PHH CORP
Form 424B5
December 08, 2011

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
$9^{1}/_{4}$% Senior Notes due 2016	$100,000,000	99.01%	$99,010,000	$11,347

(1)
Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended (the "Securities Act"). Pursuant to Rule 457(p) under the Securities Act, $53,645 of remaining unutilized fees related to the $2,000,000,000 aggregate principal amount of unsold Mortgage Pass-Through Certificates and Mortgage-Backed Notes registered on January 7, 2008 by PHH Mortgage Capital LLC, the registrant's majority-owned subsidiary, under Registration Statement No. 333-148166 on Form S-3/A was carried forward to be offset against future registration fees that would be payable under Registration Statement No. 333-178364 on Form S-3ASR, filed by the registrant on December 7, 2011. The $11,347 registration fee relating to the securities offered by this prospectus is hereby offset against the $53,645 of unutilized registration fees available for offset as of this date. Accordingly, no filing fee is paid herewith, and $42,298 remains available for future registration fees.

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-178364

PROSPECTUS

$100,000,000

PHH Corporation

9 1/4% Senior Notes due 2016

We are offering $100,000,000 aggregate principal amount of additional 9 1/4% Senior Notes due 2016 (the "additional notes"). The additional notes will bear interest at a rate of 9.25% per annum, and will mature on March 1, 2016. We will pay interest on the additional notes semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2012. The additional notes will be issued only in minimum denominations of $2,000 and integral multiples of $1,000 in excess of $2,000.

The $100,000,000 aggregate principal amount of additional notes being offered hereby constitute a further issuance of and are fungible with the $350,000,000 aggregate principal amount of 9 1/4% Senior Notes due 2016 that we issued on August 11, 2010 (the "initial notes") and form a single series of debt securities with the initial notes. Unless the context requires otherwise, we refer to the additional notes and the initial notes together as the "notes". The additional notes will have terms identical to the initial notes, other than issue date and offering price, and will have the same CUSIP number as, and will be fungible with and vote together with, the initial notes immediately upon issuance. Upon completion of this offering, the aggregate principal amount of outstanding notes under this series will be $450,000,000. Accordingly, the $100,000,000 aggregate principal amount of additional notes offered hereby will constitute only 22.22% of the total voting power of the $450,000,000 aggregate principal amount of the notes to be outstanding after this offering.

The additional notes will be our senior unsecured and unsubordinated obligations and will rank equally in right of payment to all our existing and future unsecured and unsubordinated indebtedness. Initially, the additional notes will not be guaranteed by any of our subsidiaries. The additional notes will be effectively subordinated to all our secured obligations to the extent of the value of the collateral securing such indebtedness and structurally subordinated to any existing and future obligations of our subsidiaries that do not guarantee the additional notes.

We may redeem the notes at any time and from time to time, at our option, in whole or in part at a "make-whole" redemption price specified under "Description of Notes Optional Redemption." If we undergo a change of control under certain circumstances, we may be required to offer to purchase the notes from holders at a price equal to 101% of the principal amount plus accrued and unpaid interest thereon.

This investment involves risks. See "Risk Factors" beginning on page 17 of this prospectus.

	Per Note	Total
Public offering price(1)	99.01%	$ 99,010,000
Underwriting discount	2.00%	$ 2,000,000
Proceeds to PHH Corporation (before expenses)(1)	97.01%	$ 97,010,000

(1)

Plus accrued interest from September 1, 2011.

The offering price will include accrued interest from September 1, 2011 to the time of delivery and interest on the additional notes will accrue from September 1, 2011.

Neither the Securities and Exchange Commission 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 underwriters expect to deliver the additional notes to purchasers on or about December 12, 2011 only in book-entry form through the facilities of The Depository Trust Company and its participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, Société anonyme.

Joint Book-Running Managers

Citigroup **J.P. Morgan**

BofA Merrill Lynch **Goldman, Sachs & Co.** **RBS** **Wells Fargo Securities**

Co-Managers

RBC Capital Markets **Scotia Capital**

The date of this prospectus is December 7, 2011.

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We have not authorized any dealer, agent or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which it relates, nor does this prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus is accurate on any date subsequent to the date set forth on the front of this prospectus or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference (as our business, financial condition, results of operations and prospects may have changed since that date), even though this prospectus is delivered or securities are sold on a later date.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus may include 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").

Generally, forward-looking statements are not based on historical facts but instead represent only our current beliefs regarding future events. All forward-looking statements are, by their nature, subject to risks, uncertainties and other factors. Investors are cautioned not to place undue reliance on these forward-looking statements. Such statements may be identified by words such as "expects," "anticipates," "intends," "projects," "estimates," "plans," "may increase," "may fluctuate" and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could." Forward-looking statements contained in this prospectus and the information incorporated by reference herein include, but are not limited to, statements concerning the following:

- the impact of the adoption of recently issued accounting pronouncements on our financial statements;
- the impact of the risk retention requirements and other provisions of the Dodd-Frank Act;
- future origination volumes and loan margins in the mortgage industry;
- our belief that sources of liquidity will be adequate to fund operations and repayment of upcoming debt maturities;
- our expectation of future income from new client signings;
- our expectation of reinsurance losses and associated reserves; and
- mortgage repurchase and indemnification requests and associated reserves and provisions.

Actual results, performance or achievements may differ materially from those expressed or implied in forward-looking statements due to a variety of factors, including but not limited to the factors listed and discussed in "Risk Factors" in this prospectus and those factors described below:

- the effects of continued market volatility or continued economic decline on the availability and cost of our financing arrangements and the value of our assets;
- the effects of a continued decline in the volume of U.S. home sales and home prices, due to adverse economic changes or otherwise, on our Mortgage Production and Mortgage Servicing segments;
- the effects of changes in current interest rates on our business and our financing costs;
- our decisions regarding the use of derivatives related to mortgage servicing rights, if any, and the resulting potential volatility of the results of operations of our Mortgage Servicing segment;

the effects of increases in our actual and projected repurchases of, indemnification given in respect of, or related losses associated with, sold mortgage loans for which we have provided representations and warranties or other contractual recourse to purchasers and insurers of such loans, including increases in our loss severity and reserves associated with such loans;

the effects of reinsurance claims in excess of projected levels and in excess of reinsurance premiums we are entitled to receive or amounts currently held in trust to pay such claims;

the effects of any significant adverse changes in the underwriting criteria or existence or programs of government-sponsored entities, including Fannie Mae and Freddie Mac, including any changes caused by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other actions of the federal government;

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the effects of any inquiries and investigations of foreclosure procedures or other servicing activities by attorneys general of certain states and the U.S. Department of Justice, any litigation related to our mortgage servicing activities, or any related fines, penalties and increased costs;

the ability to maintain our status as a government sponsored entity-approved seller and servicer, including the ability to continue to comply with the respective selling and servicing guides, including any changes caused by the Dodd-Frank Act;

the effects of any changes to the servicing compensation structure for mortgage servicers pursuant to the programs of government sponsored-entities;

changes in laws and regulations, including changes in mortgage- and real estate-related laws and regulations (including changes caused by the Dodd-Frank Act), status of government sponsored-entities and state, federal and foreign tax laws and accounting standards;

the effects of the insolvency of any of the counterparties to our significant customer contracts or financing arrangements or the inability or unwillingness of such counterparties to perform their respective obligations under, or to renew on terms favorable to us, such contracts, or our ability to continue to comply with the terms of our significant customer contracts, including service level agreements;

the effects of competition in our existing and potential future lines of business, including the impact of consolidation within the industries in which we operate and competitors with greater financial resources and broader product lines;

the ability to obtain financing (including refinancing and extending existing indebtedness) on acceptable terms, if at all, to finance our operations or growth strategy, to operate within the limitations imposed by our financing arrangements and to maintain the amount of cash required to service our indebtedness;

the ability to maintain our relationships with our existing clients and to establish relationships with new clients;

the ability to attract and retain key employees;

a deterioration in the performance of assets held as collateral for secured borrowings;

the impact of the failure to maintain our credit ratings;

any failure to comply with covenants under our financing arrangements;

the effects of the consolidation of financial institutions and the related impact on the availability of credit;

the impact of changes in the U.S. financial condition and fiscal and monetary policies, or any actions taken or to be taken by the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System on the credit markets and the U.S. economy; and other risks and uncertainties described from time to time in our filings with the SEC.

Forward-looking statements speak only as of the date on which they are made. Factors and assumptions discussed above, and other factors not identified above, may have an impact on the continued accuracy of any forward-looking statements that we make. Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including us. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005 or on our internet site at http://www.phh.com. Information on our website is not incorporated into this prospectus.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We are "incorporating by reference" certain documents that we have filed with the SEC under the Exchange Act, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained directly in this prospectus, or any subsequently filed document deemed incorporated by reference. This prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC (other than information deemed furnished and not filed in accordance with SEC rules, including Items 2.02 and 7.01 of Form 8-K):

- Annual Report on Form 10-K for the year ended December 31, 2010 (the "2010 Form 10-K") (filed with the SEC on February 28, 2011), including portions of our Definitive Proxy Statement on Schedule 14A (filed with the SEC on April 29, 2011) incorporated by reference therein;

- Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 (filed with the SEC on May 4, 2011), June 30, 2011 (filed with the SEC on July 29, 2011 and amended on Form 10-Q/A on August 23, 2011) and September 30, 2011 (the "2011 Third Quarter Form 10-Q") (filed with SEC on November 2, 2011); and

- Current Reports on Form 8-K filed with the SEC on January 5, 2011, March 4, 2011, March 28, 2011, March 30, 2011, April 6, 2011, May 9, 2011, June 1, 2011, June 13, 2011, June 30, 2011, July 6, 2011, July 7, 2011, July 20, 2011, July 29, 2011, August 17, 2011, September 29, 2011, October 4, 2011, November 1, 2011, November 18, 2011 and December 2, 2011.

Any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus are incorporated herein by reference until completion of the offering; provided, however, that we are not incorporating any information we furnish rather than file. Any statement contained in this prospectus or in a document incorporated by reference shall be deemed to be modified or superseded to the extent that a statement contained in a subsequently filed document modifies or supersedes that statement. Any statement so modified or superseded will not be deemed to constitute a part of this prospectus except as so modified or superseded. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus do not purport to be complete, and, where reference is made to the particular provisions of such contract or other document, such provisions are qualified in all respects by reference to all of the provisions of such contract or other document.

We will provide without charge upon written or oral request to each person, to whom this prospectus is delivered, a copy of any or all of the documents we incorporate by reference (other than exhibits to those documents unless such exhibits are specifically incorporated by reference as an exhibit in the registration statement of which this prospectus forms a part). Requests should be directed to:

PHH Corporation
3000 Leadenhall Road
Mt. Laurel, NJ 08054
(856) 917-7405
Attention: Investor Relations

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SUMMARY

This summary highlights selected information more fully described elsewhere (or incorporated by reference) in this prospectus. This summary does not contain all of the information that you should consider before investing in the additional notes. You should read this entire prospectus and the documents incorporated by reference herein carefully before making any investment decision, especially the risks of investing in the notes discussed in the section entitled "Risk Factors" below and in the incorporated documents.

