

OCWEN FINANCIAL CORP  
Form 10-Q  
November 09, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2009**

or

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

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-13219

**Ocwen Financial Corporation**

(Exact name of registrant as specified in its charter)

Florida

65-0039856

(State or other jurisdiction  
of incorporation or organization)

(I.R.S. Employer  
Identification No.)

1661 Worthington Road, Suite 100, West Palm Beach, Florida 33409

(Address of principal executive offices) (Zip Code)

(561) 682-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

Number of shares of Common Stock, \$0.01 par value, outstanding as of October 30, 2009: 99,835,097 shares.

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FORM 10-Q

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**FORWARD-LOOKING STATEMENTS**

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, but not limited to the following:

- assumptions related to the sources of liquidity, our ability to fund advances and the adequacy of financial resources;
- estimates regarding prepayment speeds, float balances, delinquency rates, advances and other servicing portfolio characteristics;
- projections as to the performance of our fee-based loan processing business and our asset management vehicles;
- assumptions about our ability to grow our business;
- our plans to continue to sell our non-core assets;
- our ability to establish additional asset management vehicles;
- our ability to reduce our cost structure;
- our analysis in support of the decision to spin Ocwen Solutions as a separate company;
- our continued ability to successfully modify delinquent loans and sell foreclosed properties;
- estimates regarding our reserves, valuations and anticipated realization on assets; and
- expectations as to the effect of resolution of pending legal proceedings on our financial condition.

Forward-looking statements are not guarantees of future performance and involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially. Important factors that could cause actual results to differ include, but are not limited to, the risks discussed in "Risk Factors" below and the following:

- availability of adequate and timely sources of liquidity;
- delinquencies, advances and availability of servicing;
- general economic and market conditions;
- uncertainty related to government programs, regulations and policies; and
- uncertainty related to dispute resolution and litigation.

Further information on the risks specific to our business are detailed within this report and our other reports and filings with the Securities and Exchange Commission, including our Annual report on Form 10-K for the year ended December 31, 2008, our quarterly reports on Form 10-Q and our current reports on Form 8-K. Forward-looking statements speak only as of the date they are made and should not be relied upon. Ocwen Financial Corporation undertakes no obligation to update or revise forward-looking statements.

**PART I – FINANCIAL INFORMATION**  
**ITEM 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

	September 30, 2009	December 31, 2008
		(As Adjusted)
<b>Assets</b>		
Cash	\$ 195,854	\$ 201,025
Trading securities, at fair value		
Auction rate	250,099	239,301
Subordinates and residuals	4,417	4,369
Loans held for resale, at lower of cost or fair value	36,618	49,918
Advances	131,360	102,085
Match funded advances	879,444	1,100,555
Mortgage servicing rights	124,989	139,500
Receivables, net	33,135	42,798
Deferred tax assets, net	129,116	175,145
Intangibles, including goodwill	—	46,227
Premises and equipment, net	3,954	12,926
Investments in unconsolidated entities	18,764	25,663
Other assets	67,303	97,588
<b>Total assets</b>	<b>\$ 1,875,053</b>	<b>\$ 2,237,100</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Match funded liabilities	\$ 529,779	\$ 961,939
Lines of credit and other secured borrowings	54,665	116,870
Investment line	167,168	200,719
Servicer liabilities	59,457	135,751
Debt securities	109,814	133,367
Income taxes payable, net	18,940	—
Other liabilities	77,770	78,813
<b>Total liabilities</b>	<b>1,017,593</b>	<b>1,627,459</b>
<b>Commitments and Contingencies (Note 24)</b>		
<b>Equity</b>		
Ocwen Financial Corporation stockholders' equity		
Common stock, \$.01 par value; 200,000,000 shares authorized; 99,835,097 and 62,716,530 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	998	627
Additional paid-in capital	458,822	201,831
Retained earnings	395,809	404,901

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Accumulated other comprehensive income, net of income taxes	1,569	1,876
Total Ocwen Financial Corporation stockholders' equity	857,198	609,235
Non-controlling interest in subsidiaries	262	406
Total equity	857,460	609,641
Total liabilities and equity	\$ 1,875,053	\$ 2,237,100

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

**OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Dollars in thousands)

For the periods ended September 30,	Three months		Nine months	
	2009	2008	2009	2008
	(As Adjusted)		(As Adjusted)	
<b>Revenue</b>				
Servicing and subservicing fees	\$ 57,534	\$ 91,298	\$ 201,832	\$ 290,200
Process management fees	23,735	27,453	97,513	81,794
Other revenues	2,083	2,510	7,776	8,743
<b>Total revenue</b>	<b>83,352</b>	<b>121,261</b>	<b>307,121</b>	<b>380,737</b>
<b>Operating expenses</b>				
Compensation and benefits	18,959	33,727	74,758	96,567
Amortization of servicing rights	7,159	12,106	25,743	40,712
Servicing and origination	7,804	11,540	36,277	37,589
Technology and communications	4,206	6,022	13,495	17,713
Professional services	6,378	5,973	21,772	27,058
Occupancy and equipment	4,192	5,131	15,056	17,471
Other operating expenses	4,675	2,959	11,188	9,689