

OCWEN FINANCIAL CORP

Form S-4

November 02, 2015

As filed with the Securities and Exchange Commission on October 30, 2015

**Registration No. 333-**

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

OCWEN FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

**Florida**

**6162**

**65-0039856**

(State or other jurisdiction of incorporation or organization) (Primary Standard Industrial Classification Code Number) (I.R.S. Employer Identification Number)

**1661 Worthington Road, Suite 100**

**West Palm Beach, Florida 33409**

**(561) 682-8000**

(Address, including zip code and telephone number, including area code, of Registrant's principal executive offices)

**Ronald M. Faris**

**President and Chief Executive Officer**

**1661 Worthington Road, Suite 100**

**West Palm Beach, Florida 33409**

**(561) 682-8000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions pursuant to the exchange offer described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issue Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

<b>Title of each class of securities to be registered</b>	<b>Amount to be registered</b>	<b>Proposed maximum offering price per unit(1)</b>	<b>Proposed maximum aggregate offering price(1)</b>	<b>Amount of registration fee(2)</b>
<i>6.625% Senior Notes due 2019</i>	<i>\$350,000,000</i>	<i>100%</i>	<i>\$350,000,000</i>	<i>\$35,245</i>

(1) Estimated solely for purposes of determining the registration fee.

(2) Calculated pursuant to Rule 457(f)(2) under the Securities Act of 1933.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is declared effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

Subject to completion  
Preliminary prospectus dated October 30, 2015

PROSPECTUS

Ocwen Financial Corporation

OFFER TO EXCHANGE ANY AND ALL OUTSTANDING  
\$350,000,000 6.625% Senior Notes due 2019

FOR NEW, REGISTERED  
\$350,000,000 6.625% Senior Notes due 2019

We are offering, upon the terms and subject to the conditions set forth in this prospectus, to exchange all of our outstanding 6.625% Senior Notes due 2019, issued on May 12, 2014 in a private offering, for our new, registered 6.625% Senior Notes due 2019.

- The exchange offer expires at 5:00 p.m., New York City time, on \_\_\_\_\_, 2015, unless we extend it.
- The terms of the new notes are substantially identical to those of the original notes, except that the new notes will not have securities law transfer restrictions or the registration rights relating to the original notes, and the new notes will not provide for the payment of additional interest under circumstances relating to the timing of the exchange offer.
- All outstanding original notes that are validly tendered and not validly withdrawn will be exchanged.
- You may withdraw your tender of original notes any time before the exchange offer expires.
- We will not receive any proceeds from the exchange offer.

No established trading market for the new notes or the original notes currently exists. The new notes will not be listed on any securities exchange or included in any automated quotation system.

The exchange of original notes for new notes will not be a taxable event for U.S. federal income tax purposes. See "Certain U.S. Federal Income Tax Considerations."

**See "Risk Factors" beginning on page 10 for a discussion of risk factors that you should consider before deciding to exchange your original notes for new notes.**

Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is \_\_\_\_\_, 2015.

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In this prospectus, unless the context indicates or otherwise requires and except as expressly set forth in the section captioned “Description of New Notes,” the terms the “Company,” “Ocwen” “we,” “us” and “our” refer to Ocwen Financial Corporation and its consolidated subsidiaries. References in this prospectus to a “fiscal year” are to our fiscal year ended December 31.

In this prospectus, except as expressly set forth in the section captioned “Description of New Notes,” we refer to our outstanding 6.625% Senior Notes due 2019 as the “original notes” and we refer to our new, registered 6.625% Senior Notes due 2019 as the “new notes.” Any reference to “notes” in this prospectus refers to the original notes and the new notes collectively, unless the context requires a different interpretation.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact included in this prospectus, 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. Such statements are not guarantees of future performance and involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially from expected results. Our business has been undergoing substantial change which has magnified such uncertainties. Readers should bear these factors in mind when considering such statements and should not place undue reliance on such statements. In the past, actual results have differed from those suggested by forward looking statements and this may happen again. Known material factors that could cause our actual results to differ from those in these forward-looking statements are described below and in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of this prospectus. Important factors that could cause actual results to differ include, but are not limited to, the risk factors discussed in the “Risk Factors” section of this prospectus 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 sell, 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 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, 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 Authority of the Department of Housing and Urban Development or Department of Veterans Affairs 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;
- 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;
- 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;
- uncertainty related to our income tax positions;
- our ability to recognize the benefits of our deferred tax assets;
- 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;
  - 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.

## PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before making a decision whether to exchange your original notes for new notes. You should read this entire prospectus, including “Risk Factors,” carefully before making a decision whether to exchange your original notes for new notes.

### Our Company

Ocwen Financial Corporation is a financial services holding company which, through its subsidiaries, is one of the largest mortgage companies in the United States. Ocwen is headquartered in West Palm Beach, Florida with offices throughout the United States (“U.S.”) and in the United States Virgin Islands (“USVI”) with support operations in India and the Philippines. Ocwen Financial Corporation is a Florida corporation organized in February 1988. With its predecessors, Ocwen has been servicing residential mortgage loans since 1988. We have been originating forward mortgage loans since 2012 and reverse mortgage loans since 2013.

### Overview

Ocwen is 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 borrowers whose loans we have modified. Ocwen completed over 625,000 loan modifications between January 2008 and September 30, 2015. We are also an innovator in the industry, as evidenced by our “Shared Appreciation Modification” (“SAM”) program. The SAM program incorporates principal reductions and lower payments for borrowers while providing an estimated net present value for mortgage loan investors that is superior to that of foreclosure, plus the ability to recoup a portion of the principal reductions granted if property values increase over time. This program was developed in 2012, and was expanded in 2013 to all states where the program is permitted. Through September 30, 2015, we have completed over 50,000 modifications under the SAM program.

Ocwen has been a leader in the U.S. Treasury’s Home Affordable Modification Program (“HAMP”) since the program’s inception in 2009. We have provided more HAMP-sponsored modifications than any other mortgage servicer and 52% more than the next highest servicer, according to data published in the U.S. Treasury’s Making Home Affordable Second Quarter Program Performance Report.

From 2010 through 2013, our business grew rapidly via portfolio and business acquisitions. However, we made no significant acquisitions during 2014 or the first nine months of 2015 and, as a result, the unpaid principal balance (“UPB”) of our residential servicing portfolio declined from \$464.7 billion as of December 31, 2013 to \$398.7 billion as of December 31, 2014 and \$288.1 billion as of September 30, 2015. Our growth ceased primarily as a result of significant regulatory scrutiny by the state of New York, which resulted in a settlement with the New York Department of Financial Services (“NY DFS”) in December 2014. We also entered into a more limited settlement with the California Department of Business Oversight (“CA DBO”) in January 2015.

We have largely executed on our previously disclosed strategy to sell certain of our Agency MSR’s with the intent of reducing our exposure to interest rate movements, monetizing significant unrealized value and generating significant liquidity. While almost all of our announced sales have now closed, if we view sale prices to be attractive, we may determine to sell additional Agency MSR’s in the future. We anticipate that reducing the size of our Agency servicing portfolio will help simplify our operations and help improve our margins over time. During the nine months ended September 30, 2015, we sold Agency MSR’s relating to loans with a UPB of \$87.6 billion.



Our recent regulatory settlements have significantly impacted our ability to grow our servicing portfolio because we have agreed to restrictions in our consent orders with the NY DFS and CA DBO that effectively prohibit future acquisitions of servicing until we have satisfied the respective conditions in those consent orders. Under the NY DFS consent order, we may acquire mortgage servicing rights (“MSRs”) upon (a) meeting benchmarks specified by Goldin Associates (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. Under the CA DBO consent order, we agreed to cease acquiring any additional MSRs for loans secured in California until the CA DBO is satisfied that Ocwen Loan Servicing, LLC (“OLS”) can satisfactorily respond to the requests for information and documentation made in the course of a regulatory exam. If we are unable to satisfy the NY DFS and CA DBO conditions, we will be unable to grow our servicing portfolio through acquisitions.

As a result of the current regulatory environment, we have faced, and expect to continue to face, increased regulatory and public scrutiny as well as stricter and more comprehensive regulation of our business. We continue to work diligently to assess the implications of the regulatory environment in which we operate and to meet the requirements of the current environment. We devote substantial resources to regulatory compliance, while, at the same time, striving to meet the needs and expectations of our customers, clients and other stakeholders.

Ocwen has implemented an “asset-light” strategy pursuant to which we have sold rights to receive servicing fees, excluding ancillary income, with respect to certain non-Agency MSR (“Rights to MSR”), together with the related servicing advances, to New Residential Investment Corp. (“NRZ”), who purchased these Rights to MSR and assumed the rights and obligations under the associated agreements from Home Loan Servicing Solutions, Ltd. (“HLSS”) on April 6, 2015. Pursuant to our agreements with NRZ, NRZ has acquired Rights to MSR and related servicing advances, and has assumed the obligation to fund new servicing advances in respect of the Rights to MSR. We continue to service the loans for which the Rights to MSR have been sold to NRZ. References in this prospectus (other than in the Consolidated Financial Statements included herein) to NRZ as the counterparty include HLSS for periods prior to April 6, 2015 because, following HLSS’ sale of substantially all of its assets on April 6, 2015, NRZ, through its subsidiaries, is the owner of the Rights to MSR and has assumed HLSS’ rights and obligations under the associated agreements. See “Business-Overview” for further discussion regarding our asset-light strategy.