In this prospectus, except as otherwise indicated, "PHH," "the Company," "we," "our," and "us" refer to PHH Corporation and its consolidated subsidiaries, and references to "Cendant" and "Cendant Corporation" refer to the successor to Cendant Corporation now known as Avis Budget Group, Inc. All references to the "additional notes" refer to the $9^1/_4$% Senior Notes due 2016 offered hereby and all references to the "notes" refers to the initial notes, the additional notes offered hereby and any further additional notes that may be issued under the indenture, except, in each case, as otherwise indicated.

Our Company

We are a leading outsource provider of mortgage production, mortgage servicing and fleet management services. We conduct our business through three operating segments: a Mortgage Production segment, a Mortgage Servicing segment and a Fleet Management Services segment.

Our Mortgage Production segment originates, purchases and sells mortgage loans through PHH Mortgage Corporation and its subsidiaries (collectively, "PHH Mortgage"). This segment focuses primarily on providing private-label mortgage services to financial institutions and real estate brokers throughout the United States. According to Inside Mortgage Finance, as of September 30, 2011, we were one of the top five retail originators of residential mortgages in the United States and the largest non-bank mortgage originator. We leverage three distinct distribution channels: financial institutions outsourcing (73% of 2010 volumes); real estate brokers (25% of 2010 volumes); and corporate relocation (2% of 2010 volumes). We believe that many consumers rely upon the recommendation of a real estate broker or financial advisor when they are in the market for a mortgage; therefore, we benefit from access to a variety of trusted brands within each of our channels, such as Merrill Lynch, Coldwell Banker and Century 21.

We believe that we are the largest outsourcing solution provider of private-label mortgage origination and mortgage servicing for banks and other financial institutions that wish to offer mortgages to clients, but who may not be equipped to handle all aspects of the loan origination process in a cost efficient manner. Our financial institutions outsourcing and real estate broker channels together comprised 98% and 97% of our mortgage origination volumes for the year ended December 31, 2010 and the nine months ended September 30, 2011, respectively. Through our financial institutions outsourcing relationships, we provide full private-label mortgage services to over 30 financial institutions, including Merrill Lynch Credit Corporation ("Merrill Lynch"). We also maintain wholesale and correspondent relationships with a large variety of financial institutions, including credit unions and community banks in this channel. Mortgages generated through our private-label and wholesale and correspondent relationships accounted for 77% of our total originations for the nine months ended September 30, 2011. Our services benefit financial institutions that may not have the scale or the expertise to efficiently originate and service mortgages, but desire to maintain a primary consumer product offering. As a non-bank mortgage originator and servicer, we do not compete with our bank clients, which allows us to service their clients in their name on a private-label basis and without risk of cross-marketing their consumer relationships. Our real estate broker channel primarily revolves around our joint venture and strategic relationship agreement with Realogy Corporation ("Realogy"). Through marketing agreements with Realogy and its franchisees, we are able to conduct business under the names Coldwell Banker Mortgage, Century 21 Mortgage and others. Pursuant to

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our agreements with Realogy, loan officers of PHH Home Loans, LLC, our indirect majority owned subsidiary ("PHH Home Loans"), have exclusive access to the residential real estate offices owned by Realogy. Realogy operates the largest real estate brokerage and franchise business in the United States operating under the Realogy brands, which include Coldwell Banker Real Estate Corporation, Century 21 Real Estate LLC, ERA Franchise Systems, Inc., and Sotheby's International Affiliates, Inc.

Of our $49.0 billion of total originations in 2010, 23% were fee-based closings and 77% were originated for sale into the secondary market, primarily on a servicing retained basis. During the nine months ended September 30, 2011, we had $36.3 billion of total originations, with 28% fee-based closings and 72% originated for sale into the secondary market. It is our intent to sell all of the mortgage loans originated by us, and not otherwise retained in our clients' loan investment portfolios, into the secondary market. As such, we do not carry loans on our balance sheet as portfolio investments. Mortgage loans held for sale are generally sold within 60 days of their origination date. During 2010 and the nine months ended September 30, 2011, 95% and 92%, respectively, of our mortgage loans were sold to, or were sold pursuant to programs sponsored by, Fannie Mae, Freddie Mac or Ginnie Mae.

Our Mortgage Servicing segment, which services mortgage loans originated by PHH Mortgage and PHH Home Loans, may purchase mortgage servicing rights from third parties and, from time to time, acts as a subservicer for certain clients that own the underlying mortgage servicing rights. A mortgage servicing right is the right to service a loan or pool of loans in exchange for a servicing fee. Mortgage loan servicing primarily consists of collecting loan payments, remitting principal and interest payments to investors, managing escrow funds for the payment of mortgage-related expenses, such as taxes and insurance, and otherwise administering our mortgage loan servicing portfolio. As of September 30, 2011, our total mortgage loan servicing portfolio consisted of loans with an aggregate unpaid principal balance ("UPB") of approximately $178.1 billion, including approximately $33.9 billion in aggregate UPB of loans subserviced for others, and the serviced portfolio related to our capitalized servicing portfolio totaled $144.3 billion. The loans underlying our capitalized servicing portfolio are well diversified geographically, with no state representing more than 12% of the UPB of our capitalized servicing portfolio as of September 30, 2011. In addition, 85% of the UPB of our capitalized servicing portfolio as of September 30, 2011 was comprised of loans underlying mortgage-backed securities guaranteed by or otherwise serviced on behalf of Fannie Mae, Freddie Mac and Ginnie Mae. As of September 30, 2011, approximately 79% of the UPB of our capitalized servicing portfolio was originated at FICO scores of 680 or higher, and approximately 52% of the UPB of our capitalized servicing portfolio was originated at FICO scores of 740 or higher. Finally, as of September 30, 2011, 53% of the UPB on our capitalized servicing portfolio was originated since January 1, 2009.

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The table below provides the geographic composition of our capitalized servicing portfolio as of September 30, 2011.

Capitalized Servicing Portfolio by Geography
(In millions)

State	Unpaid Principal Balance(1)	% of Unpaid Principal Balance
California	$ 17,854	12%
Florida	9,293	6%
New Jersey	8,946	6%
New York	8,444	6%
Texas	6,875	5%
Virginia	6,559	5%
Illinois	5,886	4%
Pennsylvania	5,123	4%
Minnesota	4,812	3%
Georgia	4,427	3%
Others	65,924	46%
Total	$ 144,143	100%

(1) Excludes Home Equity Lines of Credit.

The table below provides the composition of our capitalized servicing portfolio as of September 30, 2011 by FICO score at origination.

Capitalized Servicing Portfolio by FICO at Origination
(In millions)

FICO Score	Unpaid Principal Balance(1)	% of Unpaid Principal Balance
659 or less	$ 15,775	11%
660-679	8,937	6%
680-699	11,274	8%
700-719	13,311	9%
720-739	14,146	10%
740+	74,825	52%
Unknown	5,875	4%
Total	$ 144,143	100%

(1) Excludes Home Equity Lines of Credit.

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The table below provides the composition of our capitalized servicing portfolio as of September 30, 2011 by year of origination.

Capitalized Servicing Portfolio by Year of Origination
(In millions)

Year of Origination	Unpaid Principal Balance(1)	% of Unpaid Principal Balance
2003 and prior	$ 20,107	14%
2004	8,386	6%
2005	11,161	8%
2006	8,990	6%
2007	11,018	8%
2008	9,161	6%
2009	21,903	15%
2010	33,888	24%
2011	19,529	14%
Total	$ 144,143	100%

(1) Excludes Home Equity Lines of Credit.

The table below provides the composition of our capitalized servicing portfolio as of September 30, 2011 by interest rate and year of origination.

Capitalized Servicing Portfolio Interest Rate by Year of Origination(2)
(In millions)

Interest Rate(1)	Nine Months Ended September 30, 2011	Year Ended December 31, 2010	2009	2008	2007	2006	2005	2004	2003 and Prior
< 4.00	$ 2,007	$ 3,245	$ 2	$ 160	$ 438	$ 376	$ 306	$ 122	$ 143
4.00 - 4.99	13,595	22,453	11,492	224	112	91	127	288	1,246
5.00 - 5.99	2,097	6,781	9,768	3,954	1,151	623	3,472	2,816	7,074
6.00 - 6.99	23	62	307	3,353	5,559	3,561	2,119	1,632	4,143
7.00 +			12	243	981	1,053	419	217	1,655
Adjustable Rate Mortgage	1,807	1,347	322	1,228	2,776	3,287	4,719	3,310	5,847
Total	$ 19,529	$ 33,888	$ 21,903	$ 9,161	$ 11,018	$ 8,990	$ 11,161	$ 8,386	$ 20,109

(1) Excludes Home Equity Lines of Credit.

(2) Totals may not sum due to rounding.

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The table below provides the composition of our capitalized servicing portfolio as of September 30, 2011 by length of delinquency and year of origination.

Capitalized Servicing Portfolio Delinquency by Year of Origination(2)
(In millions)

Portfolio Delinquency(1)	Nine Months Ended September 30, 2011	Year Ended December 31, 2010	2009	2008	2007	2006	2005	2004	2003 and Prior
Current	$ 19,434	$ 33,507	$ 21,363	$ 8,398	$ 9,488	$ 7,465	$ 9,699	$ 7,577	$ 18,574
30 days	75	232	270	259	415	370	392	272	609
60 days	12	49	66	80	133	116	106	63	149
90 days	2	16	19	28	52	53	45	27	47
120 days	2	20	43	116	239	232	200	98	158
Foreclosure/Real Estate Owned	5	63	143	279	691	754	718	350	571
Total	$ 19,529	$ 33,888	$ 21,903	$ 9,161	$ 11,018	$ 8,990	$ 11,161	$ 8,386	$ 20,109

(1) Excludes Home Equity Lines of Credit.

(2) Totals may not sum due to rounding.

Our Mortgage Production and Mortgage Servicing segments are closely linked from an economic perspective and their results of operations are generally inversely related in varying interest rate environments. Since our Mortgage Production segment's results of operations are generally positively impacted when interest rates decline, our Mortgage Production segment's results of operations, over time, may fully or partially offset any decline in fair value of mortgage servicing rights within our Mortgage Servicing segment during such periods. Voluntary prepayments within our servicing portfolio are primarily driven by refinance activity that generally occurs as interest rates decline. Historically, we have been able to generate originations in excess of these voluntary payments and to the extent we are able to continue to do so, we believe we will be able to replenish the incremental servicing value lost due to higher mortgage prepayments in a declining interest rate environment.

Our Fleet Management Services segment provides commercial fleet management services to corporate clients and government agencies throughout the United States and Canada through our wholly owned subsidiary, PHH Vehicle Management Services Group, LLC, which conducts business primarily in the United States as PHH Vehicle Management Services, LLC d/b/a PHH Arval and in Canada as PHH Vehicle Management Services, Inc. (collectively, our "Fleet Management Services business"). According to the Automotive Fleet 2011 Fact Book, PHH Arval was the third largest provider of U.S. and Canadian fleet management services as of December 31, 2010. As of September 30, 2011, we had more than 270,000 vehicles leased and approximately 295,000 additional vehicles serviced under fuel cards, maintenance cards, accident management services arrangements and/or similar arrangements. Our Fleet Management Services business is a fully integrated provider of fleet management services with a broad range of product offerings including management and leasing of vehicles and other fee-based ancillary services for our clients' vehicle fleets. These ancillary services such as vehicle maintenance services, fuel card services and accident management services drive the profitability of this unit. Every vehicle under our management represents an opportunity to cross-sell ancillary services to our customers. Our portfolio of over 560,000 vehicles currently under management and 40,000 to 70,000 new vehicles historically purchased each year we believe creates a significant opportunity for generating fee-based revenue.

