passed through to clients. Adjusted EBITDA also benefited from cost reductions resulting primarily from restructuring actions undertaken during fourth quarter 2001.

Adjusted EBITDA Reconciliation

Provided below is a reconciliation of Adjusted EBITDA to EBITDA and Operating Income:

	Three Months Ended December 31,	
	2002	**2001**
	(in millions)	
Adjusted EBITDA	$ 150	$ 206
Less: Restructuring and other unusual charges (credits)	(6)	28
Less: Mortgage servicing rights impairment		94
EBITDA	156	84
Less: Non-program related depreciation and amortization	15	21
Operating Income	**$ 141**	**$ 63**

	Year Ended December 31,	
	2002	**2001**
	(in millions)	
Adjusted EBITDA	$ 219	$ 645
Less: Restructuring and other unusual charges (credits)	(6)	28
Less: Acquisition and integration related costs		4
Less: Mortgage servicing rights impairment		94
EBITDA	225	519
Less: Non-program related depreciation and amortization	61	76
Operating Income	**$ 164**	**$ 443**

Capital Structure and Sources of Liquidity

Information relating to our capitalization as of December 31, 2002 and 2001 is summarized below:

	As of December 31,		
	2002(a)	**2002 Pro Forma(b)**	**2001**
		(in millions)	
Unsecured Borrowings			

	As of December 31,		
Commercial Paper	$ 866	$ 528	$ 917
Short-term Borrowings	158	158	970
Medium-term Notes	1,421	1,771	679
Other			32
	2,445	2,457	2,598
Secured and Securitized Borrowings			
Term Notes	2,671	2,671	2,638
Short-term Borrowings	960	960	532
Other	387	387	295
	4,018	4,018	3,465
Total Consolidated Debt	6,463	6,475	6,063
Stockholder's Equity	1,951	1,951	1,777
Total Capitalization	$ 8,414	$ 8,426	$ 7,840
Debt to Net Tangible Worth(c)	5.3x	5.3x	5.7x

(a) 2002 amounts are derived from unaudited financial information.

(b) On February 3, 2003, we repaid $650 million aggregate principal amount of our $8^{1}/_{8}$% medium-term notes due 2003 with borrowings under our commercial paper program. After giving effect to such borrowings, the outstanding balance of our commercial paper program on February 3, 2003 was $1,190 million. The 2002 pro forma amounts reflect (i) a net decrease to commercial paper of $338 million consisting of repayments of $988 million with proceeds from this offering, partially offset by the $650 million issuance described above and (ii) a net increase to medium-term notes of $350 million consisting of the additional issuance of $1 billion of notes in this offering, partially offset by the $650 million repayment with the proceeds received from the issuance of commercial paper referred to in (i) above.

(c) Represents total consolidated debt divided by (i) stockholder's equity less the aggregate book value of all intangible assets of approximately $740 million and $718 million as of December 31, 2002 and 2001, respectively.

A summary of our consolidated debt, unconsolidated debt and principal sources of liquidity is set forth below on a historical and pro forma basis (after giving effect to this offering and the use of proceeds therefrom):

	December 31, 2002(a)	Pro Forma(b)	Committed Capacity(c)	Available Remaining Committed Capacity(c)
		(in millions)		
Consolidated Debt				
Unsecured Debt				
Commercial Paper	$ 866	$ 528	$ 1,500(d)	$ 972
Medium-term Notes	1,421	1,771		
Short-term Borrowings	158	158		

	December 31, 2002(a)	Pro Forma(b)	Committed Capacity(c)	Available Remaining Committed Capacity(c)
Total Unsecured Debt	2,445	2,457		
Secured Debt				
Term Notes(e)	2,671	2,671	3,104	433
Short-term Borrowings(f)	960	960	1,000	40
Other	387	387		
Total Secured Debt	4,018	4,018		
Total Consolidated Debt	$ 6,463	$ 6,475		
Unconsolidated Debt				
Bishops Gate (mortgage warehouse facility)	$ 2,396	$ 2,396	$ 3,223	$ 827
Apple Ridge (relocation receivable facility)	480	480	600	120
VMS Canada (fleet management facility)	268	268		
Total Unconsolidated Debt	$ 3,144	$ 3,144		

(a) Amounts are derived from unaudited financial information.

(b) On February 3, 2003, we repaid $650 million aggregate principal amount of our 8 1/8% medium-term notes due 2003 with borrowings under our commercial paper program. After giving effect to such borrowings, the outstanding balance of our commercial paper program on February 3, 2003 was $1,190 million. The pro forma amounts reflect (i) a net decrease to commercial paper of $338 million consisting of the repayments of $988 million with proceeds from this offering, partially offset by the $650 million issuance described above and (ii) a net increase to medium-term notes of $350 million consisting of the additional issuance of $1 billion of notes in this offering, partially offset by the $650 million repayment with the proceeds received from the issuance of commercial paper referred to in (i) above.