Including our initial transaction on March 5, 2012, through 2014, we completed sales of Rights to MSR and related servicing advances for serviced loans with a UPB of \$202.4 billion (based on UPB at the time of sale). Together, these transactions are referred to as the NRZ/HLSS Transactions. We did not complete any sales of Rights to MSR to NRZ during 2014 or the first nine months of 2015. As of September 30, 2015, we are the servicer on Rights to MSR sold to NRZ pertaining to approximately \$146.0 billion in UPB.

On April 6, 2015, we amended our Master Servicing Rights Purchase Agreement and Sale Supplements (the “Amendment”) with HLSS in consideration for OLS’ consent to the assignment by HLSS to NRZ of all HLSS’ right, title and interest in, to and under the agreements. The Amendment extends and, we believe, strengthens our relationship with NRZ. Most notably, the Amendment (i) extends the term of the agreements by two years or until April 30, 2020, whichever is earlier, provided that such extension will not apply with respect to any servicing agreement that, as of the date that it was scheduled to terminate under our original agreements, is affected by an uncured termination event due to a downgrade of our servicer rating to below average or lower by S&P or to “SQ4” or lower by Moody’s, and (ii) limits NRZ’s ability to transfer the servicing of any or all of the servicing agreements underlying the Rights to MSR until April 6, 2017 even if further OLS servicer rating downgrades were to occur. 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 we are entitled to pursuant to servicing agreements that underlie Rights to MSR 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.

On May 12, 2014, we issued the original notes with an aggregate principal amount of \$350.0 million in a private placement, receiving net proceeds of approximately \$343.3 million after deducting the initial purchasers’ discount and offering expenses payable by us. To date, the net proceeds have been used to fund repurchases of common stock, to reduce borrowing used to finance servicing advances and for other general corporate purposes.

## **Business Lines**

Servicing and Lending are our primary lines of business.

### ***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 non-Agency residential mortgage-backed securities (“RMBS”) trusts and some of the largest financial institutions in the U.S., including the Federal National Mortgage Association (“Fannie Mae”), the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and the Government National Mortgage Association (“Ginnie Mae”). 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.

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 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 also earn fees under both subservicing and special servicing arrangements with banks and other institutions that own the MSR. The owners of MSRs may choose to hire Ocwen as a subservicer or special servicer instead of servicing the MSRs themselves for a variety of reasons, including not having a servicing platform or not having the necessary capacity or expertise to service some or all of their MSRs. In a subservicing context, Ocwen may be engaged to perform all of the servicing functions previously described or it could be a limited engagement (e.g., sub-servicing only non-defaulted mortgage loans). As a subservicer, we are obligated to make servicing advances, though most subservicing agreements provide for more rapid reimbursement of any advances from the owner of the servicing rights. Ocwen is also engaged as a special servicer. These engagements typically involve portfolios of defaulted mortgage loans, which require more work than performing mortgage loans and involve working out modifications or short sales with borrowers or taking properties through the foreclosure process. We typically earn subservicing and special servicing fees either as a percentage of UPB or on a per loan basis.

Our servicing platform (“REALServicing®”) runs on an information technology system that we license under long-term agreements with Altisource Portfolio Solutions S.A. (“Altisource”). The system utilizes non-linear loss mitigation models that we believe optimize delinquent borrower resolutions. Altisource utilizes software developers, modelers and psychology professionals who focus on borrower behavior and improvement of resolution models to improve system performance and outcomes.

### ***Lending***

In our Lending business, we originate and purchase conventional and government-insured forward mortgage loans through the direct, wholesale and correspondent lending channels of our Homeward operations. We also originate and purchase Home Equity Conversion Mortgages (“HECM” or “reverse mortgage loans”) insured by FHA through our Liberty Home Equity Solutions, Inc. (“Liberty”) operations. We leverage our direct forward mortgage lending channel to pursue refinancing opportunities from our servicing portfolio, where permitted. After origination, we 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. In 2014, we originated or purchased forward and reverse mortgage loans with a UPB of \$4.3 billion and \$675.5 million, respectively. Our Lending business provides us the opportunity to expand into new markets and offer new products, for example prime loans that exceed the GSE limits (“jumbo loans”), as market and investor demand develops.

## **Headquarters**

Ocwen Financial Corporation is a Florida corporation organized in February 1988. Our executive office is located at 1661 Worthington Road, Suite 100, West Palm Beach, Florida 33409 and our telephone number is (561) 682-8000. We maintain a website at <http://www.ocwen.com>. The information on our website is not part of this prospectus, and you should rely only on information contained in this prospectus when making a decision as to whether or not to exchange your original notes for new notes.

## The Exchange Offer

We sold \$350,000,000 aggregate principal amount of our 6.625% Senior Notes due 2019, to the initial purchasers on May 12, 2014. The initial purchasers resold the original notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to non-U.S. persons in transactions outside the United States pursuant to Regulation S under the Securities Act.

### Registration Rights

When we sold the original notes, we entered into a registration rights agreement with the initial purchasers in which we agreed, among other things, to use commercially reasonable efforts to provide holders of the Agreement original notes the opportunity to exchange unregistered original notes for a new series of substantially identical notes that we have registered under the Securities Act. The exchange offer is being made to satisfy this obligation.

We are offering to exchange the outstanding original notes for a like principal amount of new 6.625% Senior Notes due 2019 that we have registered under the Securities Act. The terms of the new notes and the original notes are substantially identical, except:

- the new notes will be issued in a transaction that will have been registered under the Securities Act;
- the new notes will not contain securities law restrictions on transfer; and
- the new notes are not entitled to registration rights and will not provide for the payment of additional interest under circumstances relating to the timing of the exchange offer.

We are offering to exchange \$1,000 principal amount of the new notes (up to an aggregate of \$350,000,000) for each \$1,000 principal amount of your original notes, subject to a minimum denomination of \$2,000, validly tendered and not validly withdrawn. As of the date of this prospectus, there are \$350,000,000 aggregate principal amount of our unregistered 6.625% Senior Notes due 2019 outstanding. For procedures for tendering, see “The Exchange Offer—Procedures for Tendering Original Notes.”

The Exchange Offer

Expiration Date      The exchange offer will expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 2015, unless we extend it.

Resales of New Notes      We believe that the new notes issued pursuant to the exchange offer in exchange for original notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act if, and, by tendering your original notes, you represent to us that:

- you are not our “affiliate” within the meaning of Rule 405 under the Securities Act;
- you are acquiring the new notes in the ordinary course of your business;
- you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution (within the meaning of the Securities Act) of the new notes;
- you are not holding original notes that have, or are reasonably likely to have, the status of an unsold allotment in the initial offering; and
- you are not acting on behalf of any person who could not truthfully make the foregoing representations.

If you are an affiliate of ours, or are engaging in or intend to engage in, or have any arrangement or understanding with any person to participate in, a distribution of the new notes, then:

- you may not rely on the applicable interpretations of the staff of the SEC;
- you will not be permitted to tender original notes in the exchange offer; and
- you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the original notes.

Each participating broker-dealer that receives new notes for its own account under the exchange offer in exchange for original notes that were acquired by the broker dealer as a result of market making or other trading activity must acknowledge that it will deliver a prospectus in connection with any resale of the new notes.

Any broker-dealer that acquired original notes from us may not rely on the applicable interpretations of the staff of the SEC and must comply with registration and prospectus delivery requirements of the Securities Act (including being named as a selling security holder) in connection with any resales of the original notes or the new notes.

See “The Exchange Offer—Procedures for Tendering Original Notes” and “Plan of Distribution.”

Acceptance of Original Notes and Delivery

Subject to the conditions described herein, we will accept for exchange any and all original notes that are validly tendered in the exchange offer and not validly withdrawn before the offer expires. The new notes will be delivered promptly following the exchange offer.

Withdrawal Rights

You may withdraw your tender of original notes at any time before the exchange offer expires.

Conditions of the Exchange Offer

The exchange offer is subject to the following conditions, which we may waive:

the exchange offer, or the making of any exchange by a holder of original notes, will not violate any applicable law or interpretation by the staff of the SEC; and

no action may be pending or threatened in any court or before any governmental agency with respect to the exchange offer that may impair our ability to proceed with the exchange offer.

See “The Exchange Offer—Conditions.”

Consequences of

Failure to Exchange      If you are eligible to participate in the exchange offer and you do not tender your original notes, then you will not have further exchange or registration rights and you will continue to hold original notes subject to restrictions on transfer. These restrictions on transfer and the availability of the new notes may adversely affect the liquidity of your original notes.

Federal Income

Tax Consequences      The exchange of original notes for new notes will not be taxable to a United States holder for federal income tax purposes. See “Certain U.S. Federal Income Tax Considerations.”

Use of Proceeds      We will not receive any proceeds from the exchange offer.

Accounting Treatment      We will not recognize any gain or loss on the exchange of notes. See “The Exchange Offer—Accounting Treatment.”

Exchange Agent      Wilmington Savings Fund Society, FSB is the exchange agent. See “The Exchange Offer—Exchange Agent.”



The New Notes

*The summary below describes the principal terms of the new notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Description of New Notes” section of this prospectus contains a more detailed description of the terms and conditions of the new notes.*

Issuer Ocwen Financial Corporation

Notes Offered Up to \$350,000,000 aggregate principal amount of 6.625% Senior Notes due 2019 (the “new notes”).

Maturity Date May 15, 2019

Interest Interest on the notes will be payable in cash and will accrue at a rate of 6.625% per annum from November 15, 2015, the most recent date on which interest was paid on the original notes.

Interest Payment Dates May 15 and November 15, commencing May 15, 2016.

