OCWEN FINANCIAL CORP
Form 10-K/A
May 15, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 1)
(Mark one)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from: ____________________ to ____________________

Commission File No. 1-13219
OCWEN FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Florida	65-0039856
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1661 Worthington Road, Suite 100 West Palm Beach, Florida	33409
(Address of principal executive office)	(Zip Code)

(561) 682-8000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $.01 par value	New York Stock Exchange (NYSE)
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12 (g) of the Act: Not applicable.
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated filer	o		Accelerated filer	x
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o
			Emerging growth company	o

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

Aggregate market value of the common stock of the registrant held by nonaffiliates as of June 30, 2016: $210,586,493

Number of shares of common stock outstanding as of February 17, 2017: 123,988,160 shares
DOCUMENTS INCORPORATED BY REFERENCE: Portions of our definitive Proxy Statement with respect to our Annual Meeting of Shareholders, which is currently scheduled to be held on May 24, 2017, are incorporated by reference into Part II, Item 5 and Part III, Items 10 - 14.

Explanatory Note

Ocwen Financial Corporation (Ocwen, we, us, our) is filing this Amendment No. 1 (Amendment) to our Annual Report on Form 10-K for the year ended December 31, 2016 (Original Form 10-K) to restate our previously issued consolidated financial statements for the year ended December 31, 2016. We are restating our consolidated financial statements for the year ended December 31, 2016 to amend Note 26 - Contingencies to our consolidated financial statements for the year ended December 31, 2016 to add the following:

In December 2016, we entered into a confidential memorandum of understanding (MOU) with the Multistate Mortgage Committee (MMC), a multistate coalition of various mortgage banking regulators, and six states relating to a servicing examination by the MMC covering the period January 1, 2013 through February 28, 2015. The MOU contained various provisions relating to servicing practices and safety and soundness aspects of the regulatory review, as well as a requirement for us to develop a plan for submission to the MMC to address concerns from the review by the MMC, 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.

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. 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.

The MOU was confidential under various state laws until made public by certain state regulators on April 20, 2017.

The restatement of our consolidated financial statements for the year ended December 31, 2016 did not result in any changes to our consolidated financial statements and related footnote disclosures, other than the changes to the disclosure in Note 26 — Contingencies.

In connection with the restatement, management has re-evaluated the effectiveness of Ocwen’s disclosure controls and procedures and internal control over financial reporting as of December 31, 2016 based on the framework in “Internal Control-Integrated Framework (2013 framework)” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has concluded that Ocwen’s disclosure controls and procedures and internal controls over financial reporting were not effective as of December 31, 2016 solely due to a material weakness in internal control over financial reporting that resulted in the failure to provide disclosure of the MOU. For a discussion of management’s consideration of our disclosure controls and procedures, internal controls over financial reporting, and the material weaknesses identified, see Part II, Item 9A, “Controls and Procedures” of this Amendment.

Except as described above, this Amendment does not amend, update or change any other items or disclosures in the Original Form 10-K and does not reflect any information or events subsequent to the initial filing date of the Original

Form 10-K (February 22, 2017). Accordingly, forward-looking statements included in this Amendment represent management's views as of the original filing date (February 22, 2017) and should not be assumed to be accurate as of any date thereafter. This Amendment should be read in conjunction with Ocwen's other filings with the SEC subsequent to the filing of the Original Form 10-K.

OCWEN FINANCIAL CORPORATION
2016 FORM 10-K/A ANNUAL REPORT
TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact included in this report, including, without limitation, statements regarding our financial position, business strategy and other plans and objectives for our future operations, are forward-looking statements.

These statements include declarations regarding our management's beliefs and current expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could", "intend," "consider," "expec "plan," "anticipate," "believe," "estimate," "predict" or "continue" or the negative of such terms or other comparable terminolo

Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Our business has been undergoing substantial change, which has magnified such uncertainties. Readers should bear these factors in mind when considering forward-looking statements and should not place undue reliance on such statements.

Forward-looking statements involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those suggested by such statements. In the past, actual results have differed from those suggested by forward looking statements and this may happen again. Important factors that could cause actual results to differ include, but are not limited to, the risks discussed in "Risk Factors" and the following:

- uncertainty related to claims, litigation and investigations brought by government agencies and private parties regarding our servicing, foreclosure, modification, origination and other practices, including uncertainty related to past, present or future investigations and settlements with state regulators, the Consumer Financial Protection Bureau (CFPB), State Attorneys General, the Securities and Exchange Commission (SEC), the Department of Justice or the Department of Housing and Urban Development (HUD) and actions brought under the False Claims Act by private parties on behalf of the United States of America regarding incentive and other payments made by governmental entities;
- adverse effects on our business as a result of regulatory investigations or settlements;
- reactions to the announcement of such investigations or settlements by key counterparties;
- increased regulatory scrutiny and media attention;
- any adverse developments in existing legal proceedings or the initiation of new legal proceedings;
- our ability to effectively manage our regulatory and contractual compliance obligations;
- the adequacy of our financial resources, including our sources of liquidity and ability to sell, fund and recover advances, repay borrowings and comply with our debt agreements, including the financial and other covenants contained in them;
- our servicer and credit ratings as well as other actions from various rating agencies, including the impact of prior or future downgrades of our servicer and credit ratings;
- volatility in our stock price;
- the characteristics of our servicing portfolio, including prepayment speeds along with delinquency and advance rates;
- our ability to contain and reduce our operating costs, including our ability to successfully execute on our cost improvement initiative;
- our ability to successfully modify delinquent loans, manage foreclosures and sell foreclosed properties;
- uncertainty related to legislation, regulations, regulatory agency actions, regulatory examinations, government programs and policies, industry initiatives and evolving best servicing practices;
- our dependence on New Residential Investment Corp. (NRZ) for a substantial portion of our advance funding for non-agency mortgage servicing rights;
- uncertainties related to our long-term relationship with NRZ;
- the loss of the services of our senior managers;
- uncertainty related to general economic and market conditions, delinquency rates, home prices and disposition timelines on foreclosed properties;
- uncertainty related to the actions of loan owners and guarantors, including mortgage-backed securities investors, the Government National Mortgage Association (Ginnie Mae), trustees and government sponsored entities (GSEs), regarding loan put-backs, penalties and legal actions;
-

- our ability to comply with our servicing agreements, including our ability to comply with our seller/servicer agreements with GSEs and maintain our status as an approved seller/servicer;
- uncertainty related to the GSEs substantially curtailing or ceasing to purchase our conforming loan originations or the Federal Housing Administration (FHA) of the Department of Housing or Department of Veterans Affairs (VA) ceasing to provide insurance;
- uncertainty related to the processes for judicial and non-judicial foreclosure proceedings, including potential additional costs or delays or moratoria in the future or claims pertaining to past practices;
- our reserves, valuations, provisions and anticipated realization on assets;

- uncertainty related to the ability of third-party obligors and financing sources to fund servicing advances on a timely basis on loans serviced by us;
- uncertainty related to the ability of our technology vendors to adequately maintain and support our systems, including our servicing systems, loan originations and financial reporting systems;
- our ability to effectively manage our exposure to interest rate changes and foreign exchange fluctuations;
- uncertainty related to our ability to adapt and grow our business, including our new business initiatives;
- our ability to meet capital requirements established by regulators or counterparties;
- uncertainties related to the cost of monitors and the length of monitorships;
- our ability to protect and maintain our technology systems and our ability to adapt such systems for future operating environments;
- failure of our internal information technology and other security measures or breach of our privacy protections; and
- uncertainty related to the political or economic stability of foreign countries in which we have operations.

Further information on the risks specific to our business is detailed within this report, including under "Risk Factors." Forward-looking statements speak only as of the date they were made and we disclaim any obligation to update or revise forward-looking statements whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

When we use the terms “Ocwen,” “OCN,” “we,” “us” and “our,” we are referring to Ocwen Financial Corporation and its consolidated subsidiaries.

OVERVIEW

We are a financial services company that services and originates loans. Our goal is to be a world-class asset origination and servicing company that delivers service excellence to our customers and strong returns to our shareholders. In order to achieve this goal, our strategic plan includes the following objectives:

- Asset Generation - Transform Ocwen over time by reinvesting cash flows generated by the servicing business to grow not only our residential mortgage lending business but also our other new business lines such as our Automotive Capital Services (ACS) business, which we believe can diversify our income profile and drive Ocwen’s return to sustainable profitability. We believe asset generation, through our residential mortgage lending business and our ACS business, will be Ocwen’s primary drivers of growth for the future.
- Continuous Cost Improvement - Improve our cost structure as part of an organization-wide initiative to return Ocwen to profitability. In addition, we take our commitments to enhancing the borrower experience, maintaining a strong risk and compliance infrastructure and delivering strong loss mitigation results very seriously and, accordingly, we continue to make appropriate investments in those important areas even as we continue to optimize our cost structure through productivity improvements and other initiatives. In addition, part of our cost improvement objective includes resolving our legacy litigation and regulatory matters.
- Our Culture - Actively foster a strong and positive culture of compliance, risk management, ethical behavior and service excellence. Our success ultimately depends on the strength of our relationships with our customers and our regulators. We strongly believe ourselves to be partners in the homeownership process and are committed to helping borrowers in every permissible way, all within an appropriate risk and compliance environment.

We are headquartered in West Palm Beach, Florida with offices located throughout the United States (U.S.) and in the United States Virgin Islands (USVI) and operations in India and the Philippines. Ocwen Financial Corporation is a Florida corporation organized in February 1988. With our predecessors, we have been servicing residential mortgage loans since 1988. We have been originating forward mortgage loans since 2012 and reverse mortgage loans since 2013. In 2015, we began originating short-term loans to independent used car dealers.

BUSINESS LINES

Servicing and Lending are our primary lines of business. Our ACS business and other business activities that are currently individually insignificant are included in the Corporate Items and Other segment.

Servicing

Our Servicing business is primarily comprised of our core residential mortgage servicing business and currently accounts for the majority of our total revenues. Our servicing clients include some of the largest financial institutions in the U.S., including the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (each, an Agency or, collectively, the GSEs), the Government National Mortgage Association (Ginnie Mae) and non-Agency residential mortgage-backed securities (RMBS) trusts. As of December 31, 2016, our residential servicing portfolio consisted of 1,393,766 loans with an unpaid principal balance (UPB) of $209.1 billion.

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. Ocwen has provided 20% of the loan modifications under the Federal Government’s Home Affordable Modification Program (HAMP) – more than any other mortgage servicer and 53% more than the next highest servicer, according to data published in the U.S. Treasury’s Making Home Affordable Third Quarter 2016 Program Performance Report. In the same report, Ocwen also received a three-star rating, the highest rating, across all but one of the compliance categories that the U.S. Treasury evaluates. Overall, Ocwen completed over 718,000 loan modifications from January 1, 2008 through December 31, 2016.

Servicing involves the collection and remittance of principal and interest payments received from borrowers, the administration of mortgage escrow accounts, the collection of insurance claims, the management of loans that are delinquent or in foreclosure or bankruptcy, including making servicing advances, evaluating loans for modification and other loss mitigation activities and, if necessary, foreclosure referrals and the sale of the underlying mortgaged property following foreclosure (real estate owned or REO) on behalf of mortgage loan investors or other servicers. Master servicing involves the collection of payments from servicers and the distribution of funds to investors in mortgage and asset-backed securities and whole loan packages. We earn contractual monthly servicing fees (which are typically payable as a percentage of UPB) pursuant to servicing agreements as well as other ancillary fees in connection with our servicing activities.

We own mortgage servicing rights (MSRs) outright, where we receive all of the servicing economics, and we subservice on behalf of other institutions that own the MSRs or Rights to MSRs, in which case we earn a fee for performing the subservicing activities. Special servicing is a component form of subservicing where we generally manage only delinquent loans on behalf of a loan owner. The owners of MSRs or Rights to MSRs may choose to retain Ocwen as a subservicer instead of servicing the MSRs themselves for a variety of reasons, including the lack of a servicing platform or the necessary capacity or expertise to service some or all of their MSRs. We typically earn subservicing and special servicing fees either as a percentage of UPB or on a per loan basis.

Servicing advances are an important component of our business and are amounts that we, as servicer, are required to advance to, or on behalf of, our servicing clients if we do not receive such amounts from borrowers. These amounts include principal and interest payments, property taxes and insurance premiums and amounts to maintain, repair and market real estate properties on behalf of our servicing clients. Most of our advances have the highest reimbursement priority such that we are entitled to repayment of the advances from the loan or property liquidation proceeds before most other claims on these proceeds. The costs incurred in meeting advancing obligations consist principally of the interest expense incurred in financing the advance receivables and the costs of arranging such financing.

Reducing delinquencies is important to our business because it enables us to recover advances and recognize additional ancillary income, such as late fees, which we do not recognize on delinquent loans until they are brought current. Performing loans also require less work and are thus generally less costly to service. While increasing borrower participation in loan modification programs is a critical component of our ability to reduce delinquencies, the persistence of those modifications to remain current is also an important factor.

While our Servicing business grew rapidly via portfolio and business acquisitions during the period 2010 through 2013, we have made no significant acquisitions since that time. Our growth ceased primarily as a result of significant regulatory scrutiny, which resulted in our settlements with the New York Department of Financial Services (NY DFS) in December 2014 and the California Department of Business Oversight (CA DBO) in January 2015, which are discussed in greater detail in the Regulation section below. These settlements have significantly impacted our ability to grow our servicing portfolio, which naturally decreases over time through portfolio runoff, because we agreed to restrictions in our consent orders with the NY DFS and CA DBO that effectively prohibited future acquisitions of servicing. The CA DBO restrictions have now been lifted. However, we are still subject to restrictions under the NY DFS consent order. 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. Generally, we would benefit from economies of scale if we were able to increase the size of our servicing portfolio.

During 2015, we implemented a strategy to sell a portion of our Agency MSRs to reduce our exposure to interest rate movements, monetize significant unrealized value and generate significant liquidity. We also desired to refocus our business on non-Agency servicing. In a series of performing and non-performing MSR sales completed in 2015, we sold $87.6 billion of UPB of MSRs, generating gains of $83.9 million. We may enter into additional asset sales from time to time, if we view sale prices and other sale terms to be attractive.

Lending

In our Lending business, we originate and purchase conventional (conforming to the underwriting standards of the GSEs, collectively Agency loans) and government-insured (insured by the Federal Housing Administration (FHA) or Department of Veterans Affairs (VA)) forward mortgage loans through the correspondent, wholesale and retail lending channels of our Homeward Residential, Inc. (Homeward) operations. Per-loan margins vary by channel, with correspondent typically being the lowest margin and retail the highest margin. After origination, we generally package and sell the loans in the secondary mortgage market, through GSE and Ginnie Mae guaranteed securitizations and whole loan transactions. We typically retain the associated MSRs, providing the Servicing business with a source of new MSRs to replenish our servicing portfolio and partially offset the impact of amortization and prepayments.

We also originate and purchase Home Equity Conversion Mortgages (HECM or reverse mortgage loans) insured by the FHA through our Liberty Home Equity Solutions, Inc. (Liberty) operations. Loans originated under this program are guaranteed by the FHA, which provides investors with protection against risk of borrower default. The reverse mortgage channel provides both current period and future period gain on sale revenue from new originations as a result of subsequent tail draws taken by the borrower. While we focus on current period reported earnings, we also utilize our market experience to invest in future asset value when returns are at attractive levels. These future cash flows are not guaranteed but viewed as probable given our historic asset quality and slow prepayment speeds.

Wholesale Lending. We originate loans through a network of approved brokers. Brokers are subject to a formal approval and monitoring process. We underwrite all loans originated through this channel consistent with the underwriting standards required by the ultimate investor prior to funding.

Correspondent Lending. Our forward and reverse correspondent lending channels purchase mortgage loans that have been originated by a network of approved third-party lenders.

All of the lenders participating in our correspondent lending program are approved by senior lending and credit management executives. We also employ an ongoing monitoring and renewal process for participating lenders that includes an evaluation of the performance of the loans they have sold to us. We perform a variety of pre- and post-funding review procedures to ensure that the loans we purchase conform to our requirements and to the requirements of the investors to whom we sell loans.

