

OCWEN FINANCIAL CORP  
Form 10-Q  
May 18, 2015

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934  
For the quarterly period ended March 31, 2015

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934  
For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-13219

OCWEN FINANCIAL CORPORATION  
(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	65-0039856 (I.R.S. Employer Identification No.)
1000 Abernathy Road NE, Suite 210 Atlanta, Georgia (Address of principal executive office)	30328 (Zip Code)
(561) 682-8000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No   
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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  No

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

Large Accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes  No   
Number of shares of common stock outstanding as of April 30, 2015: 125,306,121 shares

OCWEN FINANCIAL CORPORATION  
 FORM 10-Q  
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## FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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," "expect," "plan," "anticipate," "believe," "estimate," "predict" or "continue" or the negative of such terms or other comparable terminology. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. 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. Accordingly, you should not place undue reliance on any forward-looking statement. Important factors that could cause actual results to differ include, but are not limited to, the risks discussed in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014 and the following:

- adverse effects on our business as a result of recent regulatory settlements;
- reactions to the announcement of such settlements by key counterparties;
- increased regulatory scrutiny and media attention, due to rumors or otherwise;
- uncertainty related to claims, litigation and investigations brought by government agencies and private parties regarding our servicing, foreclosure, modification and other practices;
- 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 fund and recover advances, repay borrowings and comply with our debt agreements;
- our servicer and credit ratings as well as other actions from various rating agencies, including the impact of recent 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;
- 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, 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;
- 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;
- our ability to execute on our strategy to reduce the size of our agency portfolio;
- 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;
- our ability to integrate the systems, procedures and personnel of acquired assets and businesses;
- our ability to maintain our technology systems and our ability to adapt such systems for future operating environments;
- failure of our internal 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 and our other reports and filings with the Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K for the year ended December 31, 2014 and our Current Reports on Form 8-K. Forward-looking statements speak only as of the date they were made and except for our ongoing obligations under the U.S. federal securities laws, we undertake no obligation to update or revise forward-looking statements whether as a result of new information, future events or otherwise.

## PART I – FINANCIAL INFORMATION

## ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	March 31, 2015	December 31, 2014
Assets		
Cash	\$242,332	\$129,473
Mortgage servicing rights (\$897,797 and \$93,901 carried at fair value)	1,820,651	1,913,992
Advances	942,538	893,914
Match funded advances	2,252,967	2,409,442
Loans held for sale (\$339,508 and \$401,120 carried at fair value)	407,997	488,612
Loans held for investment - reverse mortgages, at fair value	1,808,141	1,550,141
Receivables, net	299,836	270,596
Deferred tax assets, net	68,708	76,987
Premises and equipment, net	42,945	43,310
Other assets (\$7,701 and \$7,355 carried at fair value)	500,659	490,811
Total assets	\$8,386,774	\$8,267,278
Liabilities and Equity		
Liabilities		
Match funded liabilities	\$2,000,676	\$2,090,247
Financing liabilities (\$2,296,892 and \$2,058,693 carried at fair value)	2,488,607	2,258,641
Other secured borrowings	1,603,707	1,733,691
Senior unsecured notes	350,000	350,000
Other liabilities	822,244	793,534
Total liabilities	7,265,234	7,226,113
Commitments and Contingencies (Notes 19 and 20)		
Equity		
Ocwen Financial Corporation (Ocwen) stockholders' equity		
Common stock, \$.01 par value; 200,000,000 shares authorized; 125,302,788 and 125,215,615 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	1,253	1,252
Additional paid-in capital	517,915	515,194
Retained earnings	607,562	530,361
Accumulated other comprehensive loss, net of income taxes	(7,995)	(8,413)
Total Ocwen stockholders' equity	1,118,735	1,038,394
Non-controlling interest in subsidiaries	2,805	2,771
Total equity	1,121,540	1,041,165
Total liabilities and equity	\$8,386,774	\$8,267,278

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



OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

	For the Three Months Ended	
	March 31,	
	2015	2014
Revenue		
Servicing and subservicing fees	\$446,541	\$490,459
Gain on loans held for sale, net	44,504	43,987
Other revenues	19,399	16,815
Total revenue	510,444	551,261
Expenses		
Compensation and benefits	105,144	105,637
Amortization of mortgage servicing rights	38,494	62,094
Servicing and origination	101,802	43,947
Technology and communications	39,351	36,976
Professional services	56,931	21,398
Occupancy and equipment	25,714	32,051
Other	10,922	47,091
Total expenses	378,358	349,194
Other income (expense)		
Interest income	5,575	5,327
Interest expense	(119,396)	(139,873)
Gain on sale of mortgage servicing rights	26,406	—
Gain on extinguishment of debt	—	2,253
Other, net	(1,842)	1,929
Total other expense, net	(89,257)	(130,364)
Income before income taxes	42,829	71,703
Income tax expense	8,440	11,217
Net income	34,389	60,486
Net (income) loss attributable to non-controlling interests	(34)	15
Net income attributable to Ocwen stockholders	34,355	60,501
Preferred stock dividends	—	(581)
Deemed dividends related to beneficial conversion feature of preferred stock	—	(416)
Net income attributable to Ocwen common stockholders	\$34,355	\$59,504
Earnings per share attributable to Ocwen common stockholders		
Basic	\$0.27	\$0.44
Diluted	\$0.27	\$0.43
Weighted average common shares outstanding		
Basic	125,272,228	135,227,067
Diluted	126,999,662	141,089,455

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





OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	For the Three Months Ended March 31,	
	2015	2014
Net income	\$34,389	\$60,486
Other comprehensive income, net of income taxes:		
Reclassification adjustment for losses on cash flow hedges included in net income (1)	418	608
Other	—	1
Total other comprehensive income, net of income taxes	418	609
Comprehensive income	34,807	61,095
Comprehensive income attributable to non-controlling interests	(34	) 15
Comprehensive income attributable to Ocwen stockholders	\$34,773	\$61,110

(1) Net of tax expense of \$0.2 million for the three months ended March 31, 2014. These losses are reclassified to Other, net in the unaudited Consolidated Statements of Operations.

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014  
 (Dollars in thousands)

	Ocwen Stockholders Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Taxes	Non-controlling Interest in Subsidiaries	Total
	Shares	Amount	Additional Paid-in Capital				
Balance at December 31, 2014	125,215,615	\$ 1,252	\$ 515,194	\$ 530,361	\$ (8,413 )	\$ 2,771	\$ 1,041,165
Net income	—	—	—	34,355	—	34	34,389
Cumulative effect of fair value election - Mortgage servicing rights	—	—	—	42,846	—	—	42,846
Exercise of common stock options	85,173	1	508	—	—	—	509
Equity-based compensation and other	2,000	—	2,213	—	—	—	2,213
Other comprehensive income, net of income taxes	—	—	—	—	418	—	418
Balance at March 31, 2015	125,302,788	\$ 1,253	\$ 517,915	\$ 607,562	\$ (7,995 )	\$ 2,805	\$ 1,121,540
Balance at December 31, 2013	135,176,271	\$ 1,352	\$ 818,427	\$ 1,002,963	\$ (10,151 )	\$ —	\$ 1,812,591
Net income	—	—	—	60,501	—	(15 )	60,486
Preferred stock dividends (\$9.38 per share)	—	—	—	(581 )	—	—	