Ranking The new notes will be our general unsecured senior indebtedness and will:

- rank equally in right of payment with all of our existing and future indebtedness and other obligations that are not, by their terms, expressly subordinated in right of payment to the new notes;

- rank senior in right of payment to our future subordinated indebtedness and other obligations that are, by their terms, expressly subordinated in right of payment to the new notes, if any;

- be effectively junior in right of payment to all of our existing and future senior secured indebtedness and other obligations to the extent of the value of the assets securing such indebtedness and other obligations (including our guarantee of the senior secured term loan of OLS, as borrower (the “senior secured term loan”), and our existing warehouse and other funding facilities); and

- be structurally subordinated to all of the existing and future liabilities of our subsidiaries.

No Guarantees We are a holding company which means that substantially all of our revenue generating operations are conducted through, and substantially all of our assets are held by, our subsidiaries. The new notes will not be guaranteed by any of our subsidiaries. Our subsidiaries are separate and distinct legal entities which have no obligation to make any payments on the new notes or to otherwise make any funds available therefor. As a result, the new notes will be effectively subordinated to all existing and future indebtedness and other liabilities, including trade payables, of our subsidiaries.

In addition to the original notes, as of September 30, 2015, (i) we (excluding our subsidiaries) were an obligor with respect to \$863 million of indebtedness (all of our subsidiaries that we guaranteed), all of which was secured by our assets and would be effectively senior to the notes to the extent of the value of the assets securing such indebtedness, and (ii) our subsidiaries had total indebtedness of \$2.76 billion (of which \$863 million was guaranteed by us), all of which would be effectively senior to the new notes to the extent of the value of the assets of our subsidiaries.

**Optional Redemption** We may redeem the new notes, in whole or in part, at any time prior to May 15, 2016, at a price equal to 100% of the aggregate principal amount of the new notes plus the applicable “make-whole” premium, as described in “Description of New Notes—Redemption—Optional Redemption,” plus accrued and unpaid interest to the applicable redemption date.

We may redeem the new notes, in whole or in part, at any time on or after May 15, 2016, at the applicable redemption prices specified in “Description of New Notes—Redemption—Optional Redemption,” plus accrued and unpaid interest to the applicable redemption date.

In addition, we may redeem up to 35% of the aggregate principal amount of the new notes at any time on or prior to May 15, 2016, with the net cash proceeds from certain equity offerings at the applicable redemption price specified in “Description of New Notes—Redemption—Optional Redemption Upon Equity Offerings,” plus accrued and unpaid interest to the applicable redemption date.

**Change of Control** If certain change of control events occur, we must offer to repurchase all of the new notes at 101% of their principal amount, plus accrued and unpaid interest to the repurchase date.

**Asset Sales** If we sell assets under certain circumstances, we will be required to make an offer to purchase the new notes at their face amount, plus accrued and unpaid interest to the purchase date.

**Certain Covenants** The indenture governing the new notes, among other things, limits our ability and the ability of our subsidiaries to:

- incur or guarantee additional indebtedness;
- incur liens;
- pay dividends on or make distributions in respect of our capital stock or make other restricted payments;
- make investments;
- consolidate, merge, sell or otherwise dispose of certain assets; and
- engage in transactions with our affiliates.

These covenants are subject to important exceptions, limitations and qualifications as described in “Description of New Notes—Certain Covenants.”

**Covenant Suspension** Many of the restrictive covenants will be suspended if (i) the new notes achieve an investment grade rating from both Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Ratings Services (“S&P”) and (ii) no default or event of default has occurred and is continuing under the indenture governing the new notes. Covenants that are suspended as a result of achieving these ratings will again apply if one or both of Moody’s and S&P withdraws its investment grade rating or downgrades the rating assigned to the new notes below an investment grade rating. For more details see “Description of New Notes—Certain Covenants—Covenant Suspension.”

**Risk Factors** You should refer to the section entitled “Risk Factors” for an explanation of certain risks of investing in the new notes.

Trustee      Wilmington Savings Fund Society, FSB, as trustee  
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## **RISK FACTORS**

*You should carefully consider the risks described below, as well as the other information contained in this prospectus, before deciding whether to exchange your original notes for new notes. This prospectus also contains forward looking statements that involve risks and uncertainties. Please read “Disclosure Regarding Forward-Looking Statements.” Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described below. If any of these risks occur, our business, financial condition or results of operation could be materially and adversely affected. In such case, you may lose all or part of your original investment in the notes.*

### **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 regulation by federal, state and local governmental authorities, including the Consumer Financial Protection Bureau (“CFPB”), HUD, the SEC and various state agencies that license, audit and conduct examinations of our mortgage servicing, origination and collection activities. From time to time, we also receive requests from federal, state and local agencies for records, documents and information relating to the policies, procedures and practices of our mortgage 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 recently settled 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.

As a result of the current regulatory environment, we have faced and expect to continue to face increased regulatory and public scrutiny as well as stricter and more comprehensive regulation of our business. 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 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 Equal Credit Opportunity Act, the Dodd-Frank Act and state foreclosure laws. These statutes apply to many facets of our business, including loan origination, debt collection, 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 the laws and regulations to which we are subject and the terms of our regulatory settlements. This can require judgment by us 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 and regulations or the terms of such settlements.



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

- loss of our licenses and approvals to engage in our servicing and lending businesses;
- damage to our reputation in the industry;
- governmental investigations and enforcement actions;
- administrative fines and penalties and litigation;
- civil and criminal liability, including class action lawsuits;
- breaches of covenants and representations under our servicing, debt or other agreements;
- 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.

The recent trend among federal, state and local lawmakers and regulators has been toward increasing laws, regulations and investigative proceedings with regard to residential real estate lenders and servicers. 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. These regulatory and legislative measures or changes in enforcement practices could, either individually, in combination or in the aggregate, require that we further change our business practices, impose additional costs on us, limit our product offerings, limit our ability to efficiently pursue business opportunities, negatively impact asset values and reduce our revenues. Accordingly, they could materially and adversely affect our business and our financial condition, liquidity and results of operations.

***Governmental bodies may impose regulatory fines or penalties or impose additional requirements or restrictions on our activities which 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 pending federal and state regulatory investigations, examinations, inquiries and requests for information which could result in adverse regulatory action against us. For example, we recently entered into consent orders for the settlement of investigations conducted by the New York Department of Financial Services, or NY DFS, and the California Department of Business Oversight, or CA DBO.

In December 2012, we entered into a consent order with NY DFS in which we agreed to the appointment of a Monitor to oversee our compliance with an Agreement on Servicing Practices that we had entered into with the NY DFS in September 2011. After the Monitor began its work in 2013, the NY DFS began an investigation into Ocwen's compliance with the servicing requirements specified in the Agreement on Servicing Practices as well as New York State laws and regulations relating to the servicing of residential mortgages.

Effective December 19, 2014, we reached a settlement with the NY DFS related to this investigation. As part of the settlement, we paid \$150.0 million to the NY DFS, of which \$100.0 million was a civil penalty and \$50.0 million will be used as restitution to current and former New York borrowers. We also agreed to provide certain information to the NY DFS over a two-year period, appoint an Operations Monitor to review and approve our benchmark pricing and performance studies semi-annually with respect to all fees or expenses charged to New York borrowers by any related party (which we have since done), add two new independent directors (which we have since done) and meet certain minimum requirements, including obtaining the consent of the NY DFS, prior to purchasing any new mortgage servicing rights. In addition, our former Executive Chairman, Mr. William C. Erbey, agreed to step down as an officer and director of Ocwen, as well as from the boards of Altisource, HLSS, Residential and AAMC effective as of January 16, 2015.

Effective January 23, 2015, OLS, reached an agreement with the CA DBO, which resulted in the CA DBO withdrawing its notice of hearing to suspend OLS's license in California. Under the terms of the Consent Order, OLS paid the CA DBO a penalty of \$2.5 million plus costs associated with the examination. OLS also agreed to cease acquiring any MSR for loans secured in California until the CA DBO is satisfied that OLS can satisfactorily respond to the requests for information and documentation made in the course of a regulatory exam. In addition, the CA DBO has selected an independent third-party auditor to assess OLS's compliance with laws and regulations impacting California borrowers for an initial term of two years, extendable at the discretion of the CA DBO.

In December 2013, we entered into the Ocwen National Mortgage Settlement, which was subject to court approval, with the NMS Regulators. In February 2014, the United States District Court for the District of Columbia entered a Consent Order memorializing the settlement. The settlement had four key elements:

Our commitment to service loans in accordance with specified servicing guidelines and to be subject to oversight by an independent national monitor for three years.

A payment of \$127.3 million to a consumer relief fund to be disbursed by an independent administrator to eligible borrowers.

Our commitment to continue our principal forgiveness modification programs to delinquent and underwater borrowers, including underwater borrowers at imminent risk of default, in an aggregate amount of at least \$2.0 billion over three years, when permitted by the applicable servicing agreements. These and all of our other loan modifications are designed to be sustainable for homeowners while providing a net present value for loan investors that is superior to that of foreclosure.

We and the former owners of certain of the acquired servicing portfolios received from the NMS Regulators comprehensive releases, subject to certain exceptions, from liability with respect to residential mortgage servicing, modification and foreclosure practices.

In December 2014, OMSO identified two issues involving Ocwen's compliance with the Ocwen National Mortgage Settlement. The first concerned the adequacy and independence of our IRG, which is responsible for reporting on Ocwen's compliance with the settlement. The second issue concerned the letter dating issues raised by the NY DFS. OMSO's report identified the steps that Ocwen had taken to remediate these issues, and acknowledged Ocwen's cooperation. OMSO's December report indicated its plans to re-test certain metrics, and to issue supplemental reports upon completion of that work.