Retail Lending. We originate forward and reverse mortgage loans directly with borrowers through our retail lending business. Our retail lending business benefits from our significant servicing portfolio by offering refinance options to qualified borrowers seeking to lower their mortgage payments. Depending on borrower eligibility, we refinance eligible customers into conforming or government-insured products. We also are increasing our ability to originate retail loans to non-Ocwen servicing customers through various marketing channels and a centralized call center. Through lead campaigns and direct marketing, the retail channel seeks to convert leads into higher margin loans in a cost efficient manner.

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.

In 2016, our Lending business originated or purchased forward and reverse mortgage loans with a UPB of $4.2 billion and $825.5 million, respectively. We do not currently expect to originate loans not considered qualified mortgages (Qualified Mortgages) by the CFPB, although we will continue to evaluate our position as market and investor demand develops.

We believe our residential mortgage lending business can be a primary driver of growth for the future. We are focused on expanding our proprietary loan origination system to give us a technological and customer service edge, building out a profitable retail channel, increasing recapture rates on our existing servicing portfolio and expanding our broker business nationwide. Our servicing business has historically generated significant amounts of cash, and we intend to invest a portion of that cash to grow our lending business.

Automotive Capital Services

ACS provides short-term inventory-secured loans to independent used car dealers to finance their inventory. Loans are typically outstanding for 30 to 60 days and structured as lines of credit on which the dealerships can draw to finance inventory purchases. We are generally offering credit lines ranging from $200,000 to $6.5 million. ACS had credit lines for $83.8 million as of December 31, 2016, with $39.5 million drawn as of such date. While ACS currently funds new originations with available corporate cash, we are actively working on establishing warehouse line financing to fund new volumes and eventually anticipate launching securitizations when loan volume and market conditions permit. As of December 31, 2016, ACS was operating in thirty-five markets across twenty-four states with sixty-four dealers.

We believe our ACS business can be a driver of growth for the future as it potentially offers the ability to lend at attractive interest rates and to earn a similar amount in administrative and other fees charged to dealers. However, to be successful, we believe that our ACS business will need to grow rapidly and achieve substantial scale without average loan defaults exceeding low single digit percentages. The business will also benefit if we are able to execute successfully on our plans to establish funding lines for this business through securitization of our loans to dealerships. To the extent we believe it will produce appropriate returns, we intend to use a portion of the cash generated by our servicing business to grow our ACS business.

The results of operations for each of our reportable operating segments (Servicing, Lending and Corporate Items and Other) are included in the individual business operations sections of Management's Discussion and Analysis of Financial Condition and Results of Operations. Financial information related to reportable operating segments is provided in Note 22 — Business Segment Reporting.

REGULATION

Our business is subject to extensive oversight and regulation by federal, state and local governmental authorities, including the CFPB, the Department of Housing and Urban Development (HUD) 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 any of the following:

- loss of our licenses and approvals to engage in our servicing and lending businesses;
- governmental investigations and enforcement actions;
- administrative fines and penalties and litigation;
- civil and criminal liability, including class action lawsuits and actions to recover incentive and other payments made by governmental entities;
- breaches of covenants and representations under our servicing, debt or other agreements;
- damage to our reputation;
- inability to raise capital; or
- inability to execute on our business strategy.

We must comply with a large number of federal, state and local consumer protection laws including, among others, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA), the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Equal Credit Opportunity Act, as well as individual state 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.

Since the financial crisis that began in 2007, the trend among federal, state and local lawmakers and regulators has been toward increasing laws, regulations and investigative proceedings with regard to residential mortgage lenders and servicers. Over the past few years, state and federal lawmakers and regulators have adopted a variety of new or expanded laws and regulations and recommended practices, including the Dodd-Frank Act, which created the CFPB as a new federal entity responsible for regulating consumer financial services. Since its formation, the CFPB has taken a very active role in the mortgage industry, and its rule-making and regulatory agenda relating to loan servicing and origination continues to evolve. Individual states have also been active, as have other regulatory organizations such as the Multistate Mortgage Committee (MMC), a multistate coalition of various mortgage banking regulators. We also believe there has been a shift among certain regulators towards a broader view of the scope of regulatory oversight responsibilities with respect to mortgage lenders and servicers. In addition to their traditional focus on licensing and examination matters, certain regulators have begun to make observations, recommendations or demands with respect to areas such as corporate governance, safety and soundness and risk and compliance management.

The CFPB and state regulators have also increasingly focused on the use and adequacy of technology in the mortgage servicing industry. In June 2016, the CFPB issued a special edition supervision report that stressed the need for mortgage servicers to assess and make necessary improvements to their information technology systems in order to ensure compliance with the CFPB’s mortgage servicing requirements. The NY DFS also issued proposed Cybersecurity Requirements for Financial Services Companies, which are scheduled to take effect in March 2017, and which will require banks, insurance companies, and other financial services institutions regulated by the NY DFS to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State’s financial services industry.

New regulatory and legislative measures, or changes in enforcement practices, including those related to the technology we use, could, either individually or in the aggregate, require significant changes to our business practices, impose additional costs on us, limit our product offerings, limit our ability to efficiently pursue business opportunities, negatively impact asset values or reduce our revenues.

We are subject to a number of ongoing federal and state regulatory examinations, consent orders, inquiries, subpoenas, civil investigative demands, requests for information and other actions, which could result in further adverse regulatory action against us.

CFPB

We are currently engaged with the CFPB in efforts to resolve certain concerns the CFPB has expressed relating to our servicing practices and technology. These concerns primarily stemmed from a CFPB examination of us that began in 2014. Our negotiations with the enforcement staff of the CFPB could result in a consent order with the CFPB and could entail payment of monetary amounts by us or injunctive relief, among other consequences. In accordance with the Financial Accounting Standards Board's Accounting Standards Codification 450 (ASC 450), we have accrued $12.5 million as of December 31, 2016 as a result of our negotiations with the CFPB. We have not reached any agreement with the CFPB and cannot predict whether or when we may reach such an agreement. If we are unable to agree upon a resolution, the CFPB could bring an adversarial enforcement action against us. An adversarial enforcement action could be costly to defend, could adversely affect our reputation and could adversely impact our relationships with counterparties, including lenders, among other consequences. Accordingly, whether or not we reach an agreement after discussions with the CFPB, it is possible that we could incur losses that materially exceed the amount accrued as of December 31, 2016, 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.

New York Department of Financial Services

In December 2014, we entered into a consent order (the NY Consent Order) with the NY DFS as a result of an investigation relating to Ocwen's servicing of residential mortgages.

The settlement 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. The Operations Monitor was appointed in March 2015 for a two-year period, extendable for one year at the discretion of the NY DFS. We must pay all reasonable and necessary costs of the Operations Monitor. The expenses associated with the Operations Monitor have and will continue to impact us, as the expenses are substantial and we have limited ability to control, monitor or contest the Operation Monitor's charges.

We continue to work with the Operations Monitor. If we are found to have breached the terms of the NY Consent Order or if the NY DFS or the Operations Monitor were to allege non-compliance with New York laws or regulations, we could become subject to financial penalties or other regulatory action could be taken against us. The Operations Monitor also makes recommendations to Ocwen on various operational and governance matters. If we do not address such recommendations in a manner deemed satisfactory by the Operations Monitor and the NY DFS, we could be subject to additional scrutiny by the Operations Monitor or the NY DFS or other regulatory action could be taken against us.

California Department of Business Oversight

In January 2015, Ocwen Loan Servicing, LLC (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 these costs were substantial.

On February 17, 2017, OLS, and two other subsidiaries, Ocwen Business Solutions, Inc. (OBS) and Ocwen Financial Solutions Private Limited (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. The 2017 CA Consent Order also contains certain monetary and non-monetary provisions, including the following:

•

Ocwen agrees to make a cash settlement payment of $25.0 million to the CA DBO, comprised of $20.0 million for the CA DBO to distribute to Ocwen serviced borrowers at its discretion and $5.0 million in costs, fees, and penalties. We initially accrued $25.0 million as of September 30, 2016. Additionally, OFSPL and OBS agreed to pay $350,000 in the aggregate as a penalty.

- Ocwen will provide $198.0 million in debt forgiveness through loan modifications to California borrowers over three years, commencing on July 1, 2016. Ocwen's loan modifications are designed to be sustainable for homeowners while providing an estimated net present value for mortgage loan investors that is superior to that of foreclosure. Debt forgiveness as part of a loan modification is determined on a case-by-case basis in accordance with the applicable servicing agreement. Debt forgiveness does not involve an expense to Ocwen other than the operating expense incurred in arranging the modification, which is part of Ocwen's role as loan servicer.

- The 2017 CA Consent Order rescinds the prohibition on Ocwen acquiring MSRs for loans secured in California.
- The CA Auditor appointment under the 2015 CA Consent Order is terminated.
- OLS, OBS and OFSPL were released from claims relating to the matters covered by the 2017 CA Consent Order.
- Ocwen will update certain policies and procedures pursuant to an action plan, which was agreed upon with the CA Auditor prior to the termination of its appointment.
- Ocwen agrees to attempt to contact 19,295 California borrowers who did not respond to its initial voluntary solicitation of borrowers who may have been affected by issues disclosed in 2014 relating to erroneously dated borrower correspondence.
- Ocwen agrees to establish and maintain a hotline for its California borrowers for three years to supplement Ocwen's primary customer service center operations.
- The CA DBO will select, engage and pay a third party administrator to confirm that Ocwen completes its commitments under the 2017 CA Consent Order. All costs and expenses of the administrator will be paid by the CA DBO.

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.

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 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.

We continue to work with OMSO on ongoing testing and CAPs. While, to date, these issues have not resulted in financial or other penalties, if we are found to have breached the Ocwen National Mortgage Settlement, we could become subject to financial penalties or other regulatory action could be taken against us.

State Licensing 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 origination and servicing businesses. We also regularly engage with state attorneys general and the CFPB to respond to information requests and other inquiries. Many of our regulatory engagements arise from a complaint that the entity is investigating, although some are formal investigations or proceedings. The GSEs and their conservator, FHFA, HUD, FHA, VA, Ginnie Mae, the United States Treasury Department, and others also subject us to periodic reviews and audits. We have in the past resolved, and may in the future resolve, matters via consent orders or payment of monetary amounts to settle issues identified in connection with examinations or regulatory or other oversight activities.

On occasion, we engage with state Attorneys General and the Department of Justice on various matters. For example, Ocwen is currently in receipt of a civil investigative demand from the Massachusetts Attorney General's Office requesting information relating to our servicing practices.

To the extent that an examination, monitorship, audit or other regulatory engagement results in an alleged failure by us to comply with applicable law, regulation or licensing requirement, or if allegations are made that we have failed to comply with the commitments we have made in connection with our regulatory settlements (including commitments under any CAPs under such settlements) 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 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.

Finally, 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.

COMPETITION

The financial services markets in which we operate are highly competitive. We compete with large and small financial services companies, including bank and non-bank entities, in the servicing and lending markets. Large banks such as Wells Fargo, JPMorgan Chase, Bank of America and Citibank are generally the largest participants in these markets, although we also compete against other large non-bank servicers such as Nationstar Mortgage LLC and Walter Investment Management.

In the servicing industry, we compete on the basis of price, quality and counterparty risk. Potential counterparties also (1) assess our regulatory compliance track record and examine our systems and processes for maintaining and demonstrating regulatory compliance, and (2) consider our third-party servicer ratings. Certain of our competitors, especially large banks, may have substantially lower costs of capital and greater financial resources, which makes it challenging to compete. We believe that our competitive strengths flow from our ability to control and drive down delinquencies through the use of proprietary technology and processes and our lower cost to service non-performing, non-Agency loans. Notwithstanding these strengths, we have suffered reputational damage as a result of our regulatory settlements and the associated scrutiny of our business. We believe this has weakened our competitive position against both our bank and non-bank servicing competitors. In addition, our NY DFS consent order effectively prohibits us from competing in the market for bulk servicing acquisitions at this time.

In the lending industry, we face intense competition in most areas, including product offerings, rates, fees and customer service. Some of our competitors, including the larger banks, have substantially lower costs of capital and strong retail presence, which makes it challenging to compete. In addition, with the proliferation of smartphones and technological changes enabling improved payment systems and cheaper data storage, newer market participants, often called “disruptors,” are reinventing aspects of the financial industry and capturing profit pools previously enjoyed by existing market participants. As a result, the lending industry could become even more competitive if new market participants are successful in capturing market share from existing market participants such as ourselves. We believe our competitive strengths flow from our existing role as a mortgage servicer, which provides us with an existing customer relationship to capture refinance volume from our servicing portfolio and from our customer service.

THIRD-PARTY SERVICER RATINGS

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 Investors Services, Inc. (Moody’s), Morningstar, Inc. (Morningstar), Standard & Poor’s Rating Services (S&P) and Fitch Ratings Inc. (Fitch). Favorable ratings from these agencies are important to the conduct of our loan servicing and lending businesses.

The following table summarizes our key 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	Stable
Date of last action	November 7, 2016	November 7, 2016	August 9, 2016	February 19, 2016

S&P upgraded our servicer ratings from Below Average to Average on August 9, 2016. Among the reasons cited by S&P for its upgrade were strengthened first and second lines of defense in risk management; good management and staff experience levels; manageable staff and management turnover rates; and investment in and continued strengthening of staffing, technology and processes in the internal control environment.

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.

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.

See Item 1A. Risk Factors - Risks Relating to Our Business for further discussion of the adverse effects that a failure to maintain minimum servicer ratings could have on our business, financing activities, financial condition or results of operations.

ALTISOURCE VENDOR RELATIONSHIP

Each of Ocwen Financial Corporation and Ocwen Mortgage Servicing, Inc. (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 Portfolio Solutions S.A. (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.

We are currently dependent on many of the services and products provided by Altisource under these 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 and effective platform, our business could suffer.

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-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.

NEW RESIDENTIAL INVESTMENT CORP. RELATIONSHIP

During 2012 and 2013, we sold rights to receive servicing fees with respect to certain non-Agency MSRs (Rights to MSRs), together with the related servicing advances, to NRZ, for serviced loans with an original UPB of $202.4 billion based on UPB at the time of sale and a current outstanding UPB of $118.7 billion at December 31, 2016 (the NRZ/HLSS Transactions). We have completed a total of ten Rights to MSRs transactions. We continue to service the loans for which the Rights to MSRs have been sold to NRZ and receive a servicing fee plus the right to retain ancillary income (other than net earnings on custodial and escrow accounts). In the event NRZ were unable to fulfill its advance funding obligations, as the servicer under our servicing agreements with the RMBS trusts, we would be contractually obligated to fund such advances under those servicing agreements. At December 31, 2016, NRZ had outstanding advances of approximately $4.1 billion in connection with the Rights to MSRs.

References to NRZ as the counterparty in this annual report include Home Loan Servicing Solutions (HLSS) and HLSS Holdings, LLC (Holdings) for periods prior to April 6, 2015 because, following HLSS' sale of substantially all of its assets (including the stock of Holdings) on April 6, 2015, NRZ, through its subsidiaries, is the owner of the Rights to MSRs and has assumed HLSS' rights and obligations under the associated agreements.

On April 6, 2015, in consideration for OLS' consent to the assignment by HLSS to NRZ of all HLSS' right, title and interest in, to and under our agreements with HLSS, we amended our Master Servicing Rights Purchase Agreement and Sale Supplements (the Amendment). The Amendment extends the term of the agreements to the extended servicing fee reset date noted in the table below unless, as of the original reset date, there is an uncured termination event with respect to an affected servicing agreement due to a servicer rating downgrade of our residential primary servicer rating for subprime loans to below average or lower by S&P or to "SQ4" or lower by Moody's Investors Service, Inc. (Moody's). Based on our current servicer ratings, the extended reset date will apply unless our servicer rating for either S&P or Moody's is downgraded to its below average category and such rating is in effect on the original reset date listed below.