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We were incorporated in 1953 as a Maryland corporation. For periods between April 30, 1997 and February 1, 2005, we were a wholly owned subsidiary of Cendant (now known as Avis Budget Group, Inc.) and its predecessors that, amongst other services, provided and serviced mortgage loans for homeowners, facilitated employee relocations and provided vehicle fleet management and fuel card services to commercial clients. On February 1, 2005, we began operating as an independent, publicly traded company pursuant to our spin-off from Cendant (now known as Avis Budget Group, Inc.).

Our principal offices are located at 3000 Leadenhall Road, Mount Laurel, New Jersey 08054 and our telephone number is (856) 917-1744.

Industry Overview

We conduct our business in the mortgage services and fleet management industries. Within mortgage services, we participate in two distinct but related sectors: mortgage origination and mortgage servicing.

Mortgage Origination

The U.S. residential mortgage market consists of a primary mortgage market that links borrowers and lenders and a secondary mortgage market that links lenders and investors. In the primary mortgage market, residential mortgage lenders such as mortgage banking companies, commercial banks, savings institutions, credit unions and other financial institutions originate or provide mortgages to borrowers. Lenders obtain the funds they lend to mortgage borrowers in a variety of ways, including selling mortgages or mortgage-backed securities into the secondary mortgage market. The secondary mortgage market consists of institutions engaged in buying and selling mortgages in the form of whole loans (i.e., mortgages that have not been securitized) and mortgage-backed securities. Government-sponsored entities ("GSEs"), such as Fannie Mae and Freddie Mac, and a government agency, Ginnie Mae, participate in the secondary mortgage market by purchasing mortgage loans and mortgage-backed securities for investment and by issuing guaranteed mortgage-backed securities.

In October 2011, Fannie Mae's *Economics and Mortgage Market Analysis* forecasted a decrease in industry loan originations to approximately $1.30 trillion for all of 2011, from an estimate of $1.69 trillion in 2010, a decrease of approximately 23%. The refinance share of industry loan originations for 2011 is projected to be 70%. Total single-family mortgage debt outstanding is expected in the Fannie Mae analysis to decline in 2011, by an additional 2.3% following a 3.2% decline in 2010. The Fannie Mae analysis is also forecasting a 26% decline for 2012 to $958 billion in industry loan originations. See Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Mortgage Production Trends," in our Third Quarter Form 10-Q, which is incorporated by reference herein.

Mortgage Servicing

According to *Inside Mortgage Finance*, there were $10.3 trillion in residential mortgage loans outstanding in the United States as of September 30, 2011, and each mortgage loan must be serviced by a loan servicer. Mortgage servicing primarily involves the calculation, collection and remittance of principal and interest payments, the administration of mortgage escrow accounts, the collection of insurance premiums, the administration of foreclosure procedures and the management of real estate owned properties.

Loan servicers typically earn a servicing fee of between 25 to 50 basis points ("bps") per annum on the unpaid principal balance of loans serviced, as well as associated ancillary fees, such as late fees. Consequently, a loan servicer can create value for both itself and the owner of the mortgage loan by increasing the number of borrowers that remain current in their repayment obligations. Owners may include a lender, investor or, in the case of a securitized pool of mortgages, a residential mortgage-backed securities trust.

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Fleet Management

Fleet Management provides outsourcing solutions to companies that deploy vehicles to sales and service personnel typically assigned to field locations. Since the vehicle needs of these types of organizations generally represent a significant direct cost of their respective operations, companies that turn to vehicle management services solutions seek to balance the need to minimize costs while maintaining or improving the efficiency of the related services being rendered. As demonstrated by our longevity in the industry, the outsourcing of the management of vehicle fleets to third-party providers is a proven outsourcing model.

Fleet Management Services primarily involve the ordering, leasing and arranging for the delivery of vehicles on behalf of clients, the administration of the title, managing the vehicle registration, insurance and sales and use tax processes, pursuing warranty claims and remarketing used vehicles. Additional value added services include providing vehicle maintenance service cards used to facilitate payment for repairs and the management of maintenance, accident management services, such as immediate assistance, and fuel card services that facilitate the payment, monitoring, and control of fuel purchases.

Competitive Strengths

We attribute our success to the following competitive strengths:

Significant market share in the markets we serve.

Our mortgage and fleet businesses benefit from the value added services we deliver to our clients and the substantial cost related barriers which limit new entrants into the markets we serve. We believe that we are the largest outsourcing solution provider of private-label mortgage origination and mortgage servicing for banks and other financial institutions. Our financial services outsourcing client base has the need to provide consumers with mortgage products and, in turn, looks to us to benefit from our expertise, scale, risk management capabilities and award-winning service delivery. As a specialist non-bank mortgage originator and servicer, we do not compete with our bank clients, unlike other mortgage outsourcers that are subsidiaries of large banks. We have long-term contracts with most of our clients and retain mortgage servicing rights for the vast majority of loans we originate, which provides fee-based revenues based upon contractually established rates and generally makes the cost of changing outsource providers very high.

We are one of the top three providers of fleet management services in the United States and have been providing fleet management services for over fifty years. We believe that we were the first company in the United States to provide fleet management services to the marketplace. The fleet vehicles we manage are often critical to our clients' operations since they typically support sales representatives, service technicians and other key functional points of client contact. Many of our clients have never self-managed their vehicle fleets and we provide services that we believe they could not internalize cost effectively. In our Fleet Management Services segment, we serve nearly one-third of the Fortune® 500, and over 100 of our fleet management client relationships date back 20 years or more.

Sales channels with access to trusted, respected brands.

Our mortgage business services prominent financial firms, including Merrill Lynch, UBS and Key Bank, as well as recently signed clients, Barclays, Ameriprise and Morgan Stanley Private Bank, enabling us to originate and service mortgages on a private-label basis. We have access to home buyers at the time of home purchase through our exclusive relationship with Realogy's real estate brokerage brands, including Century 21, Coldwell Banker, and ERA. Our corporate relocation channel provides access to the relocation clients of Cartus Corporation, which we believe is America's largest corporate relocation specialist, and an affiliate of Realogy. We leverage these strong brand relationships through a variety of origination sources, including over 55,000 financial advisors, 4,300 bank branches, 750 loan officers, 200,000 real estate agents, and 6,500 real estate offices. We also sell residential mortgage loans that we originate to Fannie Mae and Freddie Mac, and to other investors through mortgage-backed securities guaranteed by Ginnie Mae. In addition, our status as a GSE-approved servicer allows us to service GSE-owned loans on their behalf. During 2010 and the nine months ended September 30, 2011, 95% and 92%, respectively, of our mortgage loans were sold to, or were sold pursuant to programs sponsored by, the GSEs. During 2010 and the nine months ended September 30, 2011, we retained mortgage serving rights on approximately 95% and 94%, respectively, of mortgage loans sold.

PHH Arval is a recognized leading brand among corporations that require vehicle management services for our target market, which we define to include fleet sizes generally in excess of 75 vehicles. Our account representatives and dedicated consulting group provide customized, fully integrated advice that demonstrate the value added services we can deliver to clients. For instance, in 2009 we identified more than $120 million in potential savings for our clients through consulting engagements, and our used vehicle sales retail consignment program returns an average of $400 to $500 more per vehicle to the client than through traditional remarketing channels.

Capital position, substantial liquidity and access to multiple funding sources.

We seek to maintain a strong capital position, as well as substantial levels of funding and liquidity through multiple funding sources for our segments. We have access to multiple funding sources, and we believe that we have access to liquidity sources that are sufficient for our businesses. These sources include warehouse lines to finance our Mortgage Production segment, several sources of unsecured debt to fund various unencumbered assets, including the mortgage servicing rights in our Mortgage Servicing segment, and vehicle management asset-backed debt issued through our asset-backed securities ("ABS") to bank conduits or investors in term securities. As of September 30, 2011, we had a total of approximately $3.8 billion of unused capacity under our committed and uncommitted mortgage warehouse facilities and committed off-balance sheet Gestation Facilities (as defined herein) (including $907 million available under committed warehouse facilities, $2.1 billion available under uncommitted warehouse facilities and $777 million available under the Gestation Facilities, however, our $500 million gestation facility with Bank of America, N.A. ("Bank of America") was allowed to expire on October 13, 2011), $46 million available capacity under our committed servicing advance facility with Fannie Mae and $434 million of available capacity under our unsecured credit facilities. As of September 30, 2011, we also had approximately $432 million of available vehicle management asset-backed debt capacity.

We believe that our relationships with liquidity providers and our continued ability to access sufficient capital during the recent economic downturn demonstrates the quality of our assets and our ability to access capital. Our U.S. (Chesapeake) and Canadian (FLRT) fleet funding structures sold term notes backed by commercial fleet leases of approximately $374 million, $413 million, and $2.2 billion in the nine months ended September 30, 2011, and the years ended December 31, 2010 and 2009, respectively. In addition, our fleet funding structures entered into conduit facilities (including renewals thereof) of approximately $1.5 billion in the nine months ended September 30, 2011, and $1.3 billion in the year ended December 31, 2010. In addition, we issued $250 million of unsecured convertible senior notes in April 2008, $250 million of unsecured convertible senior notes in September 2009 and $350 million of unsecured senior notes in August 2010. See "Description of Other Indebtedness."

Limited credit risk in both mortgage and fleet businesses with high quality underwriting cultures.

We believe our mortgage business carries lower credit risk than many other mortgage originators and servicers. We do not hold portfolio loans for investment and, compared to many other companies in the industry, have limited legacy exposure to non-conforming mortgage products, and only originate non-conforming products when we have an agreement in place for third parties to retain the product in

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portfolio or we have a commitment from investors to purchase the closed loan. As of September 30, 2011, 91% of our mortgage loan portfolio held for sale consisted of GSE-conforming first mortgages. Our underwriting standards mitigate some of the potential for credit losses that arises from the impact of delinquencies on mortgage servicing cash flows, foreclosure-related charges from representations and warranties to investors for loans we originate, and reinsurance-related charges. Our servicing portfolio delinquency performance continues to be favorable to the industry and we believe delinquency trends have begun to stabilize.

Our Fleet Management Services segment also represents a well diversified portfolio of corporate lessees with limited residual and charge-off risk, which provides a partial hedge to the volatility associated with mortgage markets. As of September 30, 2011, 96% of our fleet leases were open-end leases, under which gains or losses from the net proceeds from the sale of the leased vehicle versus the vehicle's book value are the responsibility of the lessee. Our fleet portfolio represents secured lending to a number of Fortune® 500 companies that we have underwritten to the standards of a credit lender and not a collateral lender. As of September 30, 2011, more than 50% of our net investment in fleet leases was comprised of leases to investment grade lessees. Charge-offs in our Fleet Management Services segment have averaged less than 3 bps annually over the last 10 years and since 1999 we have experienced a recovery rate of approximately 95% on leases with companies that entered into bankruptcy.

Strong technology platform.

We believe we have developed a strong technology infrastructure in all of our segments. For instance, our private-label mortgage origination platform offers inbound teleservices technology that manages calls and capacity in an effort to ensure customers receive high quality customer service, branded with our clients' names seamlessly through customer interactions. Our complementary web-based origination platform for financial institution client loan officers enables their employees to submit applications and track the progress of their customers' loans from start to finish, thereby reducing response time for approvals, boosting productivity, improving communication, accuracy, and service levels, and automating workflows.