(c) Borrowings are subject to customary conditions precedent.

(d) Represents committed credit facilities of $750 million and $750 million maturing in February 2004 and February 2005, respectively.

(e) Represents borrowings by Chesapeake Funding, a fleet management facility.

(f) Primarily represents borrowings under mortgage facilities.

Recently Issued Accounting Pronouncements

Guarantees. In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Such Interpretation elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. We adopted these provisions on January 1, 2003. The disclosure provisions of this Interpretation are effective for financial statements with annual periods ending after December 15, 2002. We will apply the disclosure provisions of this Interpretation in our Annual Report on Form 10-K for the year ended December 31, 2002, as required by this Interpretation.

Stock-Based Compensation. On December 31, 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure." This standard amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This standard also requires prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We will apply the disclosure provisions of SFAS No. 148 in our Annual Report on Form 10-K for the year ended December 31, 2002, as required by this standard.

As permitted by SFAS No. 123, during 2002, we measured stock-based compensation using the intrinsic value approach under Accounting Principles Board Opinion No. 25. Accordingly, we did not recognize compensation expense upon the issuance of its stock options because the option terms were fixed and the exercise price equaled the market price of the underlying CD common stock on the grant date. We complied with the provision of SFAS No. 123 by providing pro forma disclosures of net income and related per share data giving consideration to the fair value method provisions of SFAS No. 123.

On January 1, 2003, we adopted the fair value method of accounting for stock-based compensation provisions of SFAS No. 123, which is considered by the FASB to be the preferable accounting method for stock-based employee compensation, and elected to use the prospective method permitted by SFAS No. 148. Therefore, the transition provisions of SFAS No. 148 were adopted concurrently with the fair value based recognition provisions of SFAS No. 123 on January 1, 2003. Beginning on January 1, 2003, we expense all future employee stock awards over the vesting period based on the fair value of the award on the date of grant in accordance with the prospective transition method.

Consolidation of Variable Interest Entities. On January 17, 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Such Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the initial and subsequent measurement of assets, liabilities and non-controlling interests in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. The consolidation provisions of this Interpretation are first required to be applied to variable interest entities created, or interests in variable interest entities obtained, on or before January 31, 2003 in our financial statements for the quarterly period ending September 30, 2003. For variable interests entities created, or interests in variable interest entities obtained, subsequent to January 31, 2003, we are required to apply the consolidation provisions of this Interpretation immediately. We did not create any variable interest entities nor obtain any interests in variable interest entities subsequent to January 31, 2003. This Interpretation also requires certain disclosures in our Annual Report on Form 10-K if it is reasonably possible that we will consolidate or disclose information about a variable interest entity when we initially apply the guidance in this Interpretation. While we are currently evaluating the impact of adopting this Interpretation, we expect that the implementation of this Interpretation will result in the consolidation of the mortgage warehouse securitization facility, Bishops Gate Residential Mortgage Trust. The consolidation of Bishops Gate is not expected to effect our results of operations. However, had we consolidated Bishops Gate as of December 31, 2002, our total assets and liabilities under management and mortgage programs would have increased by $2.5 billion each.

* * *

We continually review and evaluate our portfolio of existing businesses to determine if they continue to meet our business objectives. As part of our ongoing evaluation of such businesses, we intend from time to time to explore and conduct discussions with regard to joint ventures, divestitures and related corporate transactions. However, we can give no assurance with respect to the magnitude, timing, likelihood or financial or business effect of any possible transaction. We also cannot predict whether any divestitures or other transactions will be consummated or, if consummated, will result in a financial or other benefit to us.

The Offering

Issuer	PHH Corporation
Securities Offered	$400,000,000 in aggregate principal amount of 6.000% notes due 2008 and $600,000,000 in aggregate principal amount of 7.125% notes due 2013.
Interest	The notes will bear interest at the rate of 6.000% per year in the case of 6.000% notes and 7.125% in the case of the 7.125% notes, payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003. See "Description of Notes."