Rights to MSRs Transaction	Original Reset Date	Extended Reset Date
1	February 10, 2018	February 10, 2020
2	May 1, 2018	April 30, 2020
3	August 1, 2018	April 30, 2020
4	September 13, 2018	April 30, 2020
5	September 28, 2018	April 30, 2020
6	December 26, 2018	April 30, 2020
7	March 13, 2019	April 30, 2020
8	May 21, 2019	April 30, 2020
9	July 1, 2019	April 30, 2020
10	October 25, 2019	April 30, 2020

As described below, the Amendment also limits NRZ's ability to transfer the servicing of any or all of the servicing agreements underlying the Rights to MSRs until April 6, 2017 even if further OLS servicer rating downgrades were to occur.

Through the Amendment, we were also able to secure the future monetization of certain clean-up call rights we own. The Amendment provides that we will sell to NRZ, on an exclusive and "as is" basis, all economic beneficial rights to the "clean-up call rights" to which we are entitled pursuant to servicing agreements that underlie Rights to MSRs owned by NRZ, for a payment upon exercise of 0.50% of the UPB of all performing mortgage loans (mortgage loans that are current or 30 days or less delinquent) associated with the applicable clean up-call. Generally, a clean-up call allows a servicer or master servicer to purchase the remaining loans and REO out of a securitization, after the stated principal balance of the loans in the securitization falls below a specified percentage (e.g., falls below 10% of the principal balance of the loans as of the cut-off date under the securitization). We also agreed to compensate NRZ for certain increased costs associated with its servicing advance financing facilities, including increased costs of funding, to the extent such costs are the direct result of our 2015 servicer rating downgrade. This compensation requirement ran for a period of 12 months beginning June 2015.

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 applicable servicing fee reset date. If the parties are not able to agree on servicing fees prior to the servicing 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. Under the agreements with NRZ, we are required to reimburse NRZ for reasonable out-of-pocket costs incurred in connection with obtaining any required third-party consents to transfer any servicing agreements underlying the Rights to MSRs.

To the extent that we are terminated as servicer under any servicing agreements underlying Rights to MSRs, 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, the legal ownership of the MSRs and certain other rights under the servicing agreements may be transferred to Holdings or a third party as described below. The parties have agreed to a standstill of the transfer period that extends through April 6, 2017, such that a transfer to Holdings will not occur and NRZ will not take action to direct a transfer to a third party except under certain limited circumstances.

Beginning April 7, 2017, we will be obligated to transfer legal ownership of the MSRs to Holdings (now owned by NRZ) if and when Holdings obtains all required third-party consents and licenses. If and when such transfer of legal ownership occurs, OLS will subservice the loans pursuant to a subservicing agreement, as amended, with Holdings, and the subservicing agreement will have a subservicing fee reset date comparable to the servicing fee reset date described above.

Also beginning April 7, 2017, NRZ will have a general right to direct us to transfer servicing of the servicing agreements underlying the Rights to MSRs to a third party that 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.

Pursuant to our agreements with NRZ, if a termination event occurs with respect to a servicing agreement, NRZ has the right to direct the transfer of servicing with respect to an affected servicing agreement to a replacement servicer that obtains all required third-party consents and licenses. Following any such transfer, we would no longer be entitled to receive future servicing fee revenue with respect to the transferred servicing agreement. Under the Amendment, NRZ agreed to a standstill through April 6, 2017, to not take action with respect to any termination event that is related to any servicer rating downgrade in any such affected servicing agreement except under certain limited circumstances.

In the third quarter of 2016, NRZ announced it was qualified, through its wholly owned subsidiary New Residential Mortgage LLC, to own MSRs in all 50 states and is an approved FNMA and FHLMC Servicer and FHA Lender.

While we have not sold any Rights to MSRs since 2013, we may, in the future, enter into transactions to sell Rights to MSRs (or enter into transactions which have similar economic effects) due to the benefits such transactions have in allowing us to carry less capital on our balance sheet and devote the capital that we do have to less capital intensive activities such as loan servicing and loan origination. Obviously, any future transactions would need to be on terms we deem to be economically attractive - it is not possible to determine exactly when or if we might agree on terms for such transactions.

USVI OPERATIONS

As part of an initiative to reorganize the ownership and management of our global servicing assets and operations under a single entity and cost-effectively expand our U.S.-based origination and servicing activities, Ocwen formed OMS in 2012 under the laws of the USVI where OMS has its principal place of business. OMS is located in a federally recognized economic development zone and in 2012 became eligible for certain benefits, which may have a favorable impact on our effective tax rate.

EMPLOYEES

We had a total of approximately 9,700 and 10,500 employees at December 31, 2016 and 2015, respectively. We maintain operations in the U.S., USVI, India and the Philippines. At December 31, 2016, approximately 6,300 of our employees were located in India and approximately 800 were based in the Philippines. Of our foreign-based employees, more than 80% were engaged in our Servicing operations as of December 31, 2016.

SUBSIDIARIES

For a listing of our significant subsidiaries, refer to Exhibit 21.1 of this Annual Report on Form 10-K.

AVAILABLE INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are made available free of charge through our website (www.ocwen.com) as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The public may read or copy any materials we file with the

SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers, including Ocwen, that file electronically with the SEC. The address of that site is www.sec.gov. We have also posted on our website, and have available in print upon request (1) the charters for our Audit Committee, Compensation Committee, Nomination/Governance Committee, Compliance Committee, Risk Committee and Independent Review Committee, (2) our Corporate Governance Guidelines, (3) our Code of Business Conduct and Ethics and (4) our Code of Ethics for Senior Financial Officers. Within the time period required by the SEC and the New York Stock Exchange, we will post on our website any amendment to or waiver of the Code of Ethics for Senior Financial Officers, as well as any amendment to the Code of Business Conduct and Ethics or waiver thereto applicable to any executive officer or director. We may post information that is important to investors on our website. The information provided on our website is not part of this report and is, therefore, not incorporated herein by reference.

ITEM 1A. RISK FACTORS

An investment in our common stock involves significant risk. We describe below the most significant risks that management believes affect or could affect us. Understanding these risks is important to understanding any statement in this Annual Report and to evaluating an investment in our common stock. You should carefully read and consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this Annual Report before you make any decision regarding an investment in our common stock. You should also consider the information set forth above under "Forward Looking Statements." If any of the following risks actually occur, our business, financial condition 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.

Risks Relating to Government Regulation and Financial Regulatory Reforms

The business in which we engage is complex and heavily regulated. If we fail to operate our business in compliance with both existing and future regulations, our business, reputation, financial condition or results of operations could be materially and adversely affected.

Our business is subject to extensive oversight and regulation by federal, state and local governmental authorities, including the CFPB, HUD, the SEC and various state agencies that license, audit and conduct examinations of our loan servicing, origination and collection activities. 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. In addition, we operate under a number of regulatory settlements that subject us to ongoing monitoring or reporting. See the next risk factor below for examples of matters we settled in 2014 and 2015, respectively, with the State of New York and the State of California. The GSEs (and their conservator, the FHFA), Ginnie Mae, the United States Treasury Department, various investors, non-Agency securitization trustees and others also subject us to periodic reviews and audits.

In the current regulatory environment, we have faced and expect to continue to face heightened regulatory and public scrutiny as an organization as well as stricter and more comprehensive regulation of the entire mortgage sector. We must devote substantial resources to regulatory compliance, and we incur, and expect to continue to incur, significant ongoing costs to comply with new and existing laws and governmental regulation of our business. If we fail to effectively manage our regulatory and contractual compliance obligations, the resources we are required to devote and our compliance expenses would likely increase.

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

To be successful, we must structure and operate our business to comply with applicable laws and regulations and the terms of our regulatory settlements. This can require judgment with respect to the requirements of such laws and regulations and such settlements. While we endeavor to engage regularly with our regulators in an effort to ensure we do so correctly, if we fail to interpret correctly the requirements of such laws and regulations or the terms of our regulatory settlements, we could be found to be in breach of such laws, regulations or settlements.

Our failure to comply with the terms of our regulatory settlements or applicable federal, state and local consumer protection laws, regulations and licensing requirements could lead to any of the following:

- loss of our licenses and approvals to engage in our servicing and lending businesses;
- governmental investigations and enforcement actions;
- administrative fines and penalties and litigation;
- civil and criminal liability, including class action lawsuits and actions to recover incentive and other payments made by governmental entities;
- breaches of covenants and representations under our servicing, debt or other agreements;
- damage to our reputation;
- inability to raise capital; or
- inability to execute on our business strategy.

Any of these outcomes could materially and adversely affect our business and our financial condition, liquidity and results of operations.

Since the financial crisis that began in 2007, the trend among federal, state and local lawmakers and regulators has been toward increasing laws, regulations and investigative proceedings with regard to residential mortgage lenders and servicers. Over the past few years, state and federal lawmakers and regulators have adopted a variety of new or expanded laws and regulations and recommended practices. Since its formation, the CFPB has taken a very active role in the mortgage industry, and its rule-making and regulatory agenda relating to loan servicing and origination continues to evolve. Individual states have also been active, as have other regulatory organizations such as the MMC. We also believe there has been a shift among certain regulators towards a broader view of the scope of regulatory oversight responsibilities with respect to mortgage originators and servicers. In addition to their traditional focus on licensing and examination matters, certain regulators have begun to make observations, recommendations or demands with respect to such areas as corporate governance, safety and soundness and risk and compliance management. We must endeavor to work cooperatively with our regulators to understand all of their concerns if we are to be successful in our business.

Following the November 2016 Presidential and Congressional elections, a level of heightened uncertainty exists with respect to the future of regulation of mortgage lending and servicing, including the future of the Dodd Frank Act and CFPB. We cannot predict the specific legislative or executive actions that may result or what actions federal or state regulators might take in response to potential changes to the Dodd Frank Act or to the federal regulatory environment generally. Such actions could impact the industry generally or us specifically, could impact our relationships with other regulators, and could adversely impact our business and limit our ability to reach an appropriate resolution with the CFPB with which we are engaged to attempt to resolve certain concerns relating to our mortgage servicing practices, as described in the next risk factor.

The CFPB and state regulators have also increasingly focused on the use, and adequacy, of technology in the mortgage servicing industry. In June 2016, the CFPB issued a special edition supervision report that stressed the need for mortgage servicers to assess and make necessary improvements to their information technology systems in order to ensure compliance with the CFPB’s mortgage servicing requirements. The NY DFS also issued proposed Cybersecurity Requirements for Financial Services Companies, which are scheduled to take effect in March 2017, which will require banks, insurance companies, and other financial services institutions regulated by the NY DFS to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State’s financial services industry.

New regulatory and legislative measures, or changes in enforcement practices, including those related to the technology we use, could, either individually or in the aggregate, require significant changes to our business practices, impose additional costs on us, limit our product offerings, limit our ability to efficiently pursue business opportunities, negatively impact asset values or reduce our revenues. Accordingly, they could materially and adversely affect our business and our financial condition, liquidity and results of operations.

Governmental bodies have taken regulatory actions against us in the past and may in the future impose regulatory fines or penalties or impose additional requirements or restrictions on our activities that could increase our operating expenses, reduce our revenues or otherwise adversely affect our business, financial condition, results of operations, ability to grow and reputation.

We are subject to a number of ongoing federal and state regulatory examinations, consent orders, inquiries, subpoenas, civil investigative demands, requests for information and other actions that could result in further adverse regulatory action against us.

We are currently engaged with the CFPB in efforts to resolve certain concerns the CFPB has expressed relating to our servicing practices and technology. These concerns primarily stemmed from a CFPB examination of us that began in 2014. Our negotiations with the enforcement staff of the CFPB could result in a consent order with the CFPB and could entail payment of monetary amounts by us or injunctive relief, among other consequences. In accordance with ASC 450, we have accrued $12.5

million as of December 31, 2016 as a result of our negotiations with the CFPB. We have not reached any agreement with the CFPB and cannot predict whether or when we may reach such an agreement. If we are unable to agree upon a resolution, the CFPB could bring an adversarial enforcement action against us. An adversarial enforcement action could be costly to defend, could adversely affect our reputation and could adversely impact our relationships with counterparties, including lenders, among other consequences. Accordingly, whether or not we reach an agreement after discussions with the CFPB, it is possible that we could incur losses that materially exceed the amount accrued as of December 31, 2016, and the resolution of matters raised by the CFPB concerns could have a material adverse impact on our business, reputation, financial condition, liquidity and results of operations.

In December 2014, we entered into the NY Consent Order with the NY DFS as a result of an investigation relating to Ocwen's servicing of residential mortgages. The settlement 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. The Operations Monitor was appointed in March 2015 for a two-year period, extendable for one year at the discretion of the NY DFS. We must pay all reasonable and necessary costs of the Operations Monitor. The expenses associated with the Operations Monitor have and will continue to impact us, as the expenses are substantial and we have limited ability to control, monitor or contest the Operation Monitor's charges.

We continue to work with the Operations Monitor. If we are found to have breached the terms of the NY Consent Order or if the NY DFS or the Operations Monitor were to allege non-compliance with New York laws or regulations, we could become subject to financial penalties or other regulatory action could be taken against us. The Operations Monitor also makes recommendations to Ocwen on various operational and governance matters. If we do not address such recommendations in a manner deemed satisfactory by the Operations Monitor and the NY DFS, we could be subject to additional scrutiny by the Operations Monitor or the NY DFS or other regulatory action could be taken against us.

In January 2015, OLS entered into 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 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, OBS and OFSPL, reached an agreement in 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. The 2017 CA Consent Order also contains certain monetary and non-monetary provisions, including the following:

- Ocwen agrees to make a cash settlement payment of $25.0 million to the CA DBO, comprised of $20.0 million for the CA DBO to distribute to Ocwen serviced borrowers at its discretion and $5.0 million in costs, fees, and penalties. We initially accrued $25.0 million as of September 30, 2016. Additionally, OFSPL and OBS agreed to pay $350,000 in the aggregate as a penalty.
- Ocwen will provide $198.0 million in debt forgiveness through loan modifications to California borrowers over three years, commencing on July 1, 2016. Ocwen's loan modifications are designed to be sustainable for homeowners while providing an estimated net present value for mortgage loan investors that is superior to that of foreclosure. Debt forgiveness as part of a loan modification is determined on a case-by-case basis in accordance with the applicable servicing agreement. Debt forgiveness does not involve an expense to Ocwen other than the operating expense incurred in arranging the modification, which is part of Ocwen's role as loan servicer.
- The 2017 CA Consent Order rescinds the prohibition on Ocwen acquiring MSRs for loans secured in California.
- The CA Auditor appointment under the 2015 CA Consent Order is terminated.
- OLS, OBS and OFSPL were released from claims relating to the matters covered by the 2017 CA Consent Order.
-

Ocwen will update certain policies and procedures pursuant to an action plan, which was agreed upon with the CA Auditor prior to the termination of its appointment.

- Ocwen agrees to attempt to contact 19,295 California borrowers who did not respond to its initial voluntary solicitation of borrowers who may have been affected by issues disclosed in 2014 relating to erroneously dated borrower correspondence.
- Ocwen agrees to establish and maintain a hotline for its California borrowers for three years to supplement Ocwen's primary customer service center operations.
- The CA DBO will select, engage and pay a third party administrator to confirm that Ocwen completes its commitments under the 2017 CA Consent Order. All costs and expenses of the administrator will be paid by the CA DBO.

In December 2013, we entered into the Ocwen National Mortgage 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 settlement contained monetary and non-monetary provisions, including quarterly testing on various metrics to ensure compliance with the Ocwen National Mortgage Settlement.

OMSO's reports have detailed a number of instances where our testing has exceeded the applicable error rate threshold for a 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 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.

We continue to work with OMSO on ongoing testing and CAPs. While, to date, these issues have not resulted in financial or other penalties, if we are found to have breached the Ocwen National Mortgage Settlement, we could become subject to financial penalties or other regulatory action could be taken against us.