In May 2015, OMSO issued another compliance report following up on that of December 2014. This report detailed additional changes that Ocwen had made to its IRG and described the work performed by OMSO to retest certain metrics previously tested by the Ocwen IRG for the first quarter of 2014. OMSO's report indicated that the various steps taken by Ocwen in connection with its IRG demonstrated "measurable improvement" since the December 2014 report. OMSO further reported that its retesting of metrics for the first quarter of 2014 revealed that it only disagreed with the Ocwen IRG's assessment for one out of the nine metrics subject to retesting. This metric relates to the timeliness of letters informing borrowers of missing items in their loss mitigation packages. Because Ocwen's own IRG had self-identified this issue before the re-testing, Ocwen had already implemented a corrective action plan to send out new correspondence and place certain loans on a foreclosure hold until such borrowers were given time to complete their applications. OMSO approved that CAP on May 27, 2015. OMSO's latest report, issued on October 22, 2015, provided an update on that CAP and indicated that Ocwen's implementation of the plan continued under OMSO's supervision.

We continue to work cooperatively with OMSO on resolving these issues, and the letter dating issues are currently under a CAP. While, to date, these issues have not resulted in financial penalties, if we do not comply with the Ocwen National Mortgage Settlement, we could become subject to financial penalties or other regulatory action could be taken against us.

On April 28, 2014, we received a letter from the staff of the New York Regional Office of the SEC (the Staff) informing us that it was conducting an investigation relating to Ocwen and making a request for voluntary production of documents and information relating to the April 22, 2014 surrender of certain options to purchase our common stock by Mr. Erbey, our former Executive Chairman, including the 2007 Equity Incentive Plan and the related option grant and surrender documents. On June 12, 2014, we received a subpoena from the SEC requesting production of various documents relating to our business dealings with Altisource, HLSS, AAMC and Residential and the interests of our directors and executive officers in these companies. Following the announcement on August 12, 2014 that we intended to amend our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, we received an additional subpoena on September 11,



2014 in relation to such amendments. In addition, we received a further subpoena on November 20, 2014 requesting certain documents related to Ocwen's agreement with Southwest Business Corporation, and related to Mr. Erbey's approvals for specifically enumerated board actions. We have cooperated with the SEC in its investigation and believe that the investigation is substantially completed.

We and the Staff have reached an agreement in principle to resolve the SEC investigation. Subject to documentation of a definitive settlement and final approval by the Commission of the SEC, the terms of the proposed resolution include that we, without admitting or denying liability, will pay a \$2.0 million civil money penalty and consent to the entry of an administrative order requiring that we cease and desist from any violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and certain related SEC rules promulgated thereunder. Accordingly, we have accrued \$2.0 million as of September 30, 2015 with respect to the proposed resolution as we believe this loss is probable and reasonably estimable based on current information. There can be no assurance that the proposed resolution will be finalized and approved by the Commission on the terms currently contemplated. In the event the proposed resolution is not so finalized and approved, we intend to vigorously defend ourselves.

Separately, on February 10, 2015, we received a letter from the Staff informing us that it was conducting an investigation relating to the use of collection agents by mortgage loan servicers. The letter requested that we voluntarily produce documents and information. We believe that the February 10, 2015 letter was also sent to other companies in the industry. We are cooperating with the Staff on this matter.

In addition to the above matters, our mortgage origination and servicing businesses require one or more licenses in the various jurisdictions where properties secured by mortgages are located. 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 in some cases include the requirement to provide audited financial statements as well as other financial and non-financial requirements. The same agencies that issue licenses to us engage in regular supervisory examinations of the licensable activities. For example, during 2014 state regulators commenced 47 examinations of one or more of our areas of operation, and we closed 26 exams involving 18 states (some of which had started in prior years). In addition, we are subject to supervision by the CFPB at the federal level, and it similarly has the authority to conduct regulatory examinations of us, in addition to its enforcement and investigatory powers. These examinations are part of our ordinary course business activities, and the mere existence of an examination is not typically indicative of anything unusual or material as to that business. In addition, we also receive information requests and other inquiries, both formal and informal in nature, from these agencies as part of their general regulatory oversight of our origination and servicing businesses.

We also have regular engagements with not only our state financial regulators, but also the attorneys general in the various states and the CFPB to address individual borrower complaints that they bring to our attention, or to respond to information requests and other inquiries. Many of these matters are brought to our attention as a complaint that the entity is investigating, although some are formal investigations or proceedings.

To the extent that an examination or other regulatory engagement reveals a failure by us to comply with applicable law, regulation or licensing requirements, or if we fail to comply with the commitments we have made with respect to the foregoing regulatory actions 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, (v) breaches of covenants or representations under our servicing, debt or other agreements, (vi) inability to raise capital and (vii) 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 and results of operations.

***Our recent 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 recent 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 recent regulatory settlements have significantly impacted our ability to grow or maintain the size of our servicing portfolio.***

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 recent regulatory settlements have significantly impacted our ability to grow our servicing portfolio because we have agreed to restrictions in our consent orders with the NY DFS and CA DBO that effectively prohibit future acquisitions of servicing until we have satisfied the respective conditions in those consent orders. Under the NY DFS consent order, we may acquire MSR's upon (a) meeting benchmarks specified by the Operations Monitor relating to our boarding process for newly acquired MSR's and our ability to adequately service newly acquired MSR's and our existing loan portfolio, and (b) the NY DFS's approval, not to be unreasonably withheld. Under the CA DBO consent order, we agreed to cease acquiring any additional MSR's for loans secured in California until the CA DBO is satisfied that OLS can satisfactorily respond to the requests for information and documentation made in the course of a regulatory exam. If we are unable to satisfy the NY DFS and CA DBO conditions, we will be unable to grow or even maintain the size of our servicing portfolio through acquisitions.

***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 consent order with the CA DBO 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 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, including mortgage servicing, origination, sales and securitization. Among other things, the Dodd-Frank Act created the CFPB, a new federal entity responsible for regulating consumer financial services. We have devoted substantial resources and incurred significant compliance costs responding to the Dodd-Frank Act and rules and regulations issued thereunder, and the ultimate impact of the Dodd-Frank Act and its effects on our business will not be fully known for an extended period of time. We expect to continue to devote substantial resources and incur significant costs going forward.

The CFPB, a federal agency established pursuant to the Dodd-Frank Act, is charged, in part, with enforcing laws involving consumer financial products and services, including mortgage servicing and origination, and is empowered with examination and rule-making authority. While the full scope of CFPB's rule-making and regulatory agenda relating to the mortgage servicing and origination sectors is unclear, it is apparent that the CFPB has taken a very active role, including but not limited to, the issuance of new servicing and origination rules that went into effect in 2014.

Regulations promulgated under the Dodd-Frank Act or by the CFPB and actions by the CFPB could materially and adversely affect the manner in which we conduct our businesses, result in heightened federal regulation and oversight of our business activities, and in increased costs and potential litigation associated with our business activities. Our failure to comply with the laws, rules or regulations to which we are subject, whether actual or alleged, would expose us to fines, penalties or potential litigation liabilities, including costs, settlements and judgments, 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 residential 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 of the same nature, including purported class actions, in the ordinary course of our business. While we do not currently believe that the resolution of any pending proceedings will have a material adverse effect on our financial condition or results of operations, the outcome of pending legal proceedings is never certain, and it is possible that adverse results in private legal proceedings could materially and adversely affect our financial results and operations.

***Violations of law 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.

***Regulatory scrutiny regarding foreclosure processes has lengthened foreclosure timelines, and new laws and regulations regarding foreclosure procedures could result in additional compliance requirements or result in regulatory actions against us, which could increase our operating costs, negatively affect our liquidity and adversely affect our reputation, financial condition and results of operations.***

In connection with continuing governmental scrutiny of foreclosure processes and practices in the industry, some jurisdictions have enacted laws and adopted procedures that have had the effect of increasing the time that it takes to complete a foreclosure in such jurisdictions. In addition, several state banking regulators and state attorneys general have publicly announced that they have initiated inquiries into banks and servicers regarding compliance with legal procedures in connection with mortgage foreclosures, including the preparation, execution, notarization and submission of documents, principally affidavits, filed in connection with foreclosures.

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.

***FHFA and GSE initiatives and other actions may affect mortgage servicing generally and future servicing fees in particular.***

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. It is possible that the compensatory fees could substantially increase the costs and risks associated with servicing Freddie Mac or Fannie Mae non-performing loans. Moreover, due to the significant role Fannie Mae and Freddie Mac play in the secondary mortgage market, it is possible that compensatory fee requirements and similar initiatives that they implement could become prevalent in the mortgage servicing industry generally. Other industry stakeholders or regulators may also implement or require changes in response to the perception that current mortgage servicing practices and compensation do not serve broader housing policy objectives well. To the extent that FHFA and/or the GSEs implement reforms that materially affect the market for conventional and/or government-insured loans, there may also be indirect effects on the subprime and Alt-A markets, which could include material adverse effects 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.

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***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, once fully implemented, adversely affect our loan origination business and secured asset financing arrangements. For instance, the risk retention requirement under the Dodd-Frank Act requires securitizers to retain a minimum beneficial interest in RMBS they sell through a securitization, absent certain qualified residential mortgage (“QRM”) exemptions. Once implemented, the risk retention requirement may result in higher costs of certain lending operations and impose on us additional compliance requirements to meet servicing and originations criteria for QRMs. Additionally, the amendments to Regulation AB relating to the registration statement required to be filed by issuers of asset-backed securities, or ABS, recently adopted by the SEC pursuant to the Dodd-Frank Act and other amendments to such regulations 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.