Our Fleet Management Services segment benefits from what we believe to be one of the largest data repositories in the industry, enabling clients to download customized reports to better monitor and manage their corporate fleets with real-time access to fleet management data and dashboard reporting. Additional technology-enabled tools and services have enabled us to increase our revenues from ancillary fee-based services over time.

Experienced management team with deep industry experience.

Our management team is comprised of experienced mortgage and fleet management executives that have many years of experience in their respective industries and navigated successfully through multiple business cycles. Our President and Chief Executive Officer, Jerome J. Selitto, benefits from nearly forty years of experience in the mortgage industry and in the capital markets, as well as a long and successful track record of building companies in key sectors of the home lending market. Glen Messina, our Chief Operating Officer, brings to the Company more than twenty five years of management and financial leadership experience, including in mortgage and equipment leasing at General Electric Company, where he most recently served as Chief Executive Officer of GE Chemical and Monitoring Solutions. Luke Hayden, our Executive Vice President, Mortgage, has had a thirty-year career in mortgage banking, including thirteen years at JP Morgan Chase Corporation, where he was Executive Vice President of Consumer Market Risk Management responsible for Chase Home Finance's mortgage portfolio and capital markets activities. George J. Kilroy, our Executive Vice President, Fleet, has over thirty years of experience working within our fleet management business and he has been responsible for the management of PHH Arval since March 2001.

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Our Strategy

Our primary goal is to be the outsource provider of choice in all of our segments in order to drive revenue growth and margin. Key components of our strategy include the following:

Grow Market Share in our Mortgage Business by Taking Advantage of Evolving Market and Improving Existing Relationships.

We believe we are well positioned to benefit from the dislocations in the financial markets that have resulted in consolidation and more limited access to funding in the mortgage industry.

The country's money center banks particularly entities affiliated with Wells Fargo, Bank of America, and JPMorgan Chase have increased their domination of the mortgage origination market during the recent economic downturn, with their collective market share of new originations increasing to 54.9% during 2010, from 53.7% in 2009, and from 40.9% in 2008 before consolidation accelerated. Traditional non-bank mortgage aggregators have pulled back amidst the turmoil and tightening of the industry's underwriting standards. We believe that the increased consolidation in the industry and the need to invest in technology in order to reduce operating costs while maintaining compliance in an increasingly complex regulatory environment may make it difficult for many smaller and mid-sized financial institutions to compete in the mortgage industry. The confluence of these factors has increased the market opportunity for our private-label and wholesale correspondent mortgage origination channels. We are executing a specific plan to deepen existing client relationships, cultivate new private-label clients, and increase penetration into our existing wholesale correspondent network. Through these initiatives, we increased our origination market share from approximately 2.1% in 2009 to 3.1% in 2010 and 3.9% in the nine months ended September 30, 2011.

We believe that our Mortgage Production segment enhances the stability of our revenue stream by providing us with a natural offset against fluctuations in prevailing interest rates that affect the value of our servicing portfolio over time, and provides organic replacement of servicing run-off.

Grow Our Contractual Fee-Based Revenues.

Our Mortgage Servicing segment and our Fleet Management Services segment benefit from recurring, contractually established servicing fees.

We intend to use our leading mortgage servicing platform to grow our mortgage servicing portfolio. We believe that we will continue to benefit from our strong relationships with our financial institutions clients and the GSEs. Our Mortgage Production segment provides a discernible pipeline of future servicing. In addition, we believe that opportunities for growth in mortgage subservicing will occur as subscale community banks choose to exit or outsource their servicing activities and exit the mortgage servicing business.

Our Fleet Management Services segment generates various fees from services beyond the base lease product such as fuel, maintenance, and accident management services that are generated by both recurring monthly access charges and/or transactional activity. We believe that our integrated service offering differentiates us from certain of our competitors, drives customer retention, and provides opportunities for incremental margin from our existing customer base. Client satisfaction stood at 84% and driver satisfaction at 92% for our services, according to our 2009 Client and Driver Survey.

In addition, we intend to continue to invest our capital in both our Fleet and Mortgage businesses. These investments may include material strategic acquisitions, joint ventures or other strategic investments.

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THE OFFERING

We provide the following summary solely for your convenience. This summary is not a complete description of the additional notes. You should read the full text and more specific details contained elsewhere in this prospectus. For a more detailed description of the additional notes, see the section entitled "Description of Notes" in this prospectus. With respect to the discussion of the terms of the additional notes on the cover page, in this section and in the section entitled "Description of Notes," the words "PHH," "we," "our," "us" and the "Company" refer only to PHH Corporation and not to any of its subsidiaries.

Issuer	PHH Corporation
Securities offered	\$100,000,000 aggregate principal amount of our 9 1/4% Senior Notes due 2016. The additional notes are being offered as additional notes under an indenture (as supplemented, the "Indenture") pursuant to which we issued \$350,000,000 aggregate principal amount of our 9 1/4% Notes due 2016 on August 11, 2010. The additional notes and those previously issued initial notes will be treated as a single series of debt securities under the Indenture.
Maturity	The additional notes will mature on March 1, 2016.
Interest rate	The additional notes will bear interest at the rate of 9.25% per year, payable semi-annually in arrears on March 1 and September 1 of each year, commencing March 1, 2012. Interest will be computed on the basis of a 360-day year composed of twelve 30-day months.
Interest payment dates	Each March 1 and September 1, beginning on March 1, 2012. Interest will accrue from September 1, 2011.
Ranking	The additional notes will be our unsecured unsubordinated obligations and will rank equally in right of payment to all our existing and future unsecured and unsubordinated indebtedness. Initially, the additional notes will not be guaranteed by any of our subsidiaries. The additional notes will be effectively subordinated to all our secured obligations to the extent of the value of the collateral securing such indebtedness and structurally subordinated to any existing and future obligations of our subsidiaries that do not guarantee the additional notes. Any future guarantees of the additional notes that are issued as described herein will be unsecured unsubordinated obligations of the respective subsidiary guarantors and will rank equally in right of payment with such subsidiary guarantor's other unsecured and unsubordinated indebtedness.

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	As of September 30, 2011, after giving pro forma effect to the offering of the additional notes and the use of proceeds, including the repayment at or prior to maturity of all our outstanding 4.00% Convertible Senior Notes due April 15, 2012 (the "2012 Convertible Notes") and borrowings under our Amended and Restated Competitive Advance and Revolving Agreement, dated January 6, 2006, among the parties hereinafter described (as amended, the "Amended Credit Facility"), in connection with such repayment, the aggregate amount of outstanding unsecured unsubordinated indebtedness to which the additional notes will rank equally was approximately $1.1 billion. As of September 30, 2011, PHH had no secured indebtedness but its subsidiaries had approximately $6.6 billion of liabilities to which the additional notes would have been structurally subordinated.
Certain covenants	The Indenture pursuant to which the additional notes will be issued contains covenants that, among other things: require us to maintain a debt to tangible equity ratio not greater than 8.5 to 1; limit our ability to pay dividends and make distributions on account of our capital stock; limit our ability to create liens on assets; limit our ability to incur subsidiary debt; and restrict our ability to consolidate, merge or sell our assets. These covenants are subject to significant exceptions as discussed in this prospectus under the caption "Description of Notes Covenants." In addition, if and for so long as the notes have an investment grade rating from any two of Standard & Poor's, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch, Inc. and no default has occurred and is continuing under the Indenture, we will not be subject to certain of the covenants listed above. For more details, see "Description of Notes."
Optional redemption	The notes may be redeemed at any time and from time to time, in whole or in part, at our option, at a "make-whole" redemption price, as described in this prospectus under the caption "Description of Notes Optional Redemption."
Change of control offer	If a change of control occurs, we must give holders the opportunity to sell their notes to us at 101% of their principal amount plus accrued and unpaid interest.

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	We might not have sufficient funds to pay the required price for notes presented to us at the time of a change of control. Our Amended Credit Facility provides that the occurrence of certain change of control events with respect to us would constitute a default thereunder. In the event a change of control occurs, we could seek the consent of the lenders under our Amended Credit Facility to the change of control or could attempt to refinance our Amended Credit Facility, but there is no guarantee that such efforts would be successful. Additionally, our convertible notes require us to offer to repurchase such notes upon certain change of control events. See "Description of Notes Covenants Repurchase of Notes Upon a Change of Control."
Governing law	The Indenture and the additional notes shall be governed by, and construed in accordance with, the laws of the State of New York.
Use of proceeds	We estimate the net proceeds from the issuance and sale of the additional notes offered hereby, after deducting the underwriting discount and estimated offering expenses but excluding accrued interest, will be approximately $96.3 million. We intend to use the net proceeds from this offering, along with cash on hand and borrowings under our Amended Credit Facility, to repay at or prior to maturity the outstanding aggregate principal amount of our 2012 Convertible Notes. As of September 30, 2011, there was $250.0 million aggregate principal amount of our 2012 Convertible Notes outstanding. Pending such use, the proceeds may be used to temporarily repay outstanding borrowings under our Amended Credit Facility, originate mortgage loans or may be invested temporarily in short-term interest-bearing investment funds or similar assets. Affiliates of each of the underwriters are lenders under our Amended Credit Facility and in the event net proceeds from this offering are used to temporarily repay the Amended Credit Facility, the underwriters may receive their proportionate share of the amount temporarily being repaid. See "Use of Proceeds."
United States federal income tax considerations	You should consult your tax advisor with respect to the U.S. federal income tax consequences of owning the additional notes in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. See "Material U.S. Federal Income Tax Considerations For Non-U.S. Holders."
Trustee, Registrar and Paying Agent	The Bank of New York Mellon Trust Company, N.A.
Risk Factors	Investing in the additional notes involves substantial risk. Please read "Risk Factors" beginning on page 17 of this prospectus for a discussion of certain factors you should consider in evaluating an investment in the notes.

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SUMMARY HISTORICAL FINANCIAL DATA

The following tables summarize historical consolidated financial information for our business. You should read these tables along with "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our 2010 Form 10-K and 2011 Third Quarter Form 10-Q, "Business" included in our 2010 Form 10-K and our Consolidated Financial Statements and the related notes included in our 2010 Form 10-K and 2011 Third Quarter Form 10-Q, which are incorporated by reference herein.

Our summary historical consolidated financial information set forth below is derived from our audited Consolidated Financial Statements for the periods indicated, except that the data for the nine months ended and as of September 30, 2011 and 2010 is derived from our unaudited Condensed Consolidated Financial Statements. The summary historical financial information for the twelve months ended September 30, 2011 has been prepared by combining the information for the year ended December 31, 2010 with the information for the nine months ended September 30, 2011 and subtracting the information for the nine months ended September 30, 2010. The unaudited historical consolidated financial statements for the nine months ended and as of September 30, 2011 and 2010 reflect all adjustments, consisting only of normal, recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position and the results of operations for the periods presented. Because of the inherent uncertainties of our business, the historical financial information for such periods may not be indicative of our future results of operations, financial position or cash flows.