In February 2015, we received a letter from the staff of the SEC informing us that it was conducting an investigation relating to the use of collection agents by mortgage loan servicers. The letter requested that we voluntarily produce documents and information. We believe that the February 2015 letter was also sent to other companies in the industry. In February 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 have been cooperating with the Staff on these 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 origination and servicing businesses. We also regularly engage with state attorneys general and the CFPB to respond to information requests and other inquiries. Many of our regulatory engagements arise from a complaint that the entity is investigating, although some are formal investigations or proceedings. The GSEs (and their conservator, FHFA), HUD, FHA, VA, Ginnie Mae, the United States Treasury Department, and others also subject us to periodic reviews and audits. We have in the past resolved, and may in the future resolve, matters via consent orders or payment of monetary amounts to settle issues identified in connection with examinations or regulatory or other oversight activities.

On occasion, we engage with state Attorneys General and the Department of Justice on various matters. For example, Ocwen is currently in receipt of a civil investigative demand from the Massachusetts Attorney General's Office requesting information relating to our servicing practices.

To the extent that an examination, monitorship, audit or other regulatory engagement results in an alleged failure by us to comply with an applicable law, regulation or licensing requirement, or if allegations are made that we have failed to comply with the commitments we have made in connection with our regulatory settlements (including commitments under any corrective action plans under such settlements) 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 or representations under our servicing, debt or other agreements, (vi) damage to our reputation, (vii) inability to raise capital and (viii) 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.

Our regulatory settlements and public allegations regarding our business practices by regulators and other third parties may affect other regulators' and rating agencies' perceptions of us and may increase our operating expenses.

Our regulatory settlements and public allegations regarding our business practices by regulators and other third parties may affect other regulators' and rating agencies' perceptions of us. As a result, our ordinary course interactions with regulators may be adversely affected. We may incur additional compliance costs and management time may be diverted from other aspects of our business to address regulatory issues. It is possible that we may incur fines or penalties or even that we could lose the licenses and approvals necessary to engage in our servicing and lending businesses.

Our regulatory settlements have significantly impacted our ability to grow our servicing portfolio or maintain its size.

Our servicing portfolio naturally decreases over time as homeowners make regularly scheduled mortgage payments, loans are prepaid prior to maturity, refinanced with a mortgage loan not serviced by us or involuntarily liquidated through foreclosure or other liquidation process. Our ability to maintain the size of our servicing portfolio depends on our ability to acquire the right to service or subservice additional pools of mortgage loans or to originate additional loans for which we retain the MSRs.

Our regulatory settlements have significantly impacted our ability to grow our servicing portfolio because we agreed to restrictions in our consent orders with the NY DFS and the CA DBO that effectively prohibited future acquisitions of servicing. The CA DBO restrictions have now been lifted. However, we are still subject to restrictions under the NY DFS consent order. Under the NY DFS consent order, we may acquire MSRs upon (a) meeting benchmarks specified by the Operations Monitor relating to our boarding process for newly acquired MSRs and our ability to adequately service newly acquired MSRs and our existing loan portfolio, and (b) the NY DFS's approval, not to be unreasonably withheld. If we are unable to satisfy these conditions, we will be unable to grow or even maintain the size of our servicing portfolio through acquisitions. In addition, if a future regulatory settlement restricted our ability to acquire MSRs, our business could be materially and adversely affected.

Our monitorships could be extended, which could materially and adversely affect our business.

As part of the Ocwen National Mortgage Settlement and our settlement with the NY DFS, we agreed to the appointment of third party firms to monitor various aspects of our business. Generally, we are required to pay for the fees and expenses of these firms. During 2016, we incurred $81.7 million in direct monitor costs, which included costs from the now terminated CA Auditor. In addition, we incur considerable expense responding to requests from our monitors, including legal and other costs to address their requests. Our monitors generally bill by the hour and we have limited ability to control the number of hours that these for profit firms might seek to spend on any one matter or to control the length of time they might seek from the applicable regulator for their monitor engagements.

The NY DFS Operations Monitor was appointed in March 2015 for a two-year period, extendable for one year at the discretion of the NY DFS. In the event that the term of the Operations Monitor does not end in March 2017, our business and results of operation could be materially and adversely impacted due to expenses related to the Operations Monitor. Similarly, if the Ocwen National Mortgage Settlement monitor's engagement does not end during the Spring of 2018, our business and results of operation could be materially and adversely impacted due to expenses related to this monitor.

If we are unable to respond effectively to routine regulatory examinations, our business and financial conditions may be adversely affected.

Regulatory examinations by state and federal regulators are part of our ordinary course business activities. If we are unable to respond effectively to routine regulatory examinations, our business and financial conditions may be adversely affected. For example, our January 2015 consent order with the CA DBO, which has now been terminated, arose out of a failure to respond adequately to requests from the CA DBO as part of a routine regulatory examination. If, in the future, we fail to respond effectively to routine regulatory examinations, we may incur fines or penalties or we could lose the licenses and approvals necessary to engage in our servicing and lending businesses. We could also suffer from reputational harm and become subject to private litigation.

The enactment of the Dodd-Frank Act has significantly impacted our business and may continue to do so, and new rules and regulations or more stringent interpretations of existing rules and regulations by the CFPB could result in increased compliance costs and, potentially, regulatory action against us.

The Dodd-Frank Act constituted a sweeping reform of the regulation and supervision of financial institutions, and more specifically impacts our business in the areas of mortgage servicing, loan origination, sales and securitization. Among other things, the Dodd-Frank Act created the CFPB as a new federal entity responsible for regulating consumer financial services.

The CFPB directly affects the regulation of residential mortgage lending and servicing in a number of ways. First, the CFPB has rule making authority with respect to many of the federal consumer protection laws applicable to mortgage lenders and servicers. Second, the CFPB has supervision, examination and enforcement authority over consumer financial products and services offered by certain non-depository institutions and large insured depository institutions. The CFPB's jurisdiction includes those persons originating, brokering or servicing residential mortgage loans and those persons performing loan modification or foreclosure relief services in connection with such loans. Since its formation, the CFPB has taken a very active role in the mortgage industry and its rule-making and regulatory agenda relating to loan servicing and origination continues to evolve.

We have devoted substantial resources and incurred significant compliance costs responding to the Dodd-Frank Act and the rules and regulations issued thereunder, including CFPB rules. We expect to continue to do so. In particular, we are currently assessing and implementing the operational enhancements that will be necessary to comply with the amendments to Regulations X and Z, which were issued by the CFPB in August 2016 and which become effective beginning in October 2017. If we fail to comply with the Dodd-Frank Act and the rules and regulations issued thereunder, including CFPB rules, we could be subject to financial penalties, restrictions on our business activities, private litigation, breaches of our contractual obligations to counterparties (including our debt agreements) and adverse actions by the GSEs or other entities, any of which could have a material adverse effect on our business, financial position, results of operations or cash flows.

Private legal proceedings and related costs alleging failures to comply with applicable laws or regulatory requirements could adversely affect our financial condition and results of operations.

We are subject to various pending private legal proceedings, including purported class actions, challenging whether certain of our loan servicing practices and other aspects of our business comply with applicable laws and regulatory requirements. In the future, we are likely to become subject to other private legal proceedings alleging failures to comply with applicable laws and regulations, including purported class actions, in the ordinary course of our business. While we do not currently believe that the resolution of the vast majority of these proceedings will have a material adverse effect on our financial condition or results of operations, we cannot express a view with respect to all of these proceedings. The outcome of any pending legal matter is never certain, and it is possible that adverse results in private legal proceedings could materially and adversely affect our financial results and operations.

Non-compliance with laws and regulations could lead to termination of servicing agreements or defaults under our debt agreements.

Most of our servicing agreements and debt agreements contain provisions requiring compliance with applicable laws and regulations. While the specific language in these agreements takes many forms and materiality qualifiers are often present, if we fail to comply with applicable laws and regulations, we could be terminated as a servicer and defaults could be triggered under our debt agreements, which could materially and adversely affect our revenues, cash flows, liquidity, business and financial condition. We could also suffer reputational damage and trustees, lenders and other counterparties could cease wanting to do business with us.

If new laws and regulations lengthen foreclosure times or introduce new regulatory requirements regarding foreclosure procedures, our operating costs could increase and we could be subject to regulatory action.

When a mortgage loan is in foreclosure, we are generally required to continue to advance delinquent principal and interest to the securitization trust and to make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent that we determine that such amounts are recoverable. These servicing advances are generally recovered when the delinquency is resolved. Regulatory actions that lengthen the foreclosure process will increase the amount of servicing advances that we are required to make, lengthen the time it takes for us to be reimbursed for such advances and increase the costs incurred during the foreclosure process. Increased regulatory scrutiny and new laws and procedures could cause us to adopt additional compliance measures and incur additional compliance costs in connection with our foreclosure processes. We may incur legal and other costs responding to regulatory inquiries or any allegation that we improperly foreclosed on a borrower. We could also suffer reputational damage and could be fined or otherwise penalized if we are found to have breached regulatory requirements.

GSE initiatives and other actions may affect our financial condition and results of operations.

Due to the significant role that the GSEs play in the secondary mortgage market, new initiatives and other actions that they may implement could become prevalent in the mortgage servicing industry generally. To the extent that FHFA and/or the GSEs implement reforms that materially affect the market not only for conventional and/or government-insured loans but also the subprime and Alt-A markets, such reforms could have a material adverse effect on the creation of new mortgage servicing rights, the economics or performance of any mortgage servicing rights that we acquire, servicing fees that we can charge and costs that we incur to comply with new servicing requirements.

In addition, our ability to generate revenues through mortgage loan sales to institutional investors depends to a significant degree on programs administered by the GSEs, Ginnie Mae, and others that facilitate the issuance of MBS in the secondary market. These entities play a critical role in the residential mortgage industry and we have significant business relationships with many of them. If it is not possible for us to complete the sale or securitization of certain of our mortgage loans due to changes in GSE and Ginnie Mae programs, we may lack liquidity to continue to fund mortgage loans and our revenues and margins on new loan originations would be materially and negatively impacted. There are various proposals that deal with the future of the GSEs, including with respect to their ownership and role in the mortgage market, as well as proposals to implement GSE reforms relating to borrowers, lenders and investors in the mortgage market. Thus, the long-term future of the GSEs remains uncertain. Any change in the ownership of the GSEs, or in their programs or role within the mortgage market, could materially and adversely affect our business, liquidity, financial position and results of operations.

In 2011, Freddie Mac and Fannie Mae each issued their Servicing Alignment Initiative as directed by the FHFA. The Servicing Alignment Initiative established new requirements primarily related to loss mitigation processes, including servicer incentives and compensatory fees that could be charged to servicers based on performance against benchmarks for various metrics. Through our servicing relationship with Freddie Mac and Fannie Mae, we have exposure to such compensatory fees and have been subject to such fees in connection with certain of our serviced loans. These compensatory fees have increased the costs and risks associated with servicing Freddie Mac or Fannie Mae non-performing loans and it is possible that such increases could materially and adversely affect our financial condition and results of operations.

Federal and state legislative and GSE initiatives in residential mortgage-backed securities, or RMBS, and securitizations may adversely affect our financial condition and results of operations.

There are federal and state legislative and GSE initiatives that could adversely affect our loan origination business and secured asset financing arrangements. For instance, the risk retention requirements under the Dodd-Frank Act require securitization sponsors to retain a portion of the credit risk of the securitized assets, subject to certain exemptions. The risk retention requirement could result in higher costs of certain lending operations and impose on us additional compliance requirements to meet servicing and originations criteria for securitized mortgage loans. Additionally, the amendments to Regulation AB and other regulations applicable asset-backed securities (ABS) adopted by the SEC pursuant to the Dodd-Frank Act and other relevant regulations have increased and may further increase compliance costs for ABS issuers, such as ourselves, which will in turn increase our cost of funding and operations.

If we fail to comply with the new TILA-RESPA Integrated Disclosure (TRID) rules, our business and operations could be materially and adversely affected and our plans to expand our lending business could be adversely impacted.

The CFPB implemented new loan disclosure requirements in 2015 to consolidate and revamp TILA and RESPA disclosures. The TRID rules significantly changed consumer facing disclosure rules and added certain waiting periods to allow each consumer to reconsider the loan after receiving the required disclosures. If we fail to comply with the TRID rules, we may be unable to sell loans that we originate or purchase, or we may be required to sell such loans at a discount compared to other loans. We also could be subject to repurchase or indemnification claims from purchasers of such loans, including the GSEs. Additionally, loans might stay on our warehouse lines for longer periods before sale, which would increase our holding costs and interest expense. We could also be subject to regulatory actions or private lawsuits.

In response to the TRID rules, we have implemented significant modifications and enhancements to our loan production processes and systems, and we continue to devote significant resources to TRID compliance. As regulatory guidance and enforcement and the views of the GSEs and other market participants such as warehouse loan lenders evolve, we may need to modify further our loan production processes and systems in order to adjust to evolution in the regulatory landscape and successfully operate our lending business. In such circumstances, if we are unable to make the necessary adjustments, our business and operations could be adversely affected and we may not be able to execute on our plans to grow our lending business.

Failure to comply with the Home Mortgage Disclosure Act (HMDA) and related CFPB regulations could adversely impact our business.

In 2015, the CFPB revised regulations governing HMDA in order to implement specific provisions of the Dodd-Frank Act. HMDA requires financial institutions to report certain mortgage data in an effort to provide the regulators and the public with information that will help show whether financial institutions are serving the housing credit needs of the neighborhoods and communities in which they are located. Effective for loans closing on or after January 1, 2018, reportable loans will include open-end loans (such as adjustable rate reverse mortgages) as well as closed-end loans, and will include numerous new and modified data points. The data points include information related to the loan applicant/borrower (e.g., age, ethnicity, race and credit score), the underwriting process, loan terms and fees, lender credits and interest rate, among others. The scope of the information available to the public could increase fair lending regulatory scrutiny and third party plaintiff litigation, as the changes will expand the ability of regulators and third parties to compare a particular lender to its peers in an effort to determine differences among lenders in certain demographic borrower populations. We have devoted, and will need to devote, significant resources to establishing systems and processes for complying with HMDA. If we are not successful in capturing and reporting the new HMDA data, and analyzing and correcting any adverse patterns, we could be exposed to regulatory actions and private litigation against us, we could suffer reputational damage and we could incur losses, any of which could materially and adversely impact our business, financial condition and results of operations.

If we fail to satisfy minimum net worth and liquidity requirements established by regulators, GSEs, Ginnie Mae, lenders, or other counterparties, our business, financing activities, financial condition or results of operations could be materially and adversely affected.

As a result of our servicing and loan origination activities, we are subject to minimum net worth and liquidity requirements established by state regulators, GSEs, Ginnie Mae, lenders, and other counterparties. We have been incurring losses for the last three years, which has eroded our net worth. In addition, we must structure our business so each subsidiary satisfies the net worth and liquidity requirements applicable to it, which can be challenging.

The minimum net worth and liquidity requirements to which our licensed entities are subject vary by state and type of license. We must also satisfy the minimum net worth and liquidity requirements of the GSEs and Ginnie Mae in order to maintain our approved status with such agencies and the minimum net worth and liquidity requirements set forth in our agreements with our lenders.

If we fail to satisfy minimum net worth requirements, absent a waiver or other accommodation, we could lose our licenses or have other regulatory action taken against us, we could lose our ability to sell and service loans to or on behalf of the GSEs or Ginnie Mae or we could be in default under our debt agreements. Any of these occurrences could have a material adverse effect on our business, financing activities, financial condition or results of operations.

In addition, minimum net worth requirements and liquidity are generally calculated using specific formulas that often exclude various items, such as intangible assets or certain intercompany receivables. Changes to these formulas have the potential to significantly affect net worth and liquidity calculations, and increases to the minimum required thresholds have the potential to cause non-compliance, both of which could imperil our ability to satisfy future minimum net worth and liquidity requirements.

There are additional disclosure and other regulatory requirements in connections with originating non-Agency loans. If we fail to comply with these requirements, our business and operations could be materially and adversely affected. This risk will be magnified to the extent we execute on our plans to expand our originations of non-GSE loans.