Issue Prices	99.590% of principal amount per 6.000% note, plus accrued interest, if any, from February 19, 2003 and 99.333% of principal amount per 7.125% note, plus accrued interest, if any, from February 19, 2003.
Optional Redemption	The notes may be redeemed at any time and from time to time, at our option, in whole or in part, as described in this prospectus supplement under the caption "Description of Notes "Optional Redemption." The notes will not have the benefit of any sinking fund.
Ranking	The notes will be senior unsecured indebtedness of PHH and will be equal in right of payment to all existing and future unsecured and unsubordinated indebtedness of PHH. However, we are a holding company and the notes will be effectively subordinated to all existing and future obligations of our subsidiaries. At September 30, 2002, our subsidiaries had $3.6 billion of indebtedness, in addition to other liabilities, to which the notes would have been structurally subordinated.
Covenants	The indenture pursuant to which the notes will be issued contains covenants that, among other things, limit our ability to create liens on our assets, require us to maintain a debt/tangible equity ratio not greater than 10 to 1, prohibit us from paying dividends and making distributions on account of our capital stock unless our debt/equity ratio after giving effect thereto is less than or equal to 6.5 to 1 and restrict our ability to merge, consolidate, transfer and sell our assets. These covenants are subject to certain exceptions as discussed in this prospectus supplement under the caption "Description of Notes Covenants."
Use of Proceeds	Our net proceeds from the offering will be approximately $988 million. We will use the net proceeds from this offering to repay outstanding commercial paper. See "Use of Proceeds."
Additional Issuances	We may, at any time, create and issue further notes having the same terms as the notes. See "Description of Notes Modification and Waiver."
Ratings	Our senior unsecured debt ratings are as follows:
	Moody's Investor Services Baa1
	Standard & Poor's BBB+
	Fitch Ratings BBB+
	Moody's, S&P and Fitch currently maintain negative outlooks on our ratings. A security rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time by the rating agency.

RISK FACTORS RELATING TO THE NOTES

Your investment in the notes involves certain risks. In consultation with your own financial and legal advisers, you should carefully consider, among other matters, the following discussion of risks before deciding whether an investment in the notes is suitable for you. The notes are not an appropriate investment for you if you are unsophisticated with respect to the significant terms of the notes or financial matters.

Our holding company structure results in structural subordination and may affect our ability to make payments on the notes.

The notes are obligations exclusively of PHH. We are a holding company and, accordingly, substantially all of our operations are conducted through our subsidiaries. As a result, our cash flow and our ability to service our debt, including the notes, depends upon the earnings of our subsidiaries. In addition, we depend on the distribution of earnings, loans or other payments by our subsidiaries to us.

Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Certain of our subsidiaries' debt instruments contain such restrictions which could prevent us from receiving dividends and distributions from those subsidiaries. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

At September 30, 2002, our subsidiaries had $3.6 billion of indebtedness, in addition to other liabilities, to which the notes would have been structurally subordinated.

An active trading market for the notes may not develop.

We cannot assure you that an active trading market for the notes will develop or as to the liquidity or sustainability of any such market, the ability of the holders to sell their notes or the price at which holders of the notes will be able to sell their notes. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, the market for similar securities, our performance and other factors. We do not intend to apply for listing of the notes on any securities exchange or other market.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the notes in this offering will be approximately $988 million, after deducting the underwriters' discount and estimated offering expenses payable by us. We will use the net proceeds from this offering to repay outstanding commercial paper, which we issued in the fourth quarter of 2002 and the first quarter of 2003 to repay $650 million aggregate principal amount of our $8^{1}/_{8}$% medium-term notes due 2003 and for general corporate purposes. As of December 31, 2002, the weighted average interest rate of such outstanding commercial paper was 2.06% maturing within the next three months.

CAPITALIZATION

The following table sets forth cash and cash equivalents and the capitalization of PHH as of September 30, 2002 on a historical and pro forma basis giving effect to (i) an additional issuance of $650 million of commercial paper, the proceeds from which were used to repay $650 million of our medium-term notes and (ii) $988 million of net proceeds (gross proceeds of $1 billion) from the issuance of the notes offered hereby and the application of the proceeds therefrom to repay outstanding borrowings under our commercial paper facility. See "Use of Proceeds."

This table should be read in conjunction with the financial statements and related notes thereto included in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, which is incorporated by reference in this prospectus supplement. All dollar amounts are in millions.

	As of September 30, 2002	
	Historical PHH	Pro Forma PHH
Cash and cash equivalents	$ 54	$ 54
Debt under management and mortgage programs	$ 6,116	$ 6,128
Stockholder's equity:		
Preferred stock authorized 3 million shares; none issued and outstanding common stock, no par value authorized 75 million shares; issued and outstanding 1,000 shares	800	800
Retained earnings	996	996
Accumulated other comprehensive loss	(4)	(4)
Total stockholder's equity	1,792	1,792

	As of September 30, 2002	
Total capitalization	$ 7,908	$ 7,920

RATIO OF EARNINGS TO FIXED CHARGES

The table below sets forth the ratio of earnings to fixed charges of PHH and its consolidated subsidiaries on a historical basis for each of the periods indicated:

Nine Months Ended	Fiscal Year Ended December 31,				
September 30, 2002	2001	2000	1999	1998	1997
1.14x(1)	2.50x	3.41x	3.13x	2.78x(2)	*