	Twelve Months Ended September 30,	Nine Months Ended September 30,		Year Ended December 31,		
	2011	2011	2010	2010	2009	2008
	(In millions)					
Mortgage Production Segment:						
Net revenues	$ 868	$ 647	$ 690	$ 911	$ 880	$ 462
Total expenses	640	458	433	615	554	579
Income (loss) before income taxes	228	189	257	296	326	(117)
Less: net income (loss) attributable to noncontrolling interest	23	17	22	28	20	(27)
Mortgage Production segment profit (loss)	$ 205	$ 172	$ 235	$ 268	$ 306	$ (90)
Mortgage Servicing Segment:						
Net revenues(1)	$ (14)	$ (313)	$ (362)	$ (63)	$ 82	$ (276)
Total expenses	202	154	130	178	167	154
Mortgage Servicing segment loss	$ (216)	$ (467)	$ (492)	$ (241)	$ (85)	$ (430)
Fleet Management Services Segments:						
Net revenues	$ 1,632	$ 1,233	$ 1,194	$ 1,593	$ 1,649	$ 1,827
Total expenses	1,551	1,177	1,156	1,530	1,595	1,765
Fleet Management Services segment profit	$ 81	$ 56	$ 38	$ 63	$ 54	$ 62

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	Twelve Months Ended September 30, 2011	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
	(In millions, except per share data)					
Other:						
Net revenues	$ (3)	$ (2)	$ (2)	$ (3)	$ (5)	$ 43
Total expenses		(1)	(1)		10	1
Other segment (loss) profit	$ (3)	$ (1)	$ (1)	$ (3)	$ (15)	$ 42
Consolidated PHH Corporation:						
Net revenues	$ 2,483	$ 1,565	$ 1,520	$ 2,438	$ 2,606	$ 2,056
Total expenses	2,393	1,788	1,718	2,323	2,326	2,499
Income (loss) before income taxes(2)	90	(223)	(198)	115	280	(443)
Income tax expense (benefit)	26	(100)	(87)	39	107	(162)
Net income (loss)	64	(123)	(111)	76	173	(281)
Less: net income (loss) attributable to noncontrolling interest	23	17	22	28	20	(27)
Net income (loss) attributable to PHH Corporation	$ 41	$ (140)	$ (133)	$ 48	$ 153	$ (254)
Basic (loss) earnings per share attributable to PHH Corporation		$ (2.48)	$ (2.39)	$ 0.87	$ 2.80	$ (4.68)
Diluted (loss) earnings per share attributable to PHH Corporation		$ (2.48)	$ (2.39)	$ 0.86	$ 2.77	$ (4.68)

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	As of September 30,		As of December 31,		
	2011	2010	2010	2009	2008
			(In millions)		
Selected Balance Sheet and Other Data:					
Ending total loan servicing portfolio	$ 178,129	$ 159,411	$ 166,075	$ 151,481	$ 149,750
Mortgage loans held for sale	2,699	2,703	4,329	1,218	1,006
Mortgage servicing rights	1,198	1,083	1,442	1,413	1,282
Total assets	9,335	9,462	11,270	8,123	8,273
Total debt	6,561	6,579	8,085	5,160	5,764
Total PHH Corporation stockholder's equity	1,427	1,376	1,564	1,492	1,266

(1)

Includes the following valuation adjustments related to mortgage servicing rights:

	Twelve Months Ended September 30,	Nine Months Ended September 30,		Year Ended December 31,		
	2011	2011	2010	2010	2009	2008
			(In millions)			
Change in fair value of mortgage servicing rights	$ (402)	$ (601)	$ (626)	$ (427)	$ (280)	$ (554)
Net derivative gain (loss) gain related to mortgage servicing rights	1	1				(179)
Valuation adjustments related to mortgage servicing rights, net	$ (401)	$ (600)	$ (626)	$ (427)	$ (280)	$ (733)

We are susceptible to significant fluctuations in the fair value of our mortgage servicing rights, as interest rates change. The recent decline in interest rates has adversely affected the valuation of our mortgage servicing rights. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations Sensitivity Analysis" in our 2010 Form 10-K and our 2011 Third Quarter Form 10-Q, each of which is incorporated by reference into this prospectus.

(2)

Income (loss) before income taxes for the nine months ended September 30, 2011 included $68 million of income related to the sale of a 50.1% equity interest in our appraisal services business, Speedy Title and Appraisal Review Services. Income (loss) before income taxes for the year ended December 31, 2008 included $42 million of income related to the terminated merger agreement with General Electric Capital Corporation and a $61 million non-cash charge for goodwill impairment.

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RISK FACTORS

Any investment in the additional notes involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this prospectus, including the information incorporated by reference herein, before deciding whether to purchase any additional notes. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition and results of operations would suffer. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See the section entitled "Cautionary Note Regarding Forward-Looking Statements" included elsewhere in this prospectus. Capitalized terms used but not defined herein shall have the meanings given to such terms in our 2010 Form 10-K, which is incorporated by reference herein.

Risks Related to Our Business

The businesses in which we engage are complex and heavily regulated, and changes in the regulatory environment affecting our businesses could have a material adverse effect on our business, financial position, results of operations or cash flows.

Our Mortgage Production and Mortgage Servicing segments are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on our business. These laws, regulations and judicial and administrative decisions to which our Mortgage Production and Mortgage Servicing segments are subject include those pertaining to: real estate settlement procedures; fair lending; fair credit reporting; truth in lending; compliance with net worth and financial statement delivery requirements; compliance with federal and state disclosure and licensing requirements; the establishment of maximum interest rates, finance charges and other charges; secured transactions; collection, foreclosure, repossession and claims-handling procedures; other trade practices and privacy regulations providing for the use and safeguarding of non-public personal financial information of borrowers and guidance on non-traditional mortgage loans issued by the federal financial regulatory agencies. By agreement with our private-label clients, we are required to comply with additional requirements that our clients may be subject to through their regulators.

During the third quarter of 2010, several of our mortgage servicing competitors announced the suspension of foreclosure proceedings in various judicial foreclosure states due to concerns associated with the preparation and execution of affidavits used in connection with foreclosure proceedings in such states. Due in part to these announcements, we have received inquiries from regulators and attorneys general of certain states requesting information as to our foreclosure processes and procedures. Additionally, various inquiries and investigations of, and legal proceedings against, certain of our competitors have been initiated by attorneys general of certain states and the U.S. Department of Justice, and certain title insurance companies have announced that they will suspend issuing title insurance policies on properties that have been foreclosed upon by such firms. Further, some local and state governmental authorities have taken, and others are contemplating taking, regulatory action to require increased loss mitigation outreach for borrowers, including the imposition of waiting periods prior to the filing of notices of default and the completion of foreclosure sales and, in some cases, moratoriums on foreclosures altogether.

While we are continuing to monitor these developments, these developments could result in new legislation and regulations that could materially and adversely affect the manner in which we conduct our mortgage servicing business, heightened federal or state regulation and oversight of our mortgage servicing activities, increased costs and potential litigation associated with our mortgage servicing business and foreclosure related activities, and a temporary decline in home purchase loan originations

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in our mortgage production business due to the heightened number of distressed property sales that have recently characterized existing home sales. Such regulatory changes in the foreclosure process or delays in completing foreclosures could increase mortgage servicing costs and could reduce the ultimate proceeds received on the resale of foreclosed properties if real estate values continue to decline. In such event, these changes would also have a negative impact on our liquidity as we may be required to repurchase loans without the ability to sell the underlying property on a timely basis.

Additionally, on July 21, 2010 the Dodd-Frank Act was signed into law for the express purpose of further regulating the financial services industry, including mortgage origination, sales, and securitization. Certain provisions of the Dodd-Frank Act may impact the operation and practices of Fannie Mae and Freddie Mac and require sponsors of securitizations to retain a portion of the economic interest in the credit risk associated with the assets securitized by them. Federal regulators have been authorized to provide exceptions to the risk retention requirements for certain "qualified mortgages" and mortgages meeting certain underwriting standards prescribed in such regulations. It is unclear whether future regulations related to the definition of "qualified mortgages" will include the types of conforming mortgage loans we typically sell into GSE-sponsored mortgage-backed securities. If the mortgage loans we typically sell into GSE-sponsored mortgage-backed securities do not meet the definition of a "qualified mortgage," then the GSEs may be required to retain a portion of the risk of assets they securitize, which may in turn substantially reduce or eliminate the GSEs' ability to issue mortgage-backed securities. Substantial reduction in, or the elimination of, GSE demand for the mortgage loans we originate would have a material adverse effect on our business, financial condition, results of operations and cash flows since we sell substantially all of our loans pursuant to GSE sponsored programs. It is also unclear what effect future laws or regulations may have on the ability of the GSEs to issue mortgage-backed securities and it is not currently possible to determine what changes, if any, Congress may make to the structure of the GSEs.

The Dodd-Frank Act also establishes an independent federal bureau of consumer financial protection to enforce laws involving consumer financial products and services, including mortgage finance. The bureau is empowered with examination and enforcement authority. The Dodd-Frank Act also establishes new standards and practices for mortgage originators, including determining a prospective borrower's ability to repay their mortgage, removing incentives for higher cost mortgages, prohibiting prepayment penalties for non-qualified mortgages, prohibiting mandatory arbitration clauses, requiring additional disclosures to potential borrowers and restricting the fees that mortgage originators may collect. In addition, our ability to enter into future asset-backed securities transactions may be impacted by the Dodd-Frank Act and other proposed reforms related thereto, the effect of which on the asset-backed securities market is currently uncertain. While we are continuing to evaluate all aspects of the Dodd-Frank Act, such legislation and regulations promulgated pursuant to such legislation 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 result 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.

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

We operate in highly competitive industries that could become even more competitive as a result of economic, legislative, regulatory or technological changes. Competition for mortgage loan originations comes primarily from commercial banks and savings institutions. Many of our competitors for mortgage loan originations that are commercial banks or savings institutions typically have access to greater financial resources, have lower funding costs, are less reliant than we are on the sale of mortgage loans into the secondary markets to maintain their liquidity, and may be able to participate in government programs that we are unable to participate in because we are not a state or federally chartered depository institution, all of which places us at a competitive disadvantage. The advantages of our largest competitors include, but are not limited to, their ability to hold new mortgage loan originations in an investment portfolio and their access to lower rate bank deposits as a source of liquidity. Additionally, more restrictive loan underwriting standards and the widespread elimination of Alt-A and subprime mortgage products throughout the industry have resulted in a more homogenous product offering, which has increased competition across the industry for mortgage originations.

The fleet management industry in which we operate is also highly competitive. We compete against national competitors, such as GE Commercial Finance Fleet Services, Wheels, Inc., Automotive Resources International, Lease Plan International and other local and regional competitors, including numerous competitors who focus on one or two products. Growth in our Fleet Management Services segment is driven principally by increased market share in fleets greater than 75 units and increased fee-based services. Competitive pressures in the Fleet Management industry resulting in a decrease in our market share or lower prices would adversely affect our revenues and results of operations.

We are substantially dependent upon our secured and unsecured funding arrangements. If any of our funding arrangements are terminated, not renewed or otherwise become unavailable to us, we may be unable to find replacement financing on economically viable terms, if at all, which would have a material adverse effect on our business, financial position, results of operations and cash flows.