Non-Agency loans originated or purchased by Homeward may include higher interest rates than GSE loans. Originating or purchasing such loans would require additional Higher Priced Mortgage Loan (HPML) disclosures, which would be subject to regulatory oversight. These HPML loans will not qualify for the GSE QM safe harbor and instead must comply independently with ability-to-repay (ATR) underwriting requirements. These HPML loans will continue to be underwritten as QM loans, but the lender will only be entitled to a “rebuttable presumption” that a loan satisfies the QM requirements, and a borrower will be permitted to challenge the QM classification. If we fail to comply with the disclosure and other regulatory requirements relating to originating and purchasing non-Agency loans, our business and operations could be materially and adversely affected. This risk will be magnified to the extent we execute on our plans to expand our originations of non-GSE loans.

There may be material changes to the laws, regulations, rules or practices applicable to reverse mortgage programs sponsored by HUD and FHA, and securitized by Ginnie Mae, which could materially and adversely affect the reverse mortgage industry as a whole.

The reverse mortgage industry is largely dependent upon rules and regulations implemented by HUD, FHA and Ginnie Mae. There can be no guarantee that HUD/FHA will retain Congressional authorization to continue the Home Equity Conversion Mortgage (HECM) program, which provides FHA government insurance for qualifying HECM loans, or that they will not make material changes to the laws, regulations, rules or practices applicable to reverse mortgage programs. For example, HUD recently implemented certain lending limits for the HECM program, and added credit-based underwriting criteria designed to assess a borrower’s ability and willingness to satisfy future tax and insurance obligations. In addition, Ginnie Mae’s participation in the reverse mortgage industry may be subject to economic and political changes that cannot be predicted. Any of the aforementioned circumstances could materially and adversely affect the performance of our reverse mortgage business and the value of our common stock.

Regulators continue to be active in the reverse mortgage space, including due to the perceived susceptibility of older borrowers to be influenced by deceptive or misleading marketing activities. Regulators have also focused on appraisal practices because reverse mortgages are largely dependent on collateral valuation. If we fail to comply with applicable laws and regulations relating to the origination of reverse mortgages, we could be subject to adverse regulatory actions, including potential fines, penalties or sanctions, and our business, reputation, financial condition and results of operations could be materially and adversely affected.

Violations of predatory lending and/or servicing laws could negatively affect our business.

Various federal, state and local laws have been enacted that are designed to discourage predatory lending and servicing practices. The federal Home Ownership and Equity Protection Act of 1994 (HOEPA) prohibits inclusion of certain provisions in residential loans that have mortgage rates or origination costs in excess of prescribed levels and requires that borrowers be given certain additional disclosures prior to origination. Some states have enacted, or may enact, similar laws or regulations, which in some cases impose restrictions and requirements greater than are those in HOEPA. In addition, under the anti-predatory lending laws of some states, the origination of certain residential loans, including loans that are not classified as “high cost” loans under HOEPA or other applicable law, must satisfy a net tangible benefits test with respect to the related borrower. A failure by us to comply with these laws, to the extent we originate, service or acquire residential loans that are non-compliant with HOEPA or other predatory lending or servicing laws, could subject us, as an originator or a servicer, or as an assignee, in the case of acquired loans, to monetary penalties and could result in the borrowers rescinding the affected loans. Lawsuits have been brought in various states making claims against originators, servicers and assignees of high cost loans for violations of state law. Named defendants in these cases have included numerous participants within the secondary mortgage market. If we are found to have violated predatory or abusive lending laws, defaults could be declared under our debt or servicing agreements, we could suffer reputational damage, and we could incur losses, any of which could materially and adversely impact our business, financial condition and results of operations.

Failure to comply with FHA underwriting guidelines could adversely impact our business.

We must comply with FHA underwriting guidelines in order to successfully originate FHA loans, an area in which we have been expanding our lending activities. If we fail to so, we may not able collect on FHA insurance. In addition, we could be subject to allegations of violations of the False Claims Act asserting that we submitted claims for FHA insurance on loans that had not been underwritten in accordance with FHA underwriting guidelines. If we are found to have violated FHA underwriting guidelines, we could face regulatory penalties and damages in litigation, suffer reputational damage, and we could incur losses due to an inability to collect on such insurance, any of which could materially and adversely impact our business, financial condition and results of operations.

Failure to comply with United States and foreign laws and regulations applicable to our global operations could have an adverse effect on our business, financial position, results of operations or cash flows.

As a business with a global workforce, we need to ensure that our activities, including those of our foreign subsidiaries, comply with applicable United States and foreign laws and regulations. From time to time, various state regulators have scrutinized the operations of our foreign subsidiaries. For example, as previously disclosed, in 2016, two of our foreign subsidiaries entered into a Consent Order with the Washington State Department of Financial Institutions relating to the activities of those entities in Washington State under the Washington Consumer Loan Act. Our failure to comply with applicable laws and regulations could, among other things, result in restrictions on our operations, loss of licenses, fines, penalties or reputational damage and have an adverse effect on our business.

Failure to comply with the S.A.F.E. Act could adversely impact our business.

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (the S.A.F.E. Act) requires the individual licensing and registration of those engaged in the business of loan origination. The S.A.F.E. Act is designed to improve accountability on the part of loan originators, combat fraud and enhance consumer protections by encouraging states to establish a national licensing system and minimum qualification requirements for applicants. Thus, Ocwen must ensure proper licensing for all employees who participate in certain specified loan origination activities. Failure to comply with the S.A.F.E. Act licensing requirements could adversely impact Ocwen’s origination business.

Risks Relating to Our Business

There can be no assurance that our strategies to return to profitability will be successful.

We have incurred losses for each of the past three fiscal years. The key driver of our recent operating results has been lower servicing revenue resulting from a decrease in the total UPB of our residential servicing portfolio, driven largely by the execution of our strategy to sell certain of our Agency MSRs in 2015, coupled with normal portfolio runoff, which was not accompanied by a corresponding decrease in expense. In order for us to return to profitability over the long term, we will need to continue to reduce our expenses so that they are more appropriately aligned with our reduced revenue profile. Pursuant to the cost improvement initiative that we announced in 2015, we remain focused on continuing to reduce our servicing costs in line with our reduced residential servicing portfolio through productivity improvements and other expense reductions.

The primary areas in which we expect to generate cost reductions are servicing operations, professional services and technology costs. While we are targeting expense reductions in certain areas, we expect to continue to invest in select areas including enhancing the customer experience, strengthening our risk and compliance infrastructure and delivering strong loss mitigation results.

We are also investing in our forward and reverse lending businesses and will continue to evaluate new adjacent market opportunities that are consistent with our strategic goals where we believe we can capture competitive advantages and achieve attractive returns for our shareholders, such as providing secured floor plan lending to used car dealerships through our ACS business. New ventures involve risks and uncertainties, including potential difficulties integrating new lines of business into our current infrastructure, the inability to achieve the projected financial results in a reasonable time frame, implementing and maintaining consistent standards, controls, policies and information systems, and diversion of management's attention from other business matters. Further, our strategic initiatives could be impacted by factors beyond our control, such as general economic conditions and increased competition. The diversion of management's attention and any delays or difficulties encountered in implementing new strategic initiatives could negatively impact our business and results of operations. Further, the economic benefits that we anticipate from these strategic initiatives may not develop.

There can be no assurance that we will be successful in returning to profitability. Our success will depend on market conditions and other factors outside of our control as well as successful operational execution. If we continue to experience losses, our share price, business, reputation, financial condition and results of operations could be materially and adversely affected. We could also be forced to sell assets such as additional MSRs, which would reduce future revenues.

If we are unable to obtain sufficient capital to meet the financing requirements of our business, or if we fail to comply with our debt agreements, our business, financing activities, financial condition and results of operations will be adversely affected.

Our business requires substantial amounts of capital and our financing strategy includes the use of leverage. Accordingly, our ability to finance our operations and repay maturing obligations rests in large part on our ability to continue to borrow money at reasonable rates. If we are unable to maintain adequate financing, or other sources of capital are not available, we could be forced to suspend, curtail or reduce our operations, which could harm our revenues, results of operations, liquidity, financial condition and business prospects. Our ability to borrow money is affected by a variety of factors including:

- limitations imposed on us by existing lending and similar agreements that contain restrictive covenants that may limit our ability to raise additional debt;
- liquidity in the credit markets;
- the strength of the lenders from whom we borrow;
- lenders' perceptions of us or our sector;
- corporate credit and servicer ratings from rating agencies; and
- limitations on borrowing under our advance facilities and mortgage loan warehouse facilities due to structural features in these facilities and the amount of eligible collateral that is pledged.

In addition, our advance facilities are revolving facilities, and in a typical monthly cycle, we repay up to one-third of the borrowings under these facilities from collections. During the remittance cycle, which starts in the middle of each month, we depend on our lenders to provide the cash necessary to make the advances that we are required to make as servicer. If one or more of these lenders were to restrict our ability to access these revolving facilities or were to fail, we may not have sufficient funds to meet our obligations. We typically require significantly more liquidity to meet our advance funding obligations than our available cash on hand.

Our advance financing facilities are comprised of (i) revolving notes issued to global financial institutions that generally have a 364-day revolving period, and (ii) term notes issued to institutional investors with one-, two- and three-year periods. At December 31, 2016, we had $1.3 billion outstanding under these facilities. The revolving periods for variable funding notes with a total borrowing capacity of $655.0 million end in 2017, and $400.0 million of our two-year term notes mature in 2017.

In the event we are unable to renew, replace or extend the revolving period of one or more of these advance financing facilities, repayment of the outstanding balances on the revolving and term notes must begin at the end of the applicable revolving period and end of the term, respectively. In addition, we use mortgage loan warehouse facilities to fund newly originated loans on a short-term basis until they are sold to secondary market investors, including GSEs or other third-party investors. All of our master repurchase and participation agreements for financing new loan originations have 364-day terms, and similar to the revolving notes in the advance financing facilities, they are typically renewed, replaced or extended annually. At December 31, 2016, we had $355.0 million outstanding under these warehouse financing arrangements, including $304.9 million under agreements maturing in 2017.

We currently plan to renew, replace or extend all of these debt agreements consistent with our historical experience. There can be no assurance that we will be able to renew, replace or extend all of our debt agreements on appropriate terms or at all and, if we fail to do so, we may not have adequate sources of funding for our business.

Our debt agreements contain various qualitative and quantitative covenants, including financial covenants, covenants to operate in material compliance with applicable laws, monitoring and reporting obligations and restrictions on our ability to engage in various activities, including but not limited to incurring additional debt, paying dividends, repurchasing or redeeming capital stock, transferring assets or making loans, investments or acquisitions. As a result of the covenants to which we are subject, we may be limited in the manner in which we conduct our business and may be limited in our ability to engage in favorable business activities or raise additional capital to finance future operations or satisfy future liquidity needs. In addition, breaches or events that may result in a default under our debt agreements include, among other things, noncompliance with our covenants, nonpayment of principal or interest, material misrepresentations, the occurrence of a material adverse effect or change, insolvency, bankruptcy, certain material judgments and changes of control. Covenants and defaults of this type are commonly found in debt agreements such as ours. Certain of these covenants and defaults are open to subjective interpretation and, if our interpretation were contested by a lender, a court may ultimately be required to determine compliance or lack thereof. In addition, our debt agreements generally include cross default provisions such that a default under one agreement could trigger defaults under other agreements. If we fail to comply with our debt agreements and are unable to avoid, remedy or secure a waiver of any resulting default, we may be subject to adverse action by our lenders, including termination of further funding, acceleration of outstanding obligations, enforcement of liens against the assets securing or otherwise supporting our obligations and other legal remedies.

An actual or alleged default under any of our debt agreements, negative ratings action by a rating agency, the perception of financial weakness, an adverse action by a regulatory authority or GSE, a lengthening of foreclosure timelines or a general deterioration in the economy that constricts the availability of credit may increase our cost of funds and make it difficult for us to renew existing credit facilities or obtain new lines of credit. Any or all of the above could have an adverse effect on our business, financing activities, financial condition and results of operations.

We may be unable to obtain sufficient servicer advance financing necessary to meet the financing requirements of our business, which could adversely affect our liquidity position and result in a loss of servicing rights.

We currently fund a substantial portion of our servicing advance obligations through our servicing advance facilities. Under normal market conditions, mortgage servicers typically have been able to renew or refinance these facilities. However, during the financial crisis that began in 2007, there were periods of time when some mortgage servicers were unable to renew these facilities. Borrowing conditions have improved since that time; however, market conditions or the markets or lenders' perceptions of us at the time of any renewal or refinancing may mean that we are unable to renew or refinance our advance financing facilities or obtain additional facilities on favorable terms or at all.

We are dependent on NRZ for a substantial portion of our advance financing for non-Agency MSRs.

We have sold Rights to MSRs, including the associated servicing advance obligation, to NRZ. Consequently, we are dependent upon NRZ for financing of the servicing advance obligations for 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 make pursuant to our agreements with them. As of December 31, 2016, we serviced loans with an outstanding UPB of approximately $118.7 billion for which the Rights to MSRs have been sold to NRZ. The associated outstanding servicing advances as of such date were approximately $4.1 billion. Should NRZ's advance financing facilities fail to perform as envisaged or should NRZ otherwise be unable to meet its advance financing 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.

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. If we were to make representations or warranties that were untrue or if we were otherwise to fail to comply with our contractual obligations, we could become subject to claims for damages or events of default under such facilities could be asserted.

A failure to maintain minimum servicer ratings could have an adverse effect on our business, financing activities, financial condition or results of operations.

S&P, Moody's, Fitch and Morningstar rate us as a mortgage servicer. Failure to maintain minimum servicer ratings could adversely affect our ability to sell or fund servicing advances going forward, could affect the terms and availability of debt financing facilities that we may seek in the future, and could impair our ability to consummate future servicing transactions or adversely affect our dealings with lenders, other contractual counterparties and regulators, including our ability to maintain our status as an approved servicer by Fannie Mae and Freddie Mac. The servicer rating requirements of Fannie Mae do not necessarily require or imply immediate action, as Fannie Mae has discretion with respect to whether we are in compliance with their requirements and what actions it deems appropriate under the circumstances in the event that we fall below their desired servicer ratings.

Certain of our servicing agreements require that we maintain specified servicer ratings. Out of 3,796 non-Agency servicing agreements, 718 with $34.1 billion of UPB as of December 31, 2016 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 $10.8 billion in UPB as of December 31, 2016, or approximately 6.8% of our total non-Agency servicing portfolio. In early 2015, we received notices terminating us as the servicer under four of our non-Agency servicing agreements due to rating downgrades. Pursuant to our servicing agreements, generally we are entitled to payment of accrued and unpaid servicing fees through termination as well as all advances and certain other previously unreimbursed amounts, although we lose the future servicing fee revenue. While the financial impact of the termination of servicing under these four servicing agreements was immaterial to our overall financial condition, as it represented only 0.17% of our overall servicing portfolio as of the time of transfer of servicing, we could be subject to further terminations either as a result of servicer ratings downgrades or future adverse actions by ratings agencies, which could have an adverse effect on our business, financing activities, financial condition and results of operations.

Beginning April 7, 2017, if a termination event related to a servicer rating downgrade is existing under the Master Servicing Rights Purchase Agreement and Sale Supplements we have with NRZ, NRZ will have the right to direct the transfer of servicing with respect to an affected servicing agreement to a replacement servicer that obtains all required third-party consents and licenses. Following any such transfer, we would no longer be entitled to receive future servicing fee revenue with respect to the transferred servicing agreement.

Downgrades in our servicer ratings could also affect the terms and availability of advance financing facilities that we may seek in the future.

Our failure to maintain minimum or specified ratings could adversely affect our dealings with contractual counterparties, including GSEs, and regulators, any of which could have a material adverse effect on our business, financing activities, financial condition and results of operations.

The expiration of the HAMP program will negatively impact our servicing revenues.