***Potential 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. This test may be highly subjective and open to interpretation. As a result, a court may determine, for example, that a residential loan does not meet the test even if the related originator reasonably believed that the test was satisfied. 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.

***Changes to government loan modification and refinance programs may adversely affect future revenues.***

Under government loan modification and refinance programs such as HAMP and the Home Affordable Refinance Program (“HARP”), a participating servicer may be entitled to receive financial incentives in connection with modification plans it enters into with eligible borrowers and subsequent “pay for success” fees to the extent that a borrower remains current in any agreed upon loan modification. HAMP and HARP have been significant drivers of our servicing and origination revenue. Changes to current programs such as HAMP or HARP or future federal, state or local legislative or regulatory actions that result in changes to the requirements necessary to qualify for government loan modification and refinance programs, or the financial incentives available to us from such programs, may impact the extent to which we participate in and receive financial benefits from such programs or may increase our operating costs and the expense of participation in such programs, any of which may have a material adverse effect on our business. HARP is scheduled to expire on December 31, 2015 and HAMP is scheduled to expire on December 31, 2016. If HAMP or HARP is not extended, if we decrease our participation in government programs such as HAMP or HARP, or if the financial benefits from such programs decrease, our revenues will be adversely affected, which could adversely affect our business, financial condition and results of operations.





***The enactment of the S.A.F.E. Act may adversely affect 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. HUD is the federal agency charged with establishing and enforcing a licensing and registration system that meets the minimum requirements of the S.A.F.E. Act. On December 15, 2009, HUD proposed a rule that would extend the licensing requirements for loan originators to servicing personnel who are performing modifications. The servicing industry has responded to this proposed rule by requesting that HUD reconsider its position as the licensing costs and impact to the modification process will increase the cost of servicing, including the costs of servicing any affected mortgage loans. It is not known at this time whether HUD will modify its proposed licensing requirements for servicing personnel.

***There may be material changes to the laws, regulations, rules or practices applicable to reverse and forward 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 it is anticipated that additional underwriting criteria designed to shore up and protect the FHA insurance fund will become effective later this year. 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 the Liberty business and the value of our common stock. The FHA recently lowered its mortgage insurance premiums and is subject to program changes from time to time, which could adversely affect forward originations.

**Risks Relating to Our Business**

***An economic slowdown or a deterioration of the housing market could increase delinquencies, defaults, foreclosures and advances.***

An increase in delinquencies and foreclosure rates could increase both interest expense on advances and operating expenses and could cause a reduction in income from, and the value of, our servicing portfolio as well as loans.

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.

• ***Revenue.*** 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 float balances and 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.

**Expenses.** Higher delinquencies 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 advances outstanding relative to the change in the size of the servicing portfolio can result in substantial strain on our financial resources. This occurs because excess growth of advances increases financing costs with no offsetting increase in revenue, thus reducing profitability. If we are unable to fund additional advances, we could breach the requirements of our servicing agreements. Such developments could result in our losing our servicing rights, which would have a substantial negative impact on our financial condition and results of operations and could trigger cross-defaults under our various credit agreements.

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**Valuation of MSR's.** Apart from the risk of losing our servicing rights, defaults are involuntary prepayments resulting in a reduction in UPB. This may result in higher amortization and impairment in the value of our MSR's.

Adverse economic conditions could also negatively impact our lending businesses. For example, during the economic crisis, 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 setback to the recovery of the residential mortgage market could reduce the number of loans that we service or originate, adversely affect our ability to sell mortgage loans or increase delinquency rates. Any of the foregoing could adversely affect our business, financial condition and results of operations.

***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. 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, 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 that are limited by the amount of eligible collateral 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.

Our advance funding facilities have a 364-day term. At September 30, 2015, we had \$1.6 billion outstanding under these facilities. In the event we are unable to renew, replace or extend one or more of these advance funding facilities, repayment of the outstanding balance must begin at the end of the respective revolving period. 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 are typically renewed annually. At September 30, 2015, we had \$272.0 million outstanding under these financing arrangements.

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. Due to the significant level of cash requirements related to servicing advances, we may not have sufficient levels of liquidity to fund the operations without our advance facilities. We typically require significantly more liquidity to meet our advance funding obligations than our available cash on hand.

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 material adverse change, insolvency, bankruptcy, certain material judgments and changes of control. Covenants and default provisions of this type are commonly found in debt agreements such as ours. Certain of these covenants and default provisions are open to subjective interpretation and, if our interpretation were contested by a lender, a court may ultimately be required to determine compliance or lack thereof. In addition, our debt agreements generally include cross default provisions such that a default under one agreement could trigger defaults under other agreements. If we fail to comply with our debt agreements and are unable to avoid, remedy or secure a waiver of any resulting default, we may be subject to adverse action by our lenders, including termination of further funding, acceleration of outstanding obligations, enforcement of liens against the assets securing or otherwise supporting our obligations and other legal remedies.

An actual or alleged default, further negative ratings action by a rating agency, the perception of financial weakness, an adverse action by a regulatory authority, 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 economic 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 not enable us 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 MSR's.***

As part of our asset-light strategy, we have sold Rights to MSR's, including the associated servicing advance obligation, to NRZ. Consequently, we are dependent upon NRZ for financing of the servicing advance obligations for MSR's where we are the servicer. NRZ currently uses advance financing facilities in order to fund a substantial portion of the servicing advances that it is contractually obligated to make pursuant to our agreements with NRZ. As of September 30, 2015, we were the servicer on Rights to MSR's sold to NRZ pertaining to approximately \$146.0 billion

in UPB and the associated outstanding servicing advances as of such date were approximately \$5.1 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 because, as the named 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. In the first quarter, a purported owner of notes issued by one of NRZ's advance financing facilities asserted in letters written to the indenture trustee that events of default had occurred under the indenture governing those notes based on alleged failures by us to comply with applicable laws and regulations and the terms of the servicing agreements to which the applicable servicing advances relate. We vigorously defended ourselves against these allegations. The indenture trustee filed an instructional proceeding in California state probate court seeking an instruction from the court relating to the allegations since, after a seven-month investigation, the trustee had been unable to conclude that an event of default had occurred. On October 14, 2015, the court entered an order declaring and ordering, among other things, that no event of default had occurred under the indenture.

***A downgrade in our servicer ratings could have an adverse effect on our business, financing activities, financial condition or results of operations.***

Standard & Poor's, Moody's, Fitch and Morningstar rate us as a mortgage servicer. Each of these rating agencies has downgraded our servicer rating within the last year. Maintaining minimum ratings from these agencies is important to the conduct of our loan servicing and lending businesses. Further downgrades in servicer ratings could adversely affect our ability to finance servicing advances and maintain our status as an approved servicer by Fannie Mae and Freddie Mac. The servicer rating requirements of Fannie Mae do not necessarily require or imply immediate action, as Fannie Mae has discretion with respect to whether we are in compliance with their requirements and what actions it deems appropriate under the circumstances in the event that we fall below their desired servicer ratings.

In addition, out of 4,015 non-Agency servicing agreements, 745 with approximately \$41.8 billion of UPB as of September 30, 2015 have minimum servicer ratings criteria. As a result of downgrades in our servicer ratings, termination rights have been triggered in 663 of these non-Agency servicing agreements. This represents approximately \$35.9 billion in UPB as of September 30, 2015, or approximately 18% of our total non-Agency servicing portfolio. We have 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. The financial impact of the termination of servicing under these four servicing agreements was immaterial to our financial condition and results of operations. We could be subject to further terminations, either as a result of recent 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.

To the extent that a servicing agreement underlying Rights to MSR is terminated due to a servicer ratings downgrade, NRZ is entitled to payment equal to a percentage of the purchase price for the related Rights to MSR. After April 7, 2017, or at any time if it determines in good faith that a trustee intends to exercise termination rights triggered by a servicer rating downgrade under an affected servicing agreement, NRZ may also direct us to use commercially reasonable efforts to transfer servicing under such affected servicing agreement. Following any such transfer, we would no longer be entitled to receive future servicing fee revenue with respect to the transferred servicing agreement. If Standard & Poor's downgrades our servicer rating to below "Average," we have 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 such downgrade. Such compensation shall not exceed \$3.0 million for any calendar month or \$36.0 million in the aggregate. In such event, NRZ has agreed to use commercially reasonable efforts to assist us in curing any potential cost increases by obtaining amendments to the relevant financing agreements. We incurred \$8.5 million through September 30, 2015 in connection with this agreement, and will incur costs in connection with this agreement in the future periods. We will make additional future payments in connection with this agreement that are currently anticipated to be in the range of \$1.5 million to \$1.9 million per month through May 2016 (and \$1.0 million for June 2016). Actual future payments will vary based on NRZ's outstanding borrowings and movements in applicable floating interest rates, and may be higher than our estimates.

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.

***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 very small number of 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 third-party defendant 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 lawsuit 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, 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, 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 vigorously rebut 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.



***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 MSR 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 MSR 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. Decreases in prepayment speeds lead to decreased amortization expense as the period over which we amortize MSR is extended. Slower prepayment speeds also lead to lower compensating interest expense.

**Valuation of MSR.** We base the price we pay for MSR 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 MSR that we account for using the amortization method could exceed their estimated fair value. When the carrying value of these MSR 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 MSR which we carry at fair value could decrease. When the fair value of these MSR 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. We were unable to provide 2014 audited financial statements for OLS, Homeward and Liberty within the required timeframes. 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, 2014. 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.