We are substantially dependent upon various sources of funding, including unsecured credit facilities and other unsecured debt, as well as secured funding arrangements, including asset-backed securities, mortgage warehouse facilities and other secured credit facilities to fund mortgage loans and vehicle acquisitions, a significant portion of which is short-term in nature. Our access to both the secured and unsecured credit markets is subject to prevailing market conditions. Renewal of our existing series of, or the issuance of new series of, vehicle lease asset-backed notes on terms acceptable to us or our ability to enter into alternative vehicle management asset-backed debt arrangements could be adversely affected in the event of: (i) the deterioration in the quality of the assets underlying the asset-backed debt arrangement; (ii) increased costs associated with accessing or our inability to access the asset-backed debt market; (iii) termination of our role as servicer of the underlying lease assets in the event that we default in the performance of our servicing obligations or we declare bankruptcy or become insolvent or (iv) our failure to maintain a sufficient level of eligible assets or credit enhancements, including collateral intended to provide for any differential between variable-rate lease revenues and the underlying variable-rate debt costs. In addition, our access to and our ability to renew our existing mortgage asset-backed debt could suffer in the event of: (i) the deterioration in the performance of the mortgage loans underlying the asset-backed debt arrangement; (ii) our failure to maintain sufficient levels of eligible assets or credit enhancements; (iii) increased costs associated with accessing or our inability to access the mortgage asset-backed debt market; (iv) our inability to access the secondary market for mortgage loans or (v) termination of our role as servicer of the underlying mortgage assets in the event that (a) we default in the performance of our servicing obligations or (b) we declare bankruptcy or become insolvent.

Certain of our debt arrangements require us to comply with certain financial covenants and other affirmative and restrictive covenants, including requirements to post additional collateral or to fund assets that become ineligible under our secured funding arrangements. An uncured default of one or more of these covenants would result in a cross-default between and amongst our various debt arrangements. Consequently, an uncured default under any of our debt arrangements that is not waived by our lenders and that results in an acceleration of amounts payable to our lenders or the termination of credit facilities would materially and adversely impact our liquidity, could force us to sell assets at below market prices to repay our indebtedness, and could force us to seek relief under the U.S. Bankruptcy Code, all of which would have a material adverse effect on our business, financial position, results of operations and cash flows. See "Description of Other Indebtedness" elsewhere in this prospectus and Notes 7 and 11 "Debt Borrowing Arrangements" in the Notes to Consolidated Financial Statements in our Third Quarter Form 10-Q and 2010 Form 10-K, respectively, each of which is incorporated by reference herein for additional information regarding our debt arrangements and related financial covenants and other affirmative and restrictive covenants.

If any of our credit facilities are terminated, including as a result of our breach, or are not renewed or if conditions in the credit markets worsen dramatically and it is not possible or economical for us to complete the sale or securitization of our originated mortgage loans or vehicle leases, we may be unable to find replacement financing on commercially favorable terms, if at all, which could prevent us from originating new mortgage loans or vehicle leases, reduce our revenues attributable to such activities, or require us to sell assets at below market prices, all of which would have a material adverse effect on our overall business and consolidated financial position, results of operations and cash flows.

Adverse developments in the secondary mortgage market have had, and in the future could have, a material adverse effect on our business, financial position, results of operations and cash flows.

We historically have relied on selling or securitizing our mortgage loans into the secondary market in order to generate liquidity to fund maturities of our indebtedness, the origination and warehousing of mortgage loans, the retention of mortgage servicing rights and for general working capital purposes. We bear the risk of being unable to sell or securitize our mortgage loans at advantageous times and prices or in a timely manner. Demand in the secondary market and our ability to complete the sale or securitization of our mortgage loans depends on a number of factors, many of which are beyond our control, including general economic conditions, general conditions in the banking system, the willingness of lenders to provide funding for mortgage loans, the willingness of investors to purchase mortgage loans and mortgage-backed securities and changes in regulatory requirements. If it is not possible or economical for us to complete the sale or securitization of certain of our mortgage loans held for sale, we may lack liquidity under our mortgage financing facilities to continue to fund such mortgage loans and our revenues and margins on new loan originations would be materially and negatively impacted, which would materially and negatively impact our Net revenues and Segment profit (loss) of our Mortgage Production segment and also have a material adverse effect on our overall business and our consolidated financial position, results of operations and cash flows. The severity of the impact would be most significant to the extent we were unable to sell conforming mortgage loans to the GSEs or securitize such loans pursuant to GSE sponsored programs.

Our senior unsecured long-term debt ratings are below investment grade and, as a result, we may be limited in our ability to obtain or renew financing on economically viable terms or at all.

Our senior unsecured long-term debt ratings are below investment grade due, in part, to substantial losses incurred in 2008 and high volatility in our earnings, our reliance on short-term secured funding arrangements to finance a substantial portion of our assets, our limited ability to access the credit markets during the height of the recent global credit crisis, and broader economic trends. As a result of our senior unsecured long-term debt credit ratings being below investment grade, our access to the public debt markets may be severely limited in comparison to the ability of investment grade issuers to access such markets. We may be required to rely on alternative financing, such as bank lines and private debt placements and pledge otherwise unencumbered assets. There can be no assurances that we would be able to find such alternative financing on terms acceptable to us, if at all. Furthermore, we may be unable to renew all of our existing bank credit commitments beyond the then-existing maturity dates. As a consequence, our cost of financing could rise significantly, thereby negatively impacting our ability to finance our mortgage loans held for sale, mortgage servicing rights and net investment in fleet leases. Any of the foregoing would have a material adverse effect on our business, financial position, results of operations and cash flows.

There can be no assurances that our credit rating by the primary ratings agencies reflects all of the risks of an investment in our debt securities. Our credit ratings are an assessment by the rating agency of our ability to pay our obligations. Actual or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors on the market value of, or trading market for, our debt securities.

We are highly dependent upon programs administered by Fannie Mae, Freddie Mac and Ginnie Mae. Changes in existing U.S. government-sponsored mortgage programs or servicing eligibility standards could materially and adversely affect our business, financial position, results of operations or cash flows.

Our ability to generate revenues through mortgage loan sales to institutional investors in the form of mortgage-backed securities depends to a significant degree on programs administered by Fannie Mae, Freddie Mac, Ginnie Mae and others that facilitate the issuance of mortgage-backed securities in the secondary market. These entities play a powerful role in the residential mortgage industry, and we have significant business relationships with them. Our status as a Fannie Mae, Freddie Mac and Ginnie Mae approved seller/servicer is subject to compliance with each entity's respective selling and servicing guides.

During 2010 and the nine months ended September 30, 2011, 95% and 92%, respectively, of our mortgage loan sales were sold to, or were sold pursuant to programs sponsored by, Fannie Mae, Freddie Mac or Ginnie Mae. We also derive other material financial benefits from our relationships with Fannie Mae, Freddie Mac and Ginnie Mae, including the assumption of credit risk by these entities on loans included in mortgage-backed securities in exchange for our payment of guarantee fees, the ability to avoid certain loan inventory finance costs through streamlined loan funding and sale procedures and the use of mortgage warehouse facilities with Fannie Mae pursuant to which, as of September 30, 2011, we had total capacity of $3 billion, made up of $1 billion of committed and $2 billion uncommitted capacity. Any discontinuation of, or significant reduction or material change in, the operation of these entities or any significant adverse change in the level of activity in the secondary mortgage market or the underwriting criteria of these entities would likely prevent us from originating and selling most, if not all, of our mortgage loan originations, and the discontinuation or material decrease in the availability of, or our capacity under, our uncommitted mortgage warehouse facilities with Fannie Mae, could materially and adversely affect our ability to originate mortgage loans.

In addition, we service loans on behalf of Fannie Mae and Freddie Mac, as well as loans that have been securitized pursuant to securitization programs sponsored by Fannie Mae, Freddie Mac and Ginnie Mae in connection with the issuance of agency guaranteed mortgage-backed securities and a majority of our mortgage servicing rights relate to these servicing activities. These entities establish the base service fee to compensate us for servicing loans. In January 2011, the Federal Housing Finance Agency directed Fannie Mae and Freddie Mac to develop a joint initiative to consider alternatives for future mortgage servicing structures and compensation. Under this proposal, the GSEs are considering potential structures in which the minimum service fee would be reduced or eliminated altogether. The GSEs are also considering different pricing options for non-performing loans to better align servicer incentives with MBS investors and provide the loan guarantor the ability to transfer non-performing servicing. These proposals, if adopted, could cause significant changes that impact the entire mortgage industry. The lower capital requirements could increase competition by lowering barriers to entry on mortgage originations and could increase the concentration of performing loans with larger servicers that have a cost-advantage through economies of scale that would no longer be limited by capital constraints.

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In February 2011, the Obama administration issued a report to Congress, outlining various options for long-term reform of Fannie Mae and Freddie Mac. These options involve reducing the role of Fannie Mae and Freddie Mac in the mortgage market and to ultimately wind down both institutions such that the private sector provides the majority of mortgage credit. The report states that any potential reform efforts will make credit less easily available and that any such changes should occur at a measured pace that supports the nation's economic recovery. Any of these options are likely to result in higher mortgage rates in the future, which could have a negative impact on our Mortgage production business. Additionally, it is unclear what impact these changes will have on the secondary mortgage markets, mortgage-backed securities pricing, and competition in the industry.

The potential changes to the government-sponsored mortgage programs, and related servicing compensation structures, could require us to fundamentally change our business model in order to effectively compete in the market. Our inability to make the necessary changes to respond to these changing market conditions or loss of our approved seller/servicer status with any of these entities, would have a material adverse effect on our overall business and our consolidated financial position, results of operations and cash flows

Continued or worsening conditions in the real estate market have adversely impacted, and in the future could continue to adversely impact, our business, financial position, results of operations or cash flows.

Adverse economic conditions in the United States have resulted, and could continue to result, in increased mortgage loan payment delinquencies, home price depreciation and a lower volume of home sales. These trends have negatively impacted and may continue to negatively impact our Mortgage Production and Mortgage Servicing segments through increased loss severities in connection with loan repurchase and indemnification claims due to declining home prices, increased mortgage reinsurance losses due to increased delinquencies and loss severities, and lower home purchase mortgage originations. However, we have experienced a relatively smaller impact from these trends than many of our current and former competitors because we generally sell substantially all of the mortgage loans we originate shortly after origination, we do not generally maintain credit risk on the loans we originate or maintain a loan investment portfolio, substantially all of our mortgage loan originations are prime mortgages rather than Alt-A or subprime mortgages, and our mortgage loan servicing portfolio has experienced a lower rate of payment delinquencies than that of many of our competitors. Nevertheless, these trends have resulted in an increase in the incidence of loan repurchase and indemnification claims and associated losses, as well as an increase in mortgage reinsurance losses, resulting in an increase in our reserves for loan repurchase and indemnification losses and mortgage reinsurance losses. Continuation of these trends could have a material adverse effect on our business, financial position, results of operations and cash flows.

Our Mortgage Production segment is substantially dependent upon our relationships with Realogy, Merrill Lynch and Charles Schwab, and the termination or non-renewal of our contractual agreements with these clients would materially and adversely impact our mortgage loan originations and resulting Net revenues and Segment profit (loss) of our Mortgage Production segment and this would have a material adverse effect on our overall business and our consolidated financial position, results of operations and cash flows.