Our revenues in recent years have benefited significantly from our participation in the Federal Government’s HAMP loan modification program. HAMP fees accounted for $110.3 million, or 9% of total servicing segment revenues for the year ended December 31, 2016, and $135.0 million, or 8% of total servicing segment revenues for the year ended December 31, 2015. 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. We anticipate that our future revenues will be adversely affected even though we will continue to receive certain trailing fees under these programs, such as HAMP success fees to the extent that a borrower remains current in any agreed upon loan modification. If we are unable to replace HAMP with other modification programs that produce comparable benefits, our business, financial condition and results of operations could be materially adversely affected.

An economic slowdown or a deterioration of the housing market could increase both interest expense on servicing advances and operating expenses and could cause a reduction in income from, and the value of, our servicing portfolio.

An economic slowdown or a deterioration of the housing market could increase both interest expense on servicing advances and operating expenses and could cause a reduction in income from, and the value of, our servicing portfolio.

During any period in which a borrower is not making payments, we are required under most of our servicing agreements to advance our own funds to meet contractual principal and interest remittance requirements for investors, pay property taxes and insurance premiums and process foreclosures. We also advance funds to maintain, repair and market real estate properties on behalf of investors. Most of our advances have the highest standing and are “top of the waterfall” so that we are entitled to repayment from respective loan or REO liquidations proceeds before most other claims on these proceeds, and in the majority of cases, advances in excess of respective loan or REO liquidation proceeds may be recovered from pool level proceeds. Consequently, the primary impact of an increase in advances is through increased interest expense as we finance a large portion of servicing advance obligations.

Higher delinquencies also increase our cost to service loans, as loans in default require more intensive effort to bring them current or manage the foreclosure process. An increase in delinquencies may delay the timing of revenue recognition because we recognize servicing fees as earned, which is generally upon collection of payments from borrowers or proceeds from REO liquidations. An increase in delinquencies also leads to lower balances in custodial and escrow accounts (float balances) and lower net earnings on custodial and escrow accounts (float earnings). Additionally, an increase in delinquencies in our GSE servicing portfolio will result in lower revenue because we collect servicing fees from GSEs only on performing loans.

Foreclosures are involuntary prepayments resulting in a reduction in UPB. This may result in higher amortization expense as well as charges to recognize impairment and declines in the value of our MSRs.

Adverse economic conditions could also negatively impact our lending businesses. For example, during the economic crisis that began in 2007, total U.S. residential mortgage originations volume decreased substantially. Moreover, declining home prices and increasing loan-to-value ratios may preclude many potential borrowers from refinancing their existing loans. Further, an increase in prevailing interest rates could decrease originations volume.

Any of the foregoing could adversely affect our business, financial condition and results of operations.

A significant increase in prepayment speeds could adversely affect our financial results.

Prepayment speed is a significant driver of our business. Prepayment speed is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. Prepayment speeds have a significant impact on our servicing fee revenues, our expenses and on the valuation of our MSRs as follows:

- Revenue. If prepayment speeds increase, our servicing fees will decline more rapidly than anticipated because of the greater decrease in the UPB on which those fees are based. The reduction in servicing fees would be somewhat offset by increased float earnings because the faster repayment of loans will result in higher float balances that generate the float earnings. Conversely, decreases in prepayment speeds result in increased servicing fees but lead to lower float balances and float earnings.
- Expenses. Amortization of MSRs is one of our largest operating expenses. Since we amortize servicing rights in proportion to total expected income over the life of a portfolio, an increase in prepayment speeds leads to increased amortization expense as we revise downward our estimate of total expected income. Faster prepayment speeds also result in higher compensating interest expense, which represents the difference between the full month of interest we are required to remit in the month a loan pays off and the amount of interest we actually collect from the borrower for that month. Decreases in prepayment speeds lead to decreased amortization expense as the period over which we amortize MSRs is extended. Slower prepayment speeds also lead to lower compensating interest expense.
- Valuation of MSRs. We base the price we pay for MSRs and the rate of amortization of those rights on, among other things, our projection of the cash flows from the related pool of mortgage loans. Our expectation of prepayment speeds is a significant assumption underlying those cash flow projections. If prepayment speeds were significantly greater than expected, the carrying value of our MSRs that we account for using the amortization method could exceed their estimated fair value. When the carrying value of these MSRs exceeds their fair value, we are required to record an impairment charge, which has a negative impact on our financial results. Similarly, if prepayment speeds were significantly greater than expected, the fair value of our MSRs, which we carry at fair value, could decrease. When the fair value of these MSRs decreases, we record a loss on fair value, which also has a negative impact on our financial results.

If we do not comply with our obligations under our servicing agreements or if others allege non-compliance, our business and results of operations may be harmed.

We have contractual obligations under the servicing agreements pursuant to which we service mortgage loans. Many of our servicing agreements require adherence to general servicing standards, and certain contractual provisions delegate judgment over various servicing matters to us. Our servicing practices, and the judgments that we make in our servicing of loans, could be questioned by parties to these agreements, such as trustees or master servicers, or by investors in the trusts which own the mortgage loans or other third parties.

In addition, OLS, Homeward and Liberty are 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 agencies 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 December 31, 2016. Our non-agency servicing agreements also contain requirements regarding servicing practices and other matters, and a failure to comply with these requirements could have an adverse impact on our business.

We could become subject to litigation claims seeking damages or other remedies arising from alleged breaches of our servicing agreements. Third parties have indicated that they might seek to pursue such claims in the future. If we do not comply with our servicing agreements, we may be terminated as servicer, or we may be required to make indemnification or other payments or provide other remedies. Such actions may have a significant negative impact on our profitability and lead to lower earnings in the future. Even if such allegations against us lack merit, we may have to spend additional resources and devote additional management time to contesting such allegations, which would reduce the resources available to address, and the time management is able to devote to, other issues.

GSEs may curtail or terminate our ability to sell newly originated loans to them.

As noted in the prior risk factor, if we do not comply with our seller/servicer obligations, the GSEs may utilize a variety of remedies against us. Such remedies include curtailment of our ability to sell newly originated loans or even termination of our ability to sell such loans altogether.

Technology or process failures could damage our business operations or reputation, harm our relationships with key stakeholders and lead to regulatory sanctions or penalties.

Our business is substantially dependent on our ability to process and monitor a large number of transactions, many of which are complex, across various parts of our business. These transactions often must adhere to the terms of a complex set of legal and regulatory standards, as well as the terms of our servicing and other agreements. In addition, given the volume of transactions that we process and monitor, certain errors may be repeated or compounded before they are discovered and rectified. For example, in the area of borrower correspondence, in 2014, problems were identified with our letter dating processes such that erroneously dated letters were sent to borrowers, which damaged our reputation and relationships with borrowers, regulators, important counterparties and other stakeholders. Because in an average month we mail nearly 3 million letters, a process problem such as erroneous letter dating has the potential to negatively affect many parts of our business and have widespread negative implications.

We are responsible for developing and maintaining sophisticated operational systems and infrastructure, which is challenging. The CFPB and other regulators have recently emphasized their focus on the importance of servicers' and lenders' systems and infrastructure operating effectively. If our systems and infrastructure fail to operate effectively, such failures could damage our business and reputation, harm our relationships with key stakeholders and lead to regulatory sanctions or penalties.

Certain of our operational systems and infrastructure are provided by third-party vendors. If any of these vendors fail to provide us with effective operational systems and infrastructure or appropriate levels of service, we could also be required to take legal action against or replace such vendors, which could be costly, involve a diversion of management time and energy and lead to operational disruptions.

We are dependent on Altisource and other vendors for our technology and other services.

Our vendor relationships subject us to a variety of risks. We have significant exposure to third-party risks, as we are dependent on vendors for a number of key services, including our servicing platform that runs on an information technology system that we license under long-term agreements with Altisource. Our servicing business operates on this platform and we have used it for many years. If Altisource were to fail to fulfill properly 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 an effective and competitive platform, our business could suffer. Similarly, we are reliant on other vendors for the proper maintenance and support of our technological systems and our business and operations would suffer if these vendors do not perform as required. If Altisource or our other vendors do not adequately maintain and support our systems, including our servicing systems, loan originations and financial reporting systems, our business and operations could be materially and adversely affected.

Altisource and other vendors supply us with other services in connection with our business activities such as property preservation and inspection services and valuation services. In the event that a vendor's activities do not comply with the applicable servicing criteria, we could be exposed to liability as the servicer and it could negatively impact our relationships with our servicing clients, borrowers or regulators, among others. In addition, if our current vendors were to stop providing services to us on acceptable terms, we may be unable to procure alternatives from other vendors in a timely and efficient manner and on acceptable terms, or at all. Further, we may incur significant costs to resolve any such disruptions in service and this could adversely affect our business, financial condition and results of operations.

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

We are dependent on Altisource and other vendors and service providers for our technology and other services and on banks, NRZ and other financing sources to finance our business. Certain provisions of the agreements underlying our relationships with our vendors, service providers, financing sources and other contractual counterparties could be open to subjective interpretation. Disagreements with these counterparties, including disagreements over contract interpretation, could lead to business disruptions or could result in litigation or arbitration or mediation proceedings, any of which could be expensive and divert senior management's attention from other matters. While we have been able to resolve disagreements with these counterparties in the past, if we were unable to resolve a disagreement, a court, arbitrator or mediator might be required to resolve the matter and there can be no assurance that the outcome of a material disagreement with a contractual counterparty would not materially and adversely affect our business, financing activities, financial condition or results of operations.

Members of our board of directors or management could have, could appear to have or could be alleged to have conflicts of interest due to their equity interests in Altisource, Altisource Asset Management (AAMC) or Altisource Residential Corporation (Residential).

Certain of our officers and directors own stock or options in one or more of Altisource, AAMC and Residential. Such ownership interests could create, appear to create or be alleged to create conflicts of interest with respect to matters potentially or actually involving or affecting us and Altisource, AAMC and Residential, as the case may be. Our relationships with these companies have also been a source of significant regulatory scrutiny.

We have adopted policies to avoid potential conflicts or allegations of conflicts of interest with respect to our dealings with Altisource, AAMC and Residential, including a written recusal policy pursuant to which any Ocwen employee, officer or director with more than a $200,000 equity ownership in one of these companies must recuse themselves from voting to approve any transaction involving any such company. Our board of directors has also established an Independent Review Committee, comprised solely of directors that do not own any equity in any of these companies, to review new transactions between us and these companies that involve $120,000 or more. In addition, we will seek to manage any potential conflicts through dispute resolution and other provisions of any agreements we may have with Altisource, AAMC and Residential. There can be no assurance that such measures will be effective in eliminating all conflicts of interest or that third parties will refrain from making such allegations.

Cybersecurity breaches or system failures may interrupt or delay our ability to provide services to our customers, expose our business and our customers to harm and otherwise adversely affect our operations.

Disruptions and failures of our systems or those of our vendors may interrupt or delay our ability to provide services to our customers and otherwise adversely affect our operations. The secure transmission of confidential information over the Internet and other electronic distribution and communication systems is essential to our maintaining consumer confidence in certain of our services. We have programs in place to detect and respond to security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. None of the cybersecurity incidents we have experienced to date has been material to our business, financial condition or operations.

Security breaches, computer viruses, cyberattacks, hacking and other acts of vandalism could result in a compromise or breach of the technology that we use to protect our borrowers' personal information and transaction data and other information that we must keep secure. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, such as a cyberattack, a spike in transaction volume or unforeseen catastrophic events, potentially resulting in data loss and adversely affecting our ability to process these transactions. If one or more of such events occurs, this could potentially jeopardize data integrity or confidentiality of information processed and stored in, or transmitted through, our computer systems and networks, which could result in our facing significant losses, reputational damage and legal liabilities.

In addition, consumers generally are concerned with security breaches and privacy on the Internet, and Congress or individual states could enact new laws regulating the use of technology in our business that could adversely affect us or result in significant compliance costs.

Loan putbacks and related liabilities for breaches of representations and warranties regarding sold loans could adversely affect our business.

We have exposure to representation, warranty and indemnification obligations because of our lending, sales and securitization activities, and in certain instances, we have assumed these obligations on loans we service. Our contracts with purchasers of originated loans contain provisions that require indemnification or repurchase of the related loans under certain circumstances. While the language in the purchase contracts varies, such contracts generally contain provisions that require us to indemnify purchasers of its 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 involving non-prime mortgage loans, it assumed the origination representations and warranties even though it did not originate the loans.

At December 31, 2016, we had outstanding representation and warranty repurchase demands of $47.5 million UPB (239 loans).

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. Assuming our lending business grows, we expect that our exposure to indemnification risks and repurchase requests is likely to increase. If home values decrease, our realized loan losses from loan repurchases and indemnifications may increase as well. As a result, our liability for repurchases may increase beyond our current expectations. Depending on the magnitude of any such increase, our business, financial condition and results of operations could be adversely affected.

Liabilities relating to our past sales of Agency MSRs could adversely affect our business.

We have made representations, warranties and covenants in our sale agreements relating to our previously announced strategy to sell certain of our Agency MSRs. To the extent that we have made inaccurate representations or warranties or fail to perform our covenants, we could incur liability to the purchasers of these MSRs pursuant to the contractual provisions of our sale agreements. In addition, transfers of servicing are subject to regulation under federal consumer finance laws, including CFPB rules implementing RESPA that require servicers to, among other things, maintain policies and procedures that are reasonably designed to facilitate the transfer of accurate information and documents during mortgage servicing transfers and properly evaluate loss mitigation applications that are in process at the time of transfer. The CFPB has advised mortgage servicers that its examiners will be carefully reviewing servicers' compliance with these and other regulations applicable to servicing transfers, and state mortgage regulators have supervisory power over any licensed institutions involved in a transaction. Accordingly, we devote significant time and resources to our compliance efforts and to engaging with such regulators in connection with our transfers of mortgage servicing, and we expect to continue to do so. If we fail to comply with regulations relating to servicing transfers in connection with dispositions of MSRs, we could be subject to adverse regulatory actions, which could materially and adversely affect our business.

We rely on an experienced senior management team, including our President and Chief Executive Officer, and the loss of the services of one or more of our senior officers could have a material adverse effect on us.

We do not have employment agreements with, or maintain key man life insurance relating to, our President and Chief Executive Officer, Ronald M. Faris, or any of our other executive officers. The loss of the services of Mr. Faris or any of our other senior officers could have a material adverse effect on us. We could also be harmed by legal actions brought by former senior officers after they have ceased employment with Ocwen.

An inability to attract and retain qualified personnel could harm our business, financial condition and results of operations.

Our future success also depends, in part, on our ability to identify, attract and retain highly skilled servicing, lending, finance and technical personnel. We face intense competition for qualified individuals from numerous financial services and other companies, some of which have far greater resources and better reputations than we do. We may be unable to identify, attract and retain suitably qualified individuals, or we may be required to pay increased compensation in order to do so. If we were to be unable to attract and retain the qualified personnel we need to succeed, our business, financial condition and results of operations could suffer.

A number of lawsuits have been filed against mortgage loan sellers related to repurchase claims arising out of alleged breaches of representations and warranties, and actions have also been filed against 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. In addition, RMBS trustees have received notices of default alleging material failures by servicers to comply with applicable servicing agreements.

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 allegations that we failed to service loans in accordance with applicable agreements and that such failures prejudiced the rights of repurchase claimants against loan sellers or otherwise diminished the value of the trust collateral. We believe that any such allegations would be without merit and, if necessary, would vigorously defend against them. 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. For example, in January 2015, certain investors claiming to hold at least 25% ownership interest in 119 RMBS trusts serviced by Ocwen have submitted to the respective trustees of those trusts a Notice of Non-Performance, alleging that we have materially breached our obligations under the servicing agreements in those trusts. The Notice further alleged that our conduct, if not timely cured, would give rise to events of default under the applicable servicing agreements, on the basis of which we could potentially be terminated as servicer for the 119 Trusts. Ocwen denies the allegations in the Notice and intends to continue vigorously rebutting them. Since the Notice was issued, Ocwen has been directed by the trustee for two of the trusts to transfer its servicing to another loan servicing company based on ratings downgrades. There is a risk that Ocwen could be replaced as servicer on the remaining trusts at issue in the Notice, that the trustees could take legal action on behalf of the trust certificateholders, or, under certain circumstances, that the investors who issued the Notice could seek to press their allegations against Ocwen, independent of the trustees. We are unable at this time to predict what, if any, actions the trustees will take in response to the Notice, nor can we predict at this time the potential loss or range of loss, if any, associated with the resolution of the Notice or the potential impact on our operations. If Ocwen were to be terminated as servicer, or other related legal actions were pursued against Ocwen, it could have an adverse effect on Ocwen's business, financing activities, financial condition and results of operations.