***We may not be successful in selling a portion of our Agency MSR in the timeframes we desire or at all, and any dispositions we pursue are subject to execution, operational and regulatory risks that could adversely affect us.***

In December 2014, we announced that we intended to sell a portion of our GSE MSR and, in keeping with this strategy, have completed or announced a number of asset sales in recent months. There can be no assurance that we will be able to complete such sales in the timeframes we desire or at all. If we are unable to complete these asset sales within the timeframes we desire, then our liquidity, cash flows and financial condition could be materially and adversely affected.

Dispositions of MSR that we have announced or may announce in the future are subject to execution, operational and regulatory risks even after the execution of a definitive agreement. The timing of closing of asset dispositions is often uncertain, and we may experience delays in closing. For example, the applicable buyer and Ocwen 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 the applicable buyer and Ocwen are efficient and proactive, the actions of third parties can impact the timing under which such consents are obtained. The applicable buyer and Ocwen may not be able to obtain all of the required consents, which may mean that we will be unable to dispose of all of the assets that we wish to sell. 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 will be required to devote time and resources to ensuring compliance and engaging with such regulators in connection with any future transfers of mortgage servicing, including in connection with our announced asset sales. It is possible that we will expend considerable resources in the pursuit of a disposition that, ultimately, either does not close or is terminated. If we fail to comply with regulations relating to servicing transfers in connection with our dispositions of MSR, or if we are unable to effectively and efficiently execute any such dispositions within required timeframes, then our liquidity, cash flows and financial condition could be materially and adversely affected.

***Technology or process failures could damage our business operations or reputation and harm our relationships with key stakeholders.***

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 complex legal agreements, as well as legal and regulatory standards. 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 we have experienced problems with our letter dating processes, such that erroneously dated letters were sent to borrowers, which has damaged our reputation and relationships with borrowers, regulators, important counterparties and other stakeholders. Because in an average month we mail in excess of four million letters, a process problem such as our letter dating problem has the potential to negatively affect many parts of our business. We are responsible for developing and maintaining sophisticated operational systems and infrastructure, which is challenging.

***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 our acquisitions to the extent we assume one or more of these obligations and in connection with our servicing practices. At December 31, 2014, we had provided or assumed origination representation and warranty obligations in connection with \$82.8 billion of UPB, covering both forward and reverse mortgage loans. At September 30, 2015, we had outstanding representation and warranty repurchase demands of \$101.1 million UPB (516 loans). Homeward's contracts with purchasers of originated loans contain provisions that require indemnification or repurchase of the related loans under certain circumstances. 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. While the language in the purchase contracts varies, they generally contain provisions that require Homeward to indemnify purchasers of related loans or repurchase such loans if:

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

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. If we are required to indemnify or repurchase loans that we originate and sell or where we have assumed this risk on loans that we service, as discussed above, in either case resulting in losses that exceed our related liability, our business, financial condition and results of operations could be adversely affected. We are aware of several recent court actions in which mortgage loan sellers are defending against repurchase claims have been asserted against them based on alleged breaches of representations and warranties. The grounds for the defense of such claims include 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 are not a party to any of the actions, but we are the servicer for certain securitizations involved in such actions. We have entered into tolling agreements with respect to our role as servicer for a very small number of securitizations and may enter into additional tolling agreements in the future. Should we be made a party to these or similar 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. We believe that any such allegations would be without merit and, if necessary, would vigorously defend against them. If, however, we were required to compensate claimants for losses related to seller breaches of representations and warranties in respect of loans we service, then our business, financial condition and results of operations could be adversely affected.

***Our former Executive Chairman, William C. Erbey, who had been with us since our founding in 1987, resigned in January 2015, and his departure may have a significant adverse effect on us. In addition, we continue to rely on an experienced senior management team, including our President and Chief Executive Officer, Ronald M. Faris, who has been with us since 1991, and the loss of the services of one or more of our senior officers could have a material adverse effect on us.***

Our former Executive Chairman, William C. Erbey, resigned in January 2015. Mr. Erbey had been with us since our founding in 1987 and had significant institutional knowledge. In addition, Mr. Erbey had substantial and wide-ranging experience in the financial services and mortgage industries and demonstrated business acumen and leadership capabilities from which we will no longer benefit. Our President and Chief Executive Officer, Ronald M. Faris, joined us in 1991 and other senior officers have been with us for 10 years or more. We do not have employment agreements with, or maintain key man life insurance relating to, Mr. Faris or any of our other executive officers. The loss of the services of Mr. Faris or our senior officers, in particular in the light of the recent departure of Mr. Erbey, could have a material adverse effect on us.

***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 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.

***Failure to maintain good relationships with Altisource, AAMC and Residential could adversely affect us, and 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 relationships with Altisource, AAMC or Residential.***

We conduct a substantial amount of business with Altisource, which is important to our business model. Additionally, we conduct business with AAMC and Residential. If we are unable to maintain good relationships with these companies, our business and operations could be materially and adversely affected. For example, if we were to have a dispute over a significant matter regarding the services provided by or to us, the dispute could potentially adversely affect our business and operations.

In addition, 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.

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 recusal policy pursuant to which any Ocwen employee, officer or director owning more than \$200,000 equity ownership in a company must recuse themselves from negotiating or 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 our agreements with Altisource, AAMC and Residential. There can be no assurance that such measures will be effective in eliminating all conflicts of interest or that that third parties will refrain from making such allegations.



***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 are dependent on Altisource and other vendors for our technology.***

Our servicing platform runs on an information technology system that we license under long-term agreements with Altisource. Our business is set up to run on this platform and we have used it for years. 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 (for example, because it entered bankruptcy), our business and operations would suffer. In addition, if Altisource fails to develop and maintain its technology so as to provide us with a competitive platform, our business could suffer. 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.

***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.***

System disruptions and failures 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. 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.

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***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.***

More than 66% of our employees as of December 31, 2014 were 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 would incur significant transition costs as well as higher future overhead costs that could materially and adversely affect our results of operations.

In addition, 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 reduce our profitability.

Our operations in the Philippines are less substantial than our Indian operations. 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.

***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. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources, 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 investments and establish more favorable relationships than we can. Competition to service residential loans may result in lower margins based on our servicing model. Because of the relatively limited number of customers, our failure to meet the expectations of any customer could materially impact our business. Ocwen has recently suffered reputational damage as a result of the regulatory scrutiny that resulted in the NY DFS and CA DBO settlements. 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, securitize and service reverse mortgages, which subjects us to additional risks that could have a material adverse effect on our business, reputation, liquidity, financial condition and results of operations.***

As a result of our Liberty acquisition, we originate, securitize and service 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, as a result of the Liberty acquisition, we could become subject to negative headline risk in the event that loan defaults on reverse mortgages lead to foreclosures or evictions of elderly homeowners. Finally, the HUD HECM reverse mortgage program recently 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. While such claims primarily are directed at HUD and not against lenders such as Liberty, the attention may nonetheless create negative headline risk for us. All of the above factors could have a material adverse effect on our business, reputation, liquidity, financial condition and results of operations.

***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 reputation 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, New York, Texas and New Jersey, 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 originate and service are secured by properties in California, Florida, New York, Texas and New Jersey. 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 of war or terrorism in these geographic areas.

***Our earnings may be inconsistent.***

Our past financial performance should not be considered a reliable indicator of future performance, and historical trends may not be reliable indicators of anticipated financial performance or trends in future periods.

The consistency of our operating results may be significantly affected by inter-period variations in our current operations including cost fluctuations and the amount of servicing rights acquired or sold and the changes in realizable value of those assets 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 are likely to affect our operating results in future periods, resulting in substantial inter-period variations in financial performance.

***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. Management has processes in place to monitor these judgments and assumptions, including with the Audit Committee of the Board of Directors.

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 and our ongoing and potential future business activities, the number and complexity of estimates we use in determining fair value has increased. At September 30, 2015, 47% and 40% 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.

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 earnings.

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

As of September 30, 2015, we had no interest rate swaps in place to hedge our exposure to variable interest rates under our match funded advance funding facilities, but we had interest rate caps in place that limits our exposure to increases in interest rates on two 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 MSR's measured at fair value. We currently have no economic hedge positions open to hedge our fair value MSR's. 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, including, among other things, liquidity risk, prepayment 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 MSR. At September 30, 2015, we had total advances and match funded advances of \$2.5 billion. We are also exposed to interest rate risk because a portion of our advance funding and other outstanding debt at September 30, 2015 is variable rate. Rising interest rates may increase our interest expense. Earnings on float balances partially offset this variability. At September 30, 2015, we had no interest rate swaps in place to hedge our exposure to rising interest rates, but we had interest rate caps in place as required by two of our advance financing arrangements.

The MSR 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 MSR 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 MSR 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 trades to provide an economic hedge against those changes in fair value on mortgage loans held for sale. IRLC represents 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. We have periodically entered into foreign exchange forward contracts to hedge against the effect of changes in the

value of the India Rupee on amounts payable to our subsidiaries in India. No such forward contracts were outstanding as of December 31, 2014.

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***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. In 2014, we recognized an impairment loss of the full carrying value of goodwill totaling \$420.2 million. It may also take several quarters or longer for us to fully integrate the 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 recent regulatory settlements have significantly impacted our ability to grow our servicing portfolio through acquisitions because we have agreed to restrictions in our consent orders with the NY DFS and CA DBO that effectively prohibit future acquisitions of servicing until we have satisfied the respective conditions in those consent orders.



## **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 under the laws of the USVI and is headquartered in Frederiksted, USVI. The USVI has an Economic Development Commission (“EDC”) that provides benefits (“EDC Benefits”) to certain qualified businesses in Frederiksted 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.