We have relationships with several clients that represent a significant portion of our revenues and mortgage loan originations for our Mortgage Production segment. In particular, Realogy, Merrill Lynch and Charles Schwab represented approximately 27%, 15% and 11%, respectively, of our mortgage loan originations for the year ended December 31, 2010. The loss of any one of these clients, whether due to insolvency, their unwillingness or inability to perform their obligations under their respective contractual relationships with us, or if we are not able to renew on commercially reasonable terms any of their respective contractual relationships with us, would materially and adversely impact our mortgage loan originations and resulting Net revenues and Segment profit (loss) of our Mortgage

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Production segment and this would also have a material adverse effect on our overall business and our consolidated financial position, results of operations and cash flows.

In the third quarter of 2011, we were unable to reach an agreement to renew our existing relationship with Charles Schwab, which represented 9% of our mortgage loan originations for the nine months ended September 30, 2011, as well as approximately $9 billion of subserviced loans as of September 30, 2011. See Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Executive Summary" in our Third Quarter Form 10-Q, which is incorporated by reference herein.

The termination of our status as the exclusive recommended provider of mortgage products and services promoted by Realogy's affiliates, would have a material adverse effect on our business, financial position, results of operations or cash flows.

We are party to a strategic relationship agreement dated as of January 31, 2005 between PHH Mortgage, PHH Home Loans, PHH Broker Partner, Realogy Services Venture Partner, Inc. and Cendant Corporation (now known as Avis Budget Group, Inc.). Under the Strategic Relationship Agreement we are the exclusive recommended provider of mortgage loans to the independent sales associates affiliated with the real estate brokerage business owned and operated by Realogy's affiliates and certain customers of Realogy. The marketing agreement entered into between Coldwell Banker Real Estate Corporation, Century 21 Real Estate LLC, ERA Franchise Systems, Inc., Sotheby's International Affiliates, Inc. and PHH Mortgage Corporation similarly provides that we are the exclusive recommended provider of mortgage loans and related products to the independent sales associates of Realogy's real estate brokerage franchisees, which include Coldwell Banker Real Estate Corporation, Century 21 Real Estate LLC, ERA Franchise Systems, Inc. and Sotheby's International Affiliates, Inc.

In addition, the Strategic Relationship Agreement provides that Realogy has the right to terminate the covenant requiring it to exclusively recommend us as the provider of mortgage loans to the independent sales associates affiliated with the real estate brokerage business owned and operated by Realogy's affiliates and certain customers of Realogy, following notice and a cure period, if:

- we materially breach any representation, warranty, covenant or other agreement contained in the Strategic Relationship Agreement, the Marketing Agreement, trademark license agreements or certain other related agreements, including, without limitation, our confidentiality agreements in the PHH Home Loans Operating Agreement and the Strategic Relationship Agreement, and our non-competition agreements in the Strategic Relationship Agreement;

- we become subject to any regulatory order or governmental proceeding and such order or proceeding prevents or materially impairs PHH Home Loans' ability to originate mortgage loans for any period of time (which order or proceeding is not generally applicable to companies in the mortgage lending business) in a manner that adversely affects the value of one or more of the quarterly distributions to be paid by PHH Home Loans pursuant to the PHH Home Loans Operating Agreement;

- PHH Home Loans otherwise is not permitted by law, regulation, rule, order or other legal restriction to perform its origination function in any jurisdiction, but in such case exclusivity may be terminated only with respect to such jurisdiction; or

- PHH Home Loans does not comply with its obligations to complete an acquisition of a mortgage loan origination company under the terms of the Strategic Relationship Agreement.

If Realogy were to terminate its exclusivity obligations with respect to us, one of our competitors could replace us as the recommended provider of mortgage loans to Realogy and its affiliates and franchisees, which would result in our loss of most, if not all, of our mortgage loan originations, Net revenues and Segment profit (loss) of our Mortgage Production segment derived from Realogy's affiliates, which loss would have a material adverse effect on our overall business and our consolidated financial position, results of operations and cash flows.

Moreover, certain of the events that give Realogy the right to terminate its exclusivity obligations with respect to us under the Strategic Relationship Agreement would also give Realogy the right to terminate its other agreements and arrangements with us. For example, the PHH Home Loans Operating Agreement also permits Realogy to terminate the mortgage venture with us upon our material breach of any representation, warranty, covenant or other agreement contained in the Strategic Relationship Agreement, the Marketing Agreement, the Trademark License Agreements or certain other related agreements that is not cured following any applicable notice or cure period or if we become subject to any regulatory order or governmental proceeding that prevents or materially impairs PHH Home Loans' ability to originate mortgage loans for any period of time (which order or proceeding is not generally applicable to companies in the mortgage lending business) in a manner that adversely affects the value of one or more of the quarterly distributions to be paid by PHH Home Loans pursuant to the PHH Home Loans Operating Agreement. Upon a termination of the PHH Home Loans joint venture by Realogy or its affiliates, Realogy will have the right either (i) to require that we or certain of our affiliates purchase all of Realogy's interest in PHH Home Loans; or (ii) to cause us to sell our interest in PHH Home Loans to an unaffiliated third party designated by certain of Realogy's affiliates. Additionally, any termination of PHH Home Loans will also result in a termination of the Strategic Relationship Agreement and our exclusivity rights under the Strategic Relationship Agreement. Pursuant to the terms of the PHH Home Loans Operating Agreement, beginning on February 1, 2015, Realogy will have the right at any time upon two years' notice to us to terminate its interest in PHH Home Loans. If Realogy were to terminate PHH Home Loans or our other arrangements with Realogy, including its exclusivity obligations with respect to us, any such termination would likely result in our loss of most, if not all, of our mortgage loan originations, Net revenues and Segment profit (loss) of our Mortgage Production segment derived from Realogy's affiliates, which loss would have a material adverse effect on our overall business and our consolidated financial position, results of operations and cash flows.

Certain hedging strategies that we may use to manage risks associated with our assets, including mortgage loans held for sale, interest rate lock commitments, mortgage servicing rights and foreign currency denominated assets, may not be effective in mitigating those risks and could result in substantial losses that could exceed the losses that would have been incurred had we not used such hedging strategies.

We may employ various economic hedging strategies in an attempt to mitigate the interest rate and prepayment risk inherent in many of our assets, including our mortgage loans held for sale, interest rate lock commitments and, from time to time, our mortgage servicing rights. Our hedging activities may include entering into derivative instruments. We also seek to manage interest rate risk in our Mortgage Production and Mortgage Servicing segments partially by monitoring and seeking to maintain an appropriate balance between our loan production volume and the size of our mortgage servicing portfolio, as the value of mortgage servicing rights and the income they provide tend to be counter-cyclical to the changes in production volumes and the gain or loss on loans that result from changes in interest rates. This approach requires our management to make assumptions with regards to future replenishment rates for our mortgage servicing rights, loan margins, the value of additions to our mortgage servicing rights and loan origination costs, and many factors can impact these estimates, including loan pricing margins and our ability to adjust staffing levels to meet changing consumer demand.

We are also exposed to foreign exchange risk associated with our investment in our Canadian operations and with foreign exchange forward contracts that we have entered into, or may in the future enter into, to hedge U.S. dollar denominated borrowings used to fund Canadian dollar denominated leases and operations. Our hedging decisions in the future to manage these foreign exchange risks will be determined in light of the facts and circumstances existing at the time and may differ from our current hedging strategy.

During the third quarter of 2008, we assessed the composition of our capitalized mortgage servicing portfolio and its relative sensitivity to refinance if interest rates decline, the costs of hedging and the anticipated effectiveness of the hedge given the current economic environment. Based on that assessment, we made the decision to close out substantially all of our derivatives related to mortgage servicing rights during the third quarter of 2008. During the quarter and nine months ended September 30, 2011, we executed certain derivative transactions to serve as an economic hedge of a portion of the interest rate risk associated with our mortgage servicing rights. We entered into these derivative transactions to ensure that there would be sufficient capacity under our debt facilities to fund higher origination volumes given the declining mortgage rates, while maintaining compliance with the leverage covenants in our debt agreements. The increase in mortgage asset-backed debt, coupled with the decline in value of mortgage servicing rights resulting from lower mortgage rates, could have the effect of increasing our indebtedness to tangible net worth ratio in the short term. Our decisions regarding the levels, if any, of our derivatives related to mortgage servicing rights could result in continued volatility in the results of operations for our Mortgage Servicing segment.

Our hedging strategies may not be effective in mitigating the risks related to changes in interest rates or foreign exchange rates. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses, and could result in losses in excess of what our losses would have been from had we not used such hedging strategies. There have been periods, and it is likely that there will be periods in the future, during which we incur losses after consideration of the results of our hedging strategies. As stated earlier, the success of our interest rate risk management strategy and our replenishment strategies for our mortgage servicing rights are largely dependent on our ability to predict the earnings sensitivity of our loan servicing and loan production activities in various interest rate environments, as well as our ability to successfully manage any capacity constraints in our mortgage production business. Our hedging strategies also rely on assumptions and projections regarding our assets and general market factors. If these assumptions and projections prove to be incorrect or our hedges do not adequately mitigate the impact of changes including, but not limited to, interest rates or prepayment speeds or foreign exchange rate fluctuations, we may incur losses that could have a material adverse effect on our business, financial position, results of operations or cash flows.

Changes in interest rates could materially and adversely affect our volume of mortgage loan originations or reduce the value of our mortgage servicing rights, either of which could have a material adverse effect on our business, financial position, results of operations or cash flows.

Changes in and the level of interest rates are key drivers of our mortgage loan originations in our Mortgage Production segment and mortgage loan refinancing activity, in particular. The level of interest rates are significantly affected by monetary and related policies of the federal government, its agencies and government sponsored entities, which are particularly affected by the policies of the Federal Reserve Board that regulates the supply of money and credit in the United States. The Federal Reserve Board's policies, including initiatives to stabilize the U.S. housing market and to stimulate overall economic growth, affect the size of the mortgage loan origination market, the pricing of our interest-earning assets and the cost of our interest-bearing liabilities. Changes in any of these policies are beyond our control, difficult to predict, particularly in the current economic environment, and could have a material adverse effect on our business, financial position, results of operations or cash flows.

Historically, rising interest rates have generally been associated with a lower volume of loan originations in our Mortgage Production segment due to a disincentive for borrowers to refinance at a higher interest rate, while falling interest rates have generally been associated with higher loan

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originations due to an incentive for borrowers to refinance at a lower interest rate. Our ability to generate Gain on mortgage loans, net in our Mortgage Production segment is significantly dependent on our level of mortgage loan originations. Accordingly, increases in interest rates could materially and adversely affect our mortgage loan origination volume, which could have a material and adverse effect on our Mortgage Production segment, as well as our overall business and our consolidated financial position, results of operations or cash flows.

Changes in interest rates are also a key driver of the performance of our Mortgage Servicing segment as the values of our mortgage servicing rights are highly sensitive to changes in interest rates. Historically, the value of our mortgage servicing rights have increased when interest rates rise and have decreased when interest rates decline due to the effect those changes in interest rates have on prepayment estimates, with changes in fair value of our mortgage servicing rights being included in our consolidated results of operations. Because we do not currently utilize derivatives to hedge against changes in the fair value of our mortgage servicing rights, our consolidated financial positions, results of operations and cash flows are susceptible to significant volatility due to changes in the fair value of our mortgage servicing rights as interest rates change. As a result, substantial volatility in interest rates materially affect our Mortgage Servicing segment, as well as our consolidated financial position, results of operations and cash flows.