We are subject to, among other things, requirements regarding the effectiveness of our internal controls over financial reporting. If our internal controls over financial reporting are found to be inadequate, our financial condition and results of operations and the trading price of our common stock may be materially and adversely affected.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires us to evaluate and report on our internal control over financial reporting. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (GAAP), because of their inherent limitations, internal controls over financial reporting may not prevent or detect fraud or misstatements. Fraud or misstatement could adversely affect our financial condition and results of operations. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations. In addition, investors could lose confidence in our financial reports and the trading price of our common stock may be adversely affected if our internal controls over financial reporting are found by management or by our independent registered public accounting firm not to be adequate.

We have operations in India and the Philippines that could be adversely affected by changes in the political or economic stability of these countries or by government policies in India, the Philippines or the U.S.

Approximately 6,300, or 65%, of our employees as of December 31, 2016 are located in India. A significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular. The political or regulatory climate in the U.S. or elsewhere also could change so that it would not be lawful or practical for us to use international operations in the manner in which we currently use them. For example, changes in regulatory requirements could require us to curtail our use of lower-cost operations in India to service our businesses. If we had to curtail or cease our operations in India and transfer some or all of these operations to another geographic area, we could incur significant transition costs as well as higher future overhead costs that could materially and adversely affect our results of operations.

We may need to increase the levels of our employee compensation more rapidly than in the past to retain talent in India. Unless we are able to continue to enhance the efficiency and productivity of our employees, wage increases in

the long term may negatively impact our financial performance.
Political activity or other changes in the political or economic stability in India could affect our ability to operate our business effectively. For example, political protests in a city where we have Indian operations disrupted our Indian operations for a number of days during 2016. While this particular instance was resolved without any material consequences, any such future activity could adversely affect our business or operations.
Our operations in the Philippines are less substantial than our operations in India. However, they are still at risk of being affected by the same types of risks that affect our Indian operations. If they were to be so affected, our business could be materially and adversely affected.

There are a number of foreign laws and regulations that are applicable to our operations in India and the Philippines, including laws and regulations that govern licensing, employment, safety, taxes and insurance and laws and regulations that govern the creation, continuation and winding up of companies as well as the relationships between shareholders, our corporate entities, the public and the government in these countries. Non-compliance with the laws and regulations of India or the Philippines could result in (i) restrictions on our operations in these counties, (ii) fines, penalties or sanctions or (iii) reputational damage.

The industry in which we operate is concentrated and highly competitive, and, to the extent we fail to meet these competitive challenges, it would have a material adverse effect on our business, financial position, results of operations or cash flows.

We operate in a highly competitive industry that could become even more competitive as a result of economic, legislative, regulatory or technological changes. Competition to service mortgage loans and for mortgage loan originations comes primarily from commercial banks and savings institutions and non-bank lenders and mortgage servicers. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources, and typically have access to greater financial resources and lower funding costs. All of these factors place us at a competitive disadvantage. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of revenue generating options (e.g., originating types of loans that we choose not to originate) and establish more favorable relationships than we can. With the proliferation of smartphones and technological changes enabling improved payment systems and cheaper data storage, newer market participants, often called "disruptors," are reinventing aspects of the financial industry and capturing profit pools previously enjoyed by existing market participants. As a result, the lending industry could become even more competitive if new market participants are successful in capturing market share from existing market participants such as ourselves. Competition to service residential loans may result in lower margins. Because of the relatively limited number of servicing clients, our failure to meet the expectations of any significant client could materially impact our business. Ocwen has suffered reputational damage as a result of our regulatory settlements and the associated scrutiny of our business. We believe this may have weakened our competitive position against both our bank and non-bank mortgage servicing competitors. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition or results of operations.

We originate and securitize reverse mortgages, which subjects us to risks that could have a material adverse effect on our business, reputation, liquidity, financial condition and results of operations.

We originate, securitize and service reverse mortgages although we have retained a third party to subservice the reverse mortgages. The reverse mortgage business is subject to substantial risks, including market, credit, interest rate, liquidity, operational, reputational and legal risks. Generally, a reverse mortgage is a loan available to seniors aged 62 or older that allows homeowners to borrow money against the value of their home. No repayment of the mortgage is required until the borrower dies, moves out of the home or the home is sold. A decline in the demand for reverse mortgages may reduce the number of reverse mortgages we originate and adversely affect our ability to sell reverse mortgages in the secondary market. Although foreclosures involving reverse mortgages generally occur less frequently than forward mortgages, loan defaults on reverse mortgages leading to foreclosures may occur if borrowers fail to maintain their property or fail to pay taxes or home insurance premiums. A general increase in foreclosure rates may adversely impact how reverse mortgages are perceived by potential customers and thus reduce demand for reverse mortgages. Additionally, we could become subject to negative headline risk in the event that loan defaults on reverse mortgages lead to foreclosures or evictions of the elderly. Finally, the HUD HECM reverse mortgage program has received scrutiny for failing to afford the surviving spouse of the deceased borrower an opportunity to remain in the home following death of the borrower, if the surviving spouse is not a party to the note or mortgage. HUD recently implemented new rules which permit the surviving spouse to remain in the home under certain circumstances, and which allow the lender to assign the due-and-payable loan to HUD. While, to date, such claims have primarily been directed at HUD and not against lenders such as Ocwen, claims could be made against us and the attention could nonetheless create negative headline risk for us or for the demand for reverse mortgages generally. All of the above factors could have a material adverse effect on our business, reputation, liquidity, financial condition and results of operations.

Reinsuring risk through our captive reinsurance entity could adversely impact our results of operation and financial condition.

We recently formed a wholly-owned captive reinsurance entity, CR Limited (CRL), and signed a quota share re-insurance agreement with a third-party insurer related to coverage on foreclosed real estate properties serviced by us. In order to comply with certain state insurance regulatory requirements, cash and cash equivalents must be held by CRL as capital investments and dividends are restricted, as certain amounts must be retained to satisfy actual and potential claims. Notwithstanding CRL's catastrophic reinsurance coverage, the occurrence of losses from a severe catastrophe or series of catastrophes, particularly in areas where a significant portion of the properties securing the mortgage loans that we service are located, could result in claims that substantially exceed CRL's expectations, which could adversely impact our results of operation and financial condition.

We may incur litigation costs and related losses if the validity of a foreclosure action is challenged by a borrower or if a court overturns a foreclosure.

We may incur costs if we are required to, or if we elect to, execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to a title insurer of the property sold in foreclosure. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. In addition, if certain documents required for a foreclosure action are missing or defective, we could be obligated to cure the defect or repurchase the loan. A significant increase in litigation costs could adversely affect our liquidity, and our inability to be reimbursed for servicing advances could adversely affect our business, financial condition or results of operations.

Negative public opinion could damage our reputation and adversely affect our earnings.

Reputational risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending, loan servicing, debt collection practices and corporate governance as well as from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can also result from media coverage, whether accurate or not. Negative public opinion can adversely affect our ability to attract and retain customers, counterparties and employees and can expose us to litigation and regulatory action. Although we take steps to minimize reputational risk in dealing with our customers and communities, this risk will always be present in our organization.

A significant portion of our business is in the states of California, Florida, Texas, New York and Illinois, and our business may be significantly harmed by a slowdown in the economy or the occurrence of a natural disaster in those states.

A significant portion of the mortgage loans that we service and originate are secured by properties in California, Florida, Texas, New York and Illinois. Any adverse economic conditions in these markets, including a downturn in real estate values, will likely increase our obligations to advance delinquent principal and interest and to make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent that we determine that such amounts are recoverable. We could also be adversely affected by business disruptions triggered by natural disasters or acts or war or terrorism in these geographic areas.

Changes in market conditions, interest rates or the values of used cars could adversely impact our ACS business.

To the extent we believe it will produce appropriate returns, we intend to use a portion of the cash generated by our servicing business to grow our ACS business. ACS provides short-term inventory-secured loans to independent used car dealers to finance their inventory. To be successful, we believe that our ACS business will need to grow rapidly and achieve substantial scale without average losses on loans to dealers exceeding low single digit percentages. In order to help achieve growth objectives, ACS intends to fund a majority of its finance receivables using a revolving securitization facility provided initially by two large global financial institutions. Volatility, rising interest rates or market disruptions in the credit, lending or asset-backed securities markets could materially and adversely impact ACS’s cost of financing related to, or its ability to arrange financing on acceptable terms through, this or other securitization facilities, which could negatively affect ACS’s business and results of operations.

Rising interest rates may have the effect of depressing sales of used cars because many consumers finance their vehicle purchases. In addition, a substantial and sustained reduction in used car prices could result in an increase in loan losses at ACS due to decreases in value of the collateral supporting our loans, which could negatively affect ACS’s business, financial condition and results of operations.

Our earnings may be subject to volatility.

Our operating results have been and may in the future be significantly affected by inter-period variations in our results of operations, including variations due to expense fluctuations, sales or acquisitions of MSRs or changes in the value of MSRs due to, among other factors, increases or decreases in prepayment speeds, delinquencies or defaults. Certain non-recurring gains and losses have significantly affected our operating results in the past, and non-recurring gains and losses may affect our operating results in future periods, resulting in substantial inter-period variations in financial performance. For example, we recognized significant gains from our sales of Agency MSRs during 2015 while similar gains in 2016 were much less significant.

We use estimates in determining the fair value of certain assets and liabilities. If our estimates prove to be incorrect, we may be required to write down the value of these assets or write up the value of these liabilities, which could adversely affect our earnings.

Our ability to measure and report our financial position and operating results is influenced by the need to estimate the impact or outcome of future events on the basis of information available at the time of the financial statements. An accounting estimate is considered critical if it requires that management make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows.

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

As a result of acquisitions, dispositions and our ongoing and potential future business activities, the number and complexity of estimates we use in determining fair value has increased. At December 31, 2016, 62% and 56% of our consolidated total assets and liabilities are measured at fair value, respectively, on a recurring and nonrecurring basis, 94% and 100% of which are considered Level 3 valuations. Our largest Level 3 asset and liability carried at fair value on a recurring basis is Loans held for investment - reverse mortgages and the related secured financing. We pool home equity conversion mortgages (reverse mortgages) into Ginnie Mae Home Equity Conversion Mortgage-Backed Securities (HMBS). Because the transfers of reverse mortgages do not qualify for sale accounting, we account for these transfers as secured financings and classify the transferred reverse mortgages as Loans held for investment - reverse mortgages and recognize the related Financing liabilities. Holders of HMBS have no recourse against our assets, except for standard representations and warranties and our contractual obligations to service the reverse mortgages and HMBS.

We estimate the fair value of our assets and liabilities utilizing assumptions that we believe are appropriate and are used by market participants. The methodology used to estimate these values is complex and uses asset- and liability-specific data and market inputs for assumptions including interest and discount rates, collateral status and expected future performance and liquidity dates. If these assumptions prove to be inaccurate, if market conditions change or if errors are found in our models, the value of certain of our assets may decrease, which could adversely affect our business, financial condition and results of operations, including through negative impacts on our ability to satisfy minimum net worth and liquidity covenants.

Valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. If prepayment speeds increase more than estimated, delinquency and default levels are higher than anticipated or financial market illiquidity is greater than anticipated, we may be required to adjust the value of certain assets, which could adversely affect our business, financial condition and results of operations.

Our hedging strategies may not be successful in mitigating our exposure to interest rate risk.

As of December 31, 2016, we had no interest rate swaps in place to hedge our exposure to variable interest rates under our match funded advance financing facilities, but we have interest rate caps in place that limits our exposure to increases in interest rates on our three facilities. In the event that we acquire additional servicing or subservicing rights in the future, there is no assurance that we will be able to obtain the fixed rate financing that would be necessary to protect us from the effect of rising interest rates. Therefore, we may consider utilizing various derivative financial instruments to protect against the effects of rising rates. In addition, we may use interest rate swaps, U.S. Treasury futures, forward contracts and other derivative instruments to hedge our interest rate exposure on loans and MSRs measured at fair value. We currently have no economic hedge positions open to hedge our fair value MSRs. We have entered into forward mortgage backed securities trades to hedge our mortgage loans held for sale at fair value and to hedge interest rate lock commitments (IRLCs) on loans that we have agreed to originate at a specified fixed or variable rate.

Nevertheless, no hedging strategy can completely protect us. The derivative financial instruments that we select may not have the effect of reducing our interest rate risks. Poorly designed strategies, improperly executed and documented transactions or inaccurate assumptions could actually increase our risks and losses. In addition, hedging strategies involve transaction and other costs. We cannot be assured that our hedging strategies and the derivatives that we use will adequately offset the risks of interest rate volatility or that our hedging transactions will not result in or magnify losses.

We are exposed to market risk, credit risk, liquidity risk, reputational risk, operational risk and foreign currency exchange risk.

We are exposed to liquidity risk primarily because of the highly variable daily cash requirements to support our servicing business including the requirement to make advances pursuant to servicing contracts and the process of remitting borrower payments to the custodial accounts. We are also exposed to liquidity risk by our need to originate and finance mortgage loans and sell mortgage loans into the secondary market. In general, we finance our operations through operating cash flows and various other sources of funding, including match funded borrowing agreements, secured lines of credit and repurchase agreements. We believe that we will have adequate financing for the next twelve months.

We are exposed to interest rate risk to the degree that our interest-bearing liabilities mature or reprice at different speeds, or on different bases, than our interest earning assets or when financed assets are not interest-bearing. Our servicing business is characterized by non-interest earning assets financed by interest-bearing liabilities. Among the more significant non-interest earning assets are servicing advances and MSRs. At December 31, 2016, we had total advances and match funded advances of $1.7 billion. We are also exposed to interest rate risk because a portion of our advance financing and other outstanding debt at December 31, 2016 is variable rate. Rising interest rates may increase our interest expense. Earnings on float balances partially offset this variability. At December 31, 2016, we had no interest rate swaps in place to hedge our exposure to rising interest rates, but we have interest rate caps in place as required by certain of our advance financing arrangements.

The MSRs that we carry at fair value are subject to substantial interest rate risk as the mortgage notes underlying the servicing rights permit the borrowers to prepay the loans. We may enter into economic hedges (derivatives that do not qualify as hedges for accounting purposes) including interest rate swaps, U.S. Treasury futures and forward contracts to minimize the effects of loss in value of these MSRs associated with increased prepayment activity that generally results from declining interest rates. We currently have no economic hedges in place to minimize the effects on our MSRs carried at fair value of increased prepayment activity in the event of declining interest rates.

In our lending business, we are subject to interest rate and price risk on mortgage loans held for sale 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 mortgage-backed securities trades to provide an economic hedge against those changes in fair value on mortgage 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 applicant, whereby the interest rate is set prior to funding. 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. Our interest rate exposure on these derivative loan commitments is hedged with freestanding derivatives such as forward contracts. We also enter into forward contracts with respect to fixed or variable rate loan commitments.

We are exposed to foreign currency exchange rate risk in connection with our investment in non-U.S. dollar functional currency operations to the extent that our foreign exchange positions remain unhedged. Our operations in the Philippines and India expose us to foreign currency exchange rate risk, but we consider this risk to be insignificant.

Pursuit of business or asset acquisitions exposes us to financial, execution and operational risks that could adversely affect us.