### ***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.

### ***Our tax liability as a result of the Separation could be substantial.***

Prior to the Separation, any assets transferred to Altisource or non-U.S. subsidiaries were taxable pursuant to Section 367(a) of the Code, or other applicable provisions of the Code and Treasury regulations. Taxable gains not recognized in the restructuring were generally recognized pursuant to the Separation itself under Section 367(a). The taxable gain recognized by us attributable to the transfer of assets to Altisource equaled the excess of the fair market value of each asset transferred over our basis in such asset. Our basis in some assets transferred to Altisource may have been low or zero which could result in a substantial tax liability to us. In addition, the amount of taxable gain was based on a determination of the fair market value of our transferred assets. The determination of fair market values of non-publicly traded assets is subjective and could be subject to closing date adjustments or future challenge by the IRS which could result in an increased U.S. federal income tax liability to us.



***Tax regulations under Section 7874 of the Code, if held applicable to the Separation, could materially increase our tax costs.***

IRS tax regulations under Section 7874 can apply to transactions where a U.S. corporation contributes substantially all of its assets, including subsidiary equity interests, to a foreign corporation and distributes shares of such corporation. We do not believe that Section 7874 of the Code applies to the Separation because “substantially all” of our assets were not transferred to the distributed company or its subsidiaries. Our board of directors required that we and Altisource receive an independent valuation prior to completing the Separation; however, if the IRS were to successfully challenge the independent valuation, then we may not be permitted to offset the taxable gain recognized on the transfer of assets to Altisource with net operating losses, tax credits or other tax attributes. This could materially increase the tax costs to us of the Separation.

### **Risks Related to the Exchange Offer and the New Notes**

***You may have difficulty selling the original notes that you do not exchange.***

If you do not exchange your original notes for the new notes offered in the exchange offer, then you will continue to be subject to the restrictions on transfer of your original notes. Those transfer restrictions are described in the indenture governing the new notes and in the legend contained on the original notes, and arose because we originally issued the original notes under exemptions from, and in transactions not subject to, the registration requirements of the Securities Act.

In general, you may offer or sell your original notes only if they are registered under the Securities Act and applicable state securities laws, or if they are offered and sold under an exemption from those requirements. We do not intend to register the original notes under the Securities Act.

If a large number of original notes are exchanged for new notes issued in the exchange offer, then it may be more difficult for you to sell your unexchanged original notes. In addition, if you do not exchange your original notes in the exchange offer, then you will no longer be entitled to exchange your original notes for registered notes and will not be entitled to have those notes registered under the Securities Act.

See “The Exchange Offer—Consequences of Failure to Exchange Original Notes” for a discussion of the possible consequences of failing to exchange your original notes.

***The repayment of the new notes is effectively subordinated to all of our existing and future secured debt to the extent of the value of the assets securing such indebtedness.***

The new notes are unsecured obligations. As a result, the new notes are effectively junior in right of payment to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness (including our guarantee of the senior secured term loan). In the event of a bankruptcy, any holders of our secured indebtedness will have claims that are prior to the claims of the holders of our unsecured indebtedness, including the new notes, with respect to the assets securing such indebtedness. In addition to the original notes, as of September 30, 2015, we (excluding our subsidiaries) were an obligor with respect to \$863 million of indebtedness (all of our subsidiaries that we guaranteed), all of which was secured by our assets and would be effectively senior to the notes to the extent of the value of the assets securing such indebtedness. Subject to the limits contained in our senior secured term loan, the indenture governing the new notes offered hereby and the applicable agreements governing our other debt, we may be able to incur additional secured debt from time to time, which could be substantial.

If a default occurs under any of our secured debt, the secured lenders could proceed against the collateral granted to them to secure such indebtedness. If any secured indebtedness were to be accelerated, there can be no assurance that

our assets would be sufficient to repay in full such indebtedness and our other indebtedness, including the new notes. In addition, upon any distribution of assets pursuant to any liquidation, insolvency, dissolution, reorganization or similar proceeding, the holders of secured indebtedness will be entitled to receive payment in full from the proceeds of the collateral securing our secured indebtedness before the holders of the new notes will be entitled to receive any payment with respect thereto. As a result, the holders of the new notes could recover proportionally less than holders of secured indebtedness in any such proceeding.

***The new notes are effectively subordinated to all existing and future indebtedness and other obligations of our subsidiaries.***

We are a holding company which means that substantially all of our revenue generating operations are conducted through, and substantially all of our assets are held by, our subsidiaries. The new notes will not be guaranteed by any of our subsidiaries. Our subsidiaries are separate and distinct legal entities which have no obligation to make any payments on the new notes or to otherwise make any funds available therefor. As a result, the new notes will be effectively subordinated to all existing and future indebtedness and other liabilities, including trade payables, of our subsidiaries. Our subsidiaries have a significant amount of indebtedness and other obligations, including indebtedness under our senior secured term loan, warehousing facilities, servicing advance facilities and other funded debt, and our subsidiaries have pledged essentially of their assets to secure their obligations under this indebtedness and the senior secured term loan. As of September 30, 2015, our subsidiaries had total indebtedness of approximately \$2.76 billion (of which \$863 million was guaranteed by us), all of which would be effectively senior to the notes to the extent of the value of the assets of our subsidiaries. Any right of the holders of the new notes to participate in the assets of a subsidiary upon any liquidation or reorganization of the subsidiary will be subject to the prior claims of the subsidiary's creditors.

***Our high level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations.***

We have, and after this offering will continue to have, substantial levels of indebtedness. In addition to the original notes, as of September 30, 2015, we had an aggregate of \$2.76 billion of indebtedness outstanding on a consolidated basis, including indebtedness under our senior secured term loan, warehousing facilities, servicing advance facilities and other funded debt. Our high level of indebtedness could have important consequences to our business, including:

- increasing our vulnerability to downturns or adverse changes in general economic, industry or competitive conditions and adverse changes in government regulations;
- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates as certain of our unhedged obligations are at a variable rate of interest;
- limiting our ability to make strategic acquisitions or investments or causing us to make nonstrategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product or service line development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors with lower debt levels.

The agreements governing our indebtedness, including the senior secured term loan and the indenture under which the new notes will be issued, limit but do not prohibit us from incurring additional indebtedness and the amount of additional indebtedness that we may incur in accordance with our debt agreement could be substantial.

***Despite our current debt levels, we may still incur substantially more debt or take other actions which would intensify the risks discussed above.***

Despite our current consolidated debt levels, we and our subsidiaries are able to incur substantial additional debt in the future, some of which may be secured, subject to the restrictions contained in our debt instruments, which limit, but do not prohibit, us from incurring additional indebtedness. Although the agreements governing our indebtedness, including our senior secured term loan and the indenture governing the OASIS notes contains, and the indenture governing the new notes will contain, restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. To the extent we incur additional indebtedness, the risks described above will increase. We may also be permitted to take a number of other actions that could have the effect of diminishing our ability to make payments on the new notes when due, or on our other senior indebtedness, which would result in our inability to make cash payments on the new notes.

***The credit ratings assigned to the new notes may not reflect all risks of an investment in the new notes.***

The credit ratings assigned to the new notes reflect the rating agencies' assessments of our ability to make payments on the new notes when due. Consequently, actual or anticipated changes in these credit ratings will generally affect the market value of the new notes. These credit ratings, however, may not reflect the potential impact of risks related to structure, market or other factors related to the value of the new notes.

***Adverse changes in the ratings of the new notes may cause their trading price to fall and affect the marketability of the new notes.***

Rating agencies may lower, suspend or withdraw ratings on the new notes or our other debt in the future. Noteholders will have no recourse against us or any other parties in the event of a change in or suspension or withdrawal of such ratings. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market prices or marketability of the new notes.

***We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the new notes.***

Upon the occurrence of a "change of control," as defined in the indenture governing the new notes, we must offer to repurchase the new notes at a price equal to 101% of the principal amount, together with any accrued and unpaid interest to the date of the repurchase. Our failure to repurchase the new notes would be a default under the indenture governing the new notes. See "Description of New Notes—Repurchase at the Option of Holders—Change of Control." If a change of control occurs, it is possible that we may not have sufficient assets at the time of the change of control to make the required repurchase of new notes or to satisfy similar repurchase obligations under our other debt instruments, including future debt instruments. In addition, the occurrence of a change of control may constitute an event of default under the agreements governing our other indebtedness even if the change of control would not cause a default under the indenture governing the new notes, and such indebtedness may prohibit us from repurchasing the new notes. Under such circumstances, in order to satisfy our repurchase obligations under the new notes, we could seek to refinance such other indebtedness or obtain a waiver from the lenders of such indebtedness. We cannot assure you that we would be able to obtain a waiver or refinance such indebtedness on terms acceptable to us, if at all.

The change of control provision in the indenture may not protect you in the event we consummate a highly leveraged transaction, reorganization, restructuring, merger or other similar transaction, unless such transaction constitutes a change of control under the indenture. Such a transaction may not involve a change in voting power or beneficial ownership or, even if it does, may not involve a change of the magnitude required under the definition of a change of control in the indenture to trigger our obligation to repurchase the new notes.





***Holders of the new notes may not be able to determine when a change of control giving rise to their right to have the new notes repurchased has occurred following a sale of “substantially all” of our assets.***

The definitions of change of control in the indenture governing the new notes includes a phrase relating to the sale of “all or substantially all” of our assets. There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, the ability of a holder of new notes to require us to repurchase its new notes as a result of a sale of less than all of our assets to another person may be uncertain.

***Many of the covenants contained in the indenture will be suspended if the new notes are rated investment grade by both S&P and Moody’s and no default has occurred and is continuing.***

Many of the covenants in the indenture governing the new notes will be suspended if the new notes are rated investment grade by both S&P and Moody’s, provided at such time no default with respect to the new notes has occurred and is continuing. The covenants subject to being suspended restrict, among other things, our ability to pay dividends, repurchase equity, incur debt, sell assets, enter into transaction with affiliates and to enter into certain other transactions. There can be no assurance that the new notes will ever be rated investment grade, or that if they are rated investment grade, that the new notes will maintain such ratings. However, suspension of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force and these transactions will not result in an event of default if the covenants are subsequently reinstated. Please see “Description of New Notes—Certain Covenants—Covenant Suspension.”

***If an actual trading market does not develop for the notes, you may not be able to resell the notes quickly, for the price that you paid or at all.***

We do not intend to apply for the notes to be listed on any securities exchange or to arrange for any quotation on any automated dealer quotation systems. The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so, and they may discontinue any market making in the notes at any time, at their sole discretion. As a result, we cannot assure you as to the liquidity of any trading market for the notes.

We also cannot assure you that you will be able to sell your notes at a particular time or at all, or that the prices that you receive when you sell them will be favorable. You may not be able to resell your notes at their fair market value. The liquidity of, and trading market for, the notes may also be adversely affected by, among other things:

- prevailing interest rates;
- our operating performance and financial condition;
- projections and forecasts by market analysts regarding our company and our industry in general;
- the interest of securities dealers in making a market for the notes; and
- the market for similar securities.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused volatility in the prices of securities similar to the new notes. It is possible that the market for the notes will be subject to disruptions. Any disruptions may have a negative effect on noteholders, regardless of our prospects and financial performance.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth the ratio of earnings to fixed charges for the periods indicated:

	Fiscal Year Ended December 31,					Nine Months Ended September 30,
	2010	2011	2012	2013	2014	2015
Ratio of earnings to combined fixed charges and preferred dividends <sup>(1)</sup>	1.42	1.92	2.13	1.81	(2 )	(3)

The ratios of earnings to combined fixed charges and preferred dividends were computed by dividing (x) income from continuing operations before income taxes (excluding income or loss from equity investees but including any (1) distribution received representing a return on capital) plus fixed charges by (y) combined fixed charges and preferred dividends. Fixed charges represent total interest expensed and capitalized, including amortization of capitalized debt expenses as well as the interest component of rental expense.

(2) Due to our losses in 2014, the ratio of earnings to fixed charges and preferred dividends was less than 1:1. We would have had to generate additional earnings of \$445.9 million to achieve coverage of 1:1.

(3) Due to our loss for the nine months ended September 30, 2015, the ratio of earnings to fixed charges and preferred dividends was less than 1:1. We would have had to generate additional earnings of \$0.6 million to achieve coverage of 1:1.

**USE OF PROCEEDS**

The exchange offer is intended to satisfy our obligations under the registration rights agreement entered into in connection with the issuance and sale of the original notes. We will not receive any cash proceeds from the issuance of the new notes. Any original notes that are properly tendered and exchanged pursuant to the exchange offer will be retired and cancelled.

## THE EXCHANGE OFFER

### Purpose and Effect; Registration Rights

We issued and sold the original notes on May 12, 2014 in transactions exempt from the registration requirements of the Securities Act. Therefore, the original notes are subject to significant restrictions on resale. In connection with the issuance of the original notes, we entered into a registration rights agreement, which required that we:

- use our commercially reasonable efforts to file with the SEC a registration statement under the Securities Act relating to the exchange offer and the issuance and delivery of the new notes in exchange for the original notes;
- use our commercially reasonable efforts to cause the SEC to declare the exchange offer registration statement effective under the Securities Act; and
- use our commercially reasonable efforts to consummate the exchange offer within 270 days following the date that the original notes were issued.

If you validly tender and do not validly withdraw original notes in the exchange offer, then you will, with limited exceptions, receive a like principal amount of new notes that are freely tradable and not subject to restrictions on transfer. You should read this prospectus under the heading “—Resales of New Notes” for more information relating to your ability to transfer new notes.

If you are eligible to participate in the exchange offer and do not tender your original notes, then you will continue to hold the untendered original notes, which will continue to be subject to restrictions on transfer under the Securities Act.

The exchange offer is intended to satisfy our exchange offer obligations under the registration rights agreement. The above summary of the registration rights agreement is not complete. You are encouraged to read the full text of the registration rights agreement, which has been filed as an exhibit to the registration statement that includes this prospectus.

### Terms of the Exchange Offer

We are offering to exchange up to \$350,000,000 aggregate principal amount of our 6.625% Senior Notes due 2019, which have been registered under the Securities Act, for a like principal amount of our unregistered 6.625% Senior Notes due 2019.

Upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, we will accept all original notes validly tendered and not withdrawn before 5:00 p.m., New York City time, on the expiration date of the exchange offer. We will issue \$1,000 principal amount of new notes in exchange for each \$1,000 principal amount of outstanding original notes we accept in the exchange offer. You may tender some or all of your original notes under the exchange offer. However, the original notes are issuable in authorized denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. Accordingly, original notes may be tendered only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The exchange offer is not conditioned upon any minimum amount of original notes being tendered.

The form and terms of the new notes will be the same as the form and terms of the original notes, except that:

- the new notes will be registered under the Securities Act and thus will not be subject to the restrictions on transfer or bear legends restricting their transfer;
- all of the new notes will be represented by global notes in book-entry form unless exchanged for notes in definitive certificated form under the limited circumstances described under “Book-Entry, Delivery and Form;” and

the new notes are not entitled to registration rights and will not provide for the payment of additional interest under circumstances relating to the timing of the exchange offer.

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The new notes will evidence the same debt as the original notes and will be issued under, and be entitled to the benefits of, the indenture governing the original notes.

The new notes will accrue interest from November 15, 2015, the most recent date to which interest has been paid on the original notes. Accordingly, registered holders of new notes on the record date for the first interest payment date following the completion of the exchange offer will receive interest accrued from November 15, 2015, the most recent date to which interest has been paid on the original notes. However, if that record date occurs prior to completion of the exchange offer, then the interest payable on the first interest payment date following the completion of the exchange offer will be paid to the registered holders of the original notes on that record date.

In connection with the exchange offer, you do not have any appraisal or dissenters' rights under the Florida Business Corporation Act or the indenture. We intend to conduct the exchange offer in accordance with the registration rights agreement and the applicable requirements of the Securities Act, the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission ("SEC"). The exchange offer is not being made to, nor will we accept tenders for exchange from, holders of the original notes in any jurisdiction in which the exchange offer or the acceptance of it would not be in compliance with the securities or blue sky laws of the jurisdiction.

We will be deemed to have accepted validly tendered original notes when we have given oral or written notice of our acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving the new notes from us.

If we do not accept any tendered original notes because of an invalid tender or for any other reason, then we will return certificates for any unaccepted original notes without expense to the tendering holder as promptly as practicable after the expiration date.

### **Expiration Date; Amendments**

The exchange offer will expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 2015, unless we, in our sole discretion, extend the exchange offer.

If we determine to extend the exchange offer, then we will notify the exchange agent of any extension by oral or written notice and give each registered holder notice of the extension by means of a press release or other public announcement before 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion, to delay accepting any original notes, to extend the exchange offer or to amend or terminate the exchange offer by giving oral or written notice to the exchange agent of the delay, extension, amendment or termination. Further, we reserve the right, in our sole discretion, to amend the terms of the exchange offer in any manner. We will notify you as promptly as practicable of any extension, amendment or termination. We will also file a post-effective amendment to the registration statement of which this prospectus is a part with respect to any fundamental change in the exchange offer. In addition, we will extend this exchange offer for an additional five to ten business days as required by the Exchange Act, depending on the significance of the amendment, if the exchange offer would otherwise expire during that period.

### **Procedures for Tendering Original Notes**

Any valid tender of original notes that is not validly withdrawn prior to the expiration date will constitute a binding agreement between the tendering holder and us upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal. A holder who wishes to tender original notes in the exchange offer must do either of the following:





properly complete, sign and date the letter of transmittal, including all other documents required by the letter of transmittal; have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and deliver that letter of transmittal and other required documents to the exchange agent at the address listed below under “—Exchange Agent” on or before the expiration date; or

if the original notes are tendered under the book-entry transfer procedures described below, transmit to the exchange agent, on or before the expiration date, an agent’s message.

In addition, one of the following must occur:

the exchange agent must receive certificates representing your original notes along with the letter of transmittal on or before the expiration date, or

the exchange agent must receive a timely confirmation of book-entry transfer of the original notes into the exchange agent’s account at The Depository Trust Company of New York City, or DTC, under the procedure for book-entry transfers described below along with the letter of transmittal or a properly transmitted agent’s message, on or before the expiration date; or

the holder must comply with the guaranteed delivery procedures described below.

The term “agent’s message” means a message, transmitted by a book-entry transfer facility to and received by the exchange agent and forming a part of the book-entry confirmation, which states that the book-entry transfer facility has received an express acknowledgement from the tendering DTC participant stating that the participant has received and agrees to be bound by the letter of transmittal and that we may enforce the letter of transmittal against the participant.

The method of delivery of original notes, the letter of transmittal and all other required documents to the exchange agent is at your election and risk. Rather than mail these items, we recommend that you use an overnight or hand delivery service. In all cases, you should allow sufficient time to assure timely delivery to the exchange agent before the expiration date. Do not send letters of transmittal or original notes to us.

Generally, an eligible institution must guarantee signatures on a letter of transmittal or a notice of withdrawal unless the original notes are tendered:

by a registered holder of the original notes who has not completed the box entitled “Special Issuance Instructions” or “Special Delivery Instructions” on the letter of transmittal; or