We may in the future look for opportunities to grow our business through acquisitions of businesses and assets. The performance of the businesses and assets we acquire through acquisitions may not match the historical performance of our other assets. Nor can we assure you that the businesses and assets we may acquire will perform at levels meeting our expectations. We may find that we overpaid for the acquired business or assets or that the economic conditions underlying our acquisition decision have changed. For example, in 2014, we recognized an impairment loss of the full carrying value of goodwill totaling $420.2 million, which was primarily associated with certain large acquisitions in prior years. It may also take several quarters or longer for us to fully integrate newly acquired business and assets into our business, during which period our results of operations and financial condition may be negatively affected. Further, certain one-time expenses associated with such acquisitions may have a negative impact on our results of operations and financial condition. We cannot assure you that acquisitions will not adversely affect our results of

operations and financial condition.
The risks associated with acquisitions include, among others:

- unanticipated issues in integrating servicing, information, communications and other systems;
- unanticipated incompatibility in servicing, lending, purchasing, logistics, marketing and administration methods;
- not retaining key employees; and
- the diversion of management's attention from ongoing business concerns.

The integration process can be complicated and time consuming and could potentially be disruptive to borrowers of loans serviced by the acquired business. If the integration process is not conducted successfully and with minimal effect on the acquired business and its borrowers, we may not realize the anticipated economic benefits of particular acquisitions within our expected timeframe, or we could lose subservicing business or employees of the acquired business. Through acquisitions, we may enter into business lines in which we have not previously operated. Such acquisitions could require additional integration costs and efforts, including significant time from senior management. We may not be able to achieve the synergies we anticipate from acquired businesses, and we may not be able to grow acquired businesses in the manner we anticipate. In fact, the businesses we acquire could decrease in size, even if the integration process is successful.

Further, prices at which acquisitions can be made fluctuate with market conditions. We have experienced times during which acquisitions could not be made in specific markets at prices that we considered to be acceptable, and we expect that we will experience this condition in the future. In addition, in order to finance an acquisition we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or we could raise additional equity capital, which could dilute the interests of our existing shareholders.

The timing of closing of our acquisitions is often uncertain. We have in the past and may in the future experience delays in closing our acquisitions, or certain tranches of them. For example, we and the applicable seller are often required to obtain certain contractual and regulatory consents as a prerequisite to closing, such as the consents of Fannie Mae or Freddie Mac, the FHFA and trustees to RMBS securitization trusts. Accordingly, even if we and the applicable seller are efficient and proactive, the actions of third parties can impact the timing under which such consents are obtained. We and the applicable seller may not be able to obtain all of the required consents, which may mean that we are unable to acquire all of the assets that we wish to acquire. Regulators may have questions relating to aspects of our acquisitions and we may be required to devote time and resources responding to those questions. It is also possible that we will expend considerable resources in the pursuit of an acquisition that, ultimately, either does not close or is terminated. Our regulatory settlements have significantly impacted our ability to grow our servicing portfolio through acquisitions because we agreed to restrictions in our consent orders with the NY DFS and CA DBO that effectively prohibited future acquisitions of servicing. The CA DBO restrictions have now been lifted. However, we are still subject to restrictions under the NY DFS consent order.

Risks Relating to Tax Matters

Our tax liability as a result of the transfer of assets to OMS could be substantial.

Pursuant to the formation of OMS, we transferred significant assets to OMS in a taxable transaction. We recognized gain, but not loss, on this transfer equal to the excess, if any, of the fair market value of the transferred assets over our tax basis therein. The fair market value of the transferred assets was based on market standard valuation methodology and confirmed by an independent valuation firm. However, the Internal Revenue Service (the IRS) could challenge this valuation, and if such a challenge were successful, any tax imposed as a result of the transfer could be significant.

Failure to retain the tax benefits provided by the United States Virgin Islands would adversely affect our financial condition and results of operations.

OMS is incorporated and headquartered in the USVI. The USVI has an Economic Development Commission (EDC) that provides benefits (EDC Benefits) to certain qualified businesses that enable us to avail ourselves of significant tax benefits for a 30-year period. OMS received its certificate to operate as a company qualified for EDC Benefits as of October 1, 2012. It is possible that we may not be able to retain our qualifications for the EDC Benefits, or that changes in U.S. federal, state, local, territorial or USVI taxation statutes or applicable regulations may cause a reduction in or an elimination of the EDC Benefits, all of which could result in a significant increase to our tax expense, and, therefore, adversely affect our financial condition and results of operations. Additionally, if the USVI were to undergo a financial restructuring, it is possible that the EDC Benefits could be adversely impacted as a part of any such restructuring.

We may be subject to increased United States federal income taxation.

OMS is incorporated under the laws of the USVI and intends to operate in a manner that will cause a substantial amount of its net income to be treated as not related to a trade or business within the United States, which will cause such income to be exempt from current United States federal income taxation. However, because there are no definitive standards provided by the Internal Revenue Code (the Code), regulations or court decisions as to the specific activities that constitute being engaged in the conduct of a trade or business within the United States, and as any such determination is essentially factual in nature, we cannot assure you that the IRS will not successfully assert

that OMS is engaged in a trade or business within the United States with respect to that income.
If the IRS were to successfully assert that OMS has been engaged in a trade or business within the United States with respect to that income in any taxable year, it may become subject to current United States federal income taxation on such income. In addition, changes in the Code, state statutes, regulations or court decisions relevant to the various aspects of our business such as various international tax reform proposals being considered by Congress could increase our tax expense.

Risks Relating to Ownership of Our Common Stock

Our common stock price experiences substantial volatility and has dropped significantly on a number of occasions in recent periods, which may affect your ability to sell our common stock at an advantageous price.

The market price of our shares of common stock has been and may continue to be volatile. For example, the closing market price of our common stock on the New York Stock Exchange fluctuated during 2016 between $1.50 per share and $7.36 per share and the closing stock price on February 17, 2017 was $5.24 per share. Therefore, the volatility and recent decline in our stock price may affect your ability to sell our common stock at an advantageous price. Market price fluctuations in our common stock may be due to factors both within and outside our control, including regulatory action, acquisitions, dispositions or other material public announcements or speculative trading in our stock (e.g., traders "shorting" our common stock), as well as a variety of other factors including those set forth under "Risk Factors" and "Forward-Looking Statements."

In addition, the stock markets in general, including the New York Stock Exchange, have, at times, experienced extreme price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of our common stock.

Further, when the market price of a company's ordinary shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against us, even if unsuccessful, could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

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

Based on SEC filings, certain shareholders, such as our former Executive Chairman, William C. Erbey, and D. John Devaney, own or control significant amounts of our common stock. Mr. Erbey retired as an officer and director of Ocwen effective as of January 16, 2015 and, following his retirement, has no directorial, management, oversight, consulting, or any other role at Ocwen. However, Mr. Erbey and our other large shareholders will each have the ability to vote a meaningful percentage of our outstanding common stock on all matters put to a vote of our shareholders. As a result, these shareholders could influence matters requiring shareholder approval, including the amendment of our articles of incorporation, the approval of mergers or similar transactions and the election of directors.

Our board of directors may authorize the issuance of additional securities that may cause dilution and may depress the price of our securities.

Our charter permits our board of directors, without our stockholders' approval, to:

- authorize the issuance of additional common stock or preferred stock in connection with future equity offerings or acquisitions of securities or other assets of companies; and
- classify or reclassify any unissued common stock or preferred stock and to set the preferences, rights and other terms of the classified or reclassified shares, including the issuance of shares of preferred stock that have preference rights over the common stock and existing preferred stock with respect to dividends, liquidation, voting and other matters or shares of common stock that have preference rights over common stock with respect to voting.

The issuance of additional shares of our securities could be substantially dilutive to our existing stockholders and may depress the price of our securities.

Future offerings of debt securities, which would be senior to our common stock in liquidation, or equity securities, which would dilute our existing stockholders' interests and may be senior to our common stock in liquidation or for the purposes of distributions, may harm the market price of our securities.

We will continue to seek to access the capital markets from time to time and may make additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes, preferred stock or common stock. We are not precluded by the terms of our charter from issuing additional indebtedness. Accordingly, we could become more highly leveraged, resulting in an increase in debt service obligations that could harm our ability to make expected distributions to stockholders and in an increased risk of default on our obligations. If we were to liquidate, holders of our debt and lenders with respect to other borrowings would receive a distribution of our available assets before the holders of our common stock. Additional equity offerings by us may dilute our existing stockholders' interest in us or reduce the market price of our existing securities. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Further, conditions could require that we accept less favorable terms for the issuance of our securities in the future. Thus, our existing stockholders will bear the risk of our future offerings reducing the market price of our securities and diluting their ownership interest in us.

Because of certain provisions in our organizational documents and regulatory restrictions, takeovers may be more difficult, possibly preventing you from obtaining an optimal share price.

Our amended and restated articles of incorporation provide that the total number of shares of all classes of capital stock that we have authority to issue is 220 million, of which 200 million are common shares and 20 million are preferred shares. Our Board of Directors has the authority, without a vote of the shareholders, to establish the preferences and rights of any preferred or other class or series of shares to be issued and to issue such shares. The issuance of preferred shares could delay or prevent a change in control. Since our Board of Directors has the power to establish the preferences and rights of the preferred shares without a shareholder vote, our Board of Directors may give the holders of preferred shares preferences, powers and rights, including voting rights, senior to the rights of holders of our common shares. In addition, certain regulators require information reporting from significant shareholders of mortgage servicers and could, as a practical matter, delay or prevent a change in control based on their view of the impact of any such transaction.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth information relating to our principal facilities at December 31, 2016:

Location	Owned/Leased	Square Footage
Principal executive offices:		
West Palm Beach, Florida	Leased	51,546
St. Croix, U.S. Virgin Islands	Leased	4,400
Document storage and imaging facility:		
West Palm Beach, Florida	Leased	51,931
Business operations and support offices		
U.S. facilities:		
Waterloo, Iowa (1)(2)	Owned	154,980
Addison, Texas (3)	Leased	137,992
Fort Washington, Pennsylvania (1)	Leased	77,026
Lewisville, Texas (4)	Leased	78,413
McDonough, Georgia (5)	Leased	62,000
Rancho Cordova, California (6)	Leased	53,107
Houston, Texas (1)	Leased	36,382
Westborough, Massachusetts (6)	Leased	18,158
Offshore facilities (1):		
Mumbai, India	Leased	155,368
Bangalore, India	Leased	153,570
Pune, India	Leased	110,623
Manila, Philippines	Leased	39,006

(1) Primarily supports Servicing operations.

(2) We ceased using approximately one-half of our facility in Waterloo, Iowa following a reduction in workforce during 2015. We acquired this facility in connection with our acquisition of Residential Capital, LLC (ResCap) in 2013.

(3) We assumed this lease in connection with our acquisition of Homeward in 2012. We ceased using the facility in 2013 and subleased a portion of the space until August 2015. In 2016, the lease of our facility in Coppell, Texas expired and we relocated employees to the Addison, Texas facility.

(4) We ceased using this facility in 2015.

(5) We ceased using this facility in 2012 and subleased a portion of the space.

(6) Primarily supports Lending operations.

In addition to the facilities listed in the table above, we also lease other small facilities in Orlando, Florida; Mount Laurel, New Jersey; Irvine, California; Glendale, California; Scottsdale, Arizona; St. Croix, U.S. Virgin Islands and Atlanta, Georgia.

ITEM 3. LEGAL PROCEEDINGS

See Note 26 — Contingencies to the Consolidated Financial Statements. That information is incorporated into this item by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Our Common Stock

The common stock of Ocwen Financial Corporation is traded under the symbol "OCN" on the New York Stock Exchange (NYSE). The following table sets forth the high and low sales prices for our common stock:

	High	Low
2016		
First quarter	$7.47	$2.05
Second quarter	2.92	1.44
Third quarter	3.75	1.29
Fourth quarter	6.15	3.48
2015		
First quarter	$15.40	$5.66
Second quarter	11.29	7.27
Third quarter	11.82	6.41
Fourth quarter	8.34	5.76

The closing sales price of our common stock on February 17, 2017 was $5.24.

We have never declared or paid cash dividends on our common stock. We currently do not intend to pay cash dividends in the foreseeable future but intend to reinvest earnings in our business. The timing and amount of any future dividends will be determined by our Board of Directors and will depend, among other factors, upon our earnings, financial condition, cash requirements, the capital requirements of subsidiaries and investment opportunities at the time any such payment is considered. In addition, the covenants relating to certain of our borrowings contain limitations on our payment of dividends. Our Board of Directors has no obligation to declare dividends on our common stock under Florida law or our amended and restated articles of incorporation.

The following graph compares the cumulative total return on the common stock of Ocwen Financial Corporation since December 31, 2011, with the cumulative total return on the stocks included in Standard & Poor's 500 Market Index and Standard & Poor's Diversified Financials Market Index.

Total Return Performance

	Period Ending					
Index	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Ocwen Financial Corporation	100.00	238.88	382.94	104.28	48.14	37.22
S&P 500	100.00	113.41	146.98	161.11	162.53	178.02
S&P 500 Diversified Financials	100.00	138.88	193.61	222.97	200.09	237.76

(1) The S&P 500 and S&P 500 Diversified Financials (Industry Group) indices are proprietary to and are calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC, and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. ©2015 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

Purchases of Equity Securities by the Issuer and Affiliates

On October 31, 2013, we announced that our board of directors had authorized a share repurchase program for an aggregate of up to $500.0 million of our issued and outstanding shares of common stock. This share repurchase program expired on July 31, 2016. During 2016, we completed the repurchase of 991,985 shares of common stock during (all during the first quarter) for a total purchase price of $5.9 million. From inception of this program through expiration, we completed the repurchase of 13,163,793 shares for an aggregate purchase price of $380.3 million.

Number of Holders of Common Stock

On February 17, 2017, 123,988,160 shares of our common stock were outstanding and held by approximately 66 holders of record. Such number of stockholders does not reflect the number of individuals or institutional investors holding our stock in nominee name through banks, brokerage firms and others.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item is incorporated by reference to the information contained under the caption "Equity Compensation Plan Information" in our definitive Proxy Statement with respect to our 2017 Annual Meeting, which we intend to file with the SEC no later than April 30, 2017.

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

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

	December 31,				
	2016	2015	2014	2013 (1) (2)	2012 (1) (2)
Selected Balance Sheet Data					
Total Assets (3)	$7,655,663	$7,380,308	$8,243,662	$7,905,333	$5,676,660
Loans held for sale	$314,006	$414,046	$488,612	$566,660	$509,346
Loans held for investment - Reverse mortgages	3,565,716	2,488,253	1,550,141	618,018	—
Advances and match funded advances	1,709,846	2,151,066	3,303,356	3,443,215	3,233,707
Mortgage servicing rights	1,042,978	1,138,569	1,913,992	2,069,381	764,150
Goodwill (4)	—	—	—	420,201	416,176
Total Liabilities (3)	$7,000,380	$6,525,670	$7,202,497	$6,032,381	$3,911,866
Match funded liabilities	$1,280,997	$1,584,049	$2,090,247	$2,364,814	$2,532,745
Financing liabilities	4,012,812	3,089,255	2,258,641	1,266,973	306,308
Long-term other borrowings	718,373	734,763	1,611,531	1,288,740	18,466
Mezzanine equity (5)	$—	$—	$—	$60,361	$153,372
Total equity (6)	$655,283	$854,638	$1,041,165	$1,812,591	$1,611,422
Residential Loans and Real Estate Serviced or Subserviced for Others					
Count	1,393,766	1,624,762	2,486,038	2,861,918	1,219,956
UPB	$209,092,130	$250,966,112	$398,727,727	$464,651,332	$203,665,716

40

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Selected Operations Data					
Revenue:					
Servicing and subservicing fees	$1,186,620	$1,531,797	$1,894,175	$1,823,559	$804,407
Gain (loss) on loans held for sale	90,391	134,969	134,297	121,694	215
Other	110,152	74,332	82,853	93,020	40,581
Total revenue	1,387,163	1,741,098	2,111,325	2,038,273	845,203
Expenses (4)	1,223,254	1,478,184	2,035,208	1,301,294	363,907
Other income (expense):					
Interest expense	(412,583)	(482,373)	(541,757)	(395,586)	(223,455)
Gain on sale of mortgage servicing rights, net (7)	8,492	83,921	—	—	—
Other, net	33,821				