Losses incurred in connection with actual or projected loan repurchase and indemnification claims may exceed our financial statement reserves and we may be required to increase such reserves in the future. Increases to our reserves and losses incurred in connection with actual loan repurchases and indemnification payments could have a material adverse effect on our business, financial position, results of operation or cash flows.

In connection with the sale of mortgage loans, we make various representations and warranties concerning such loans that, if breached, require us to repurchase such loans or indemnify the purchaser of such loans for actual losses incurred in respect of such loans. These representations and warranties vary based on the nature of the transaction and the purchaser's or insurer's requirements but generally pertain to the ownership of the mortgage loan, the real property securing the loan and compliance with applicable laws and applicable lender and government-sponsored entity underwriting guidelines in connection with the origination of the loan. The aggregate unpaid principal balance of loans sold or serviced by us represents the maximum potential exposure related to loan repurchase and indemnification claims, including claims for breach of representation and warranty provisions. Due, in part, to recent increased mortgage payment delinquency rates and declining housing prices, we have experienced, and may in the future continue to experience, an increase in loan repurchase and indemnification claims due to actual or alleged breaches of representations and warranties in connection with the sale or servicing of mortgage loans. The estimation of our loan repurchase and indemnification liability is subjective and based upon our projections of the incidence of loan repurchase and indemnification claims, as well as loss severities. Given these trends, losses incurred in connection with such actual or projected loan repurchase and indemnification claims may be in excess of our financial statement reserves, and we may be required to increase such reserves and may sustain additional losses associated with such loan repurchase and indemnification claims in the future. Accordingly, increases to our reserves and losses incurred by us in connection with actual loan repurchases and indemnification payments in excess of our reserves could have a material adverse effect on our business, financial position, results of operations or cash flows.

Additionally, some of our counterparties from whom we have purchased mortgage loans or mortgage servicing rights and from whom we may seek indemnification or against whom we may assert a loan repurchase demand in connection with a breach of a representation or warranty are highly leveraged and have been adversely affected by the recent economic decline in the United States, including the pronounced downturn in the debt and equity capital markets and the U.S. housing market, and unprecedented levels of credit market volatility. As a result, we are exposed to counterparty risk in the event of non-performance by counterparties to our various contracts, including, without limitation, as a result of the rejection of an agreement or transaction in bankruptcy proceedings, which could result in substantial losses for which we may not have insurance coverage.

The fair values of a substantial portion of our assets are determined based upon significant estimates and assumptions made by our management. As a result, there could be material uncertainty about the fair value of such assets that, if subsequently proven incorrect or inaccurate, could have a material adverse effect on our business, financial position, results of operations or cash flows.

A substantial portion of our assets are recorded at fair value based upon significant estimates and assumptions with changes in fair value included in our consolidated results of operations. The determination of the fair value of such assets, including our mortgage loans held for sale, interest rate lock commitments and mortgage servicing rights, involves numerous estimates and assumptions made by our management. Such estimates and assumptions include, without limitation, estimates of future cash flows associated with our mortgage servicing rights based upon assumptions involving interest rates as well as the prepayment rates and delinquencies and foreclosure rates of the underlying serviced mortgage loans.

As of September 30, 2011, 47% of our total assets were measured at fair value on a recurring basis, and 1% of our total liabilities were measured at fair value on a recurring basis. As of September 30, 2011, approximately 67% of our assets and liabilities measured at fair value were valued using primarily observable inputs and were categorized within Level Two of the valuation hierarchy. Our assets and liabilities categorized within Level Two of the valuation hierarchy are comprised of the majority of our mortgage loans held for sale and derivative assets and liabilities. As of September 30, 2011, approximately 33% of our assets and liabilities measured at fair value were valued using significant unobservable inputs and were categorized within Level Three of the valuation hierarchy. Approximately 81% of our assets and liabilities categorized within Level Three of the valuation hierarchy are comprised of our mortgage servicing rights.

The ultimate realization of the value of our assets that are measured at fair value on a recurring basis may be materially different than the fair values of such assets as reflected in our consolidated statement of financial position as of any particular date. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values for such assets, which could have a material adverse effect on our consolidated financial position, results of operations or cash flows. Accordingly, there may be material uncertainty about the fair value of a substantial portion of our assets.

We may be unable to fully or successfully execute or implement our business strategies or achieve our objectives, including our transformation initiatives and goals, and we may be unable to effectively manage the inherent risks of our businesses, including market, credit, operational, and legal and compliance risks, any failure of which could have a material adverse effect on our business, financial position, results of operations or cash flows.

The businesses in which we engage are complex and heavily regulated and we are exposed to various market, credit, operational and legal and compliance risks. Due, in part, to these regulatory constraints and risks, we may be unable to fully or successfully execute or implement our business strategies or achieve our objectives, including our transformation initiatives and goals, and we may be unable to effectively manage the inherent risks of our businesses, including market, credit, operational,

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and legal and compliance risks, any failure of which could have a material adverse effect on our business, financial position, results of operations or cash flows.

In 2009, after assessing our cost structure and processes, we initiated a transformation effort directed towards creating greater operational efficiencies, improving scalability of our operating platforms and reducing our operating expenses. This effort involves evaluating and improving operational and administrative processes, eliminating inefficiencies and targeting areas of the market where we can leverage our competitive strengths. We may be unable to fully or successfully execute or implement our transformation initiatives and objectives, in whole or in part, and, if we are successful, there can be no assurances that we can implement these initiatives in a cost efficient manner or that these initiatives will have the impact that we intend on our business activities and results of operations. Our inability to achieve the goals targeted by our transformation efforts, or to implement and execute these initiatives within the timeframe we have projected, could result in us not achieving our stated goals.

A failure in or breach of our technology infrastructure or information protection programs, or those of our outsource providers, could result in the inadvertent disclosure of the confidential personal information of our customers, as well as the confidential personal information of the employees and customers of our clients. Any such failure or breach could have a material and adverse effect on our business, reputation, results of operations, financial position or cash flows.

Our business model and our reputation as a service provider to our clients are dependent upon our ability to safeguard the confidential personal information of our customers, as well as the confidential personal information of the employees and customers of our clients. Although we have put in place a comprehensive information security program that we monitor and update as needed, security breaches could occur through intentional or unintentional acts by individuals having authorized or unauthorized access to confidential information of our customers or the employees or customers of our clients which could potentially compromise confidential information processed and stored in or transmitted through our technology infrastructure.

A failure in or breach of the security of our information systems, or those of our outsource providers, could result in significant damage to our reputation or the reputation of our clients, could negatively impact our ability to attract or retain clients and could result in increased costs attributable to related litigation or regulatory actions, claims for indemnification, higher insurance premiums and remediation activities, the result of any of which could have a material and adverse effect on our business, reputation, results of operations, financial position, or cash flows.

Risks Related to the Notes

We have significant outstanding indebtedness that involves significant debt service obligations, limits our operational and financial flexibility, exposes us to interest rate fluctuations and exposes us to the risk of default under our debt obligations.

As of September 30, 2011, after giving pro forma effect to the offering of the additional notes and the use of proceeds, including the repayment at or prior to maturity of all our outstanding 2012 Convertible Notes and borrowings under our Amended Credit Facility in connection with such repayment, the aggregate amount of outstanding unsecured unsubordinated indebtedness to which the additional notes will rank equally was approximately $1.1 billion, and PHH had no secured indebtedness but its subsidiaries had approximately $6.6 billion of liabilities to which the additional notes would have been structurally subordinated. We may incur additional debt for various purposes, including, without limitation, to fund future acquisition and development activities and operational needs. Our outstanding indebtedness, and the limitations imposed on us by our debt agreements, could have significant adverse consequences, including the following:

- make it more difficult for us to satisfy our obligations with respect to the notes;

- limit our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements, or to carry out other aspects of our business plan;

- limit our ability to refinance our indebtedness at maturity or impose refinancing terms that may be less favorable than the terms of the original indebtedness;

- require us to dedicate a substantial portion of our cash flow from operations to payments on indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures and other general corporate requirements;

- cause us to violate restrictive covenants in our loan documents, which would entitle our lenders to accelerate our debt obligations;

- cause us to default on our obligations, causing lenders to foreclose on the assets that secure their loans;

- force us to dispose of one or more of assets, possibly on unfavorable terms or in violation of certain covenants that we may be subject to;

- expose us to fluctuations in interest rates, to the extent our borrowings bear variable interest rates; and

- limit our ability to make material acquisitions or take advantage of business opportunities that may arise and limiting flexibility in planning for, or reacting to, changes in our business and industry, thereby limiting our ability to compete effectively or operate successfully.

If any one of these events were to occur, our operations and financial condition would be materially adversely affected.

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing or any future funding sources or otherwise, in an amount sufficient to enable us to meet our payment obligations under the notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to meet our debt obligations, we may need to refinance or restructure our debt, including the notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. Further, as of September 30, 2011, approximately $1.0 billion of PHH's outstanding indebtedness and $5.2 billion aggregate principal amount of its subsidiaries' outstanding indebtedness had a stated maturity prior to the maturity date of the notes. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the notes and our other debt and other obligations.

Restrictive covenants in the Indenture may limit our current and future operations, particularly our ability to respond to changes in our business or to pursue our business strategies.

The Indenture governing the notes contains, and any future indebtedness of ours may contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to take actions that we believe may be in our interest. The Indenture, among other things, limits our ability to:

- pay dividends and make distributions on account of, or repurchase, our capital stock;

- create liens on assets;

incur subsidiary debt; and

consolidate, merge or sell our assets.

Additionally, the Indenture governing the notes requires us to maintain a debt to tangible equity ratio not greater than 8.5 to 1.

Despite our current indebtedness levels, we may incur substantially more debt including secured debt and subsidiary debt. This could exacerbate further the risks associated with our substantial leverage.

In the future, we may incur substantial additional indebtedness, including additional secured indebtedness and subsidiary indebtedness to which the notes would be effectively subordinated. The Indenture limits the amount of additional debt, secured debt and debt of our subsidiaries that may be incurred, but these limits are subject to significant exceptions and do not limit liabilities that do not constitute debt. See "Description of Notes." To the extent that we incur additional indebtedness or such other obligations, the risk associated with substantial additional indebtedness described above, including our possible inability to service our debt, will increase.

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

Initially, the additional notes will not be guaranteed by any of our subsidiaries and are exclusively our obligations. We are a holding company and, accordingly, substantially all of our operations are conducted through our subsidiaries. As a result, our cash flow and our ability to service our debt, including the additional notes, depends upon the earnings of our subsidiaries. In addition, we depend on the distribution of earnings, loans or other payments by our subsidiaries to us.

Our subsidiaries are separate and distinct legal entities. Initially, our subsidiaries will have no obligation to pay any amounts due on the additional notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Many of our subsidiaries (including certain consolidated partnerships, trusts and other non-corporate entities) are subject to restrictions on their ability to pay dividends or otherwise transfer funds to other consolidated subsidiaries and, ultimately, to us. These restrictions relate to loan agreements applicable to certain of our asset-backed debt arrangements and to regulatory restrictions applicable to the equity of our insurance subsidiary, Atrium Reinsurance Corporation. The aggregate restricted net assets of these subsidiaries totaled approximately $1.1 billion as of September 30, 2011. Further, the agreements governing certain of our repurchase facilities provide that in the event of an event of default or termination event, as the case may be, we or certain of our mortgage subsidiaries, including PHH Mortgage and PHH Home Loans, may be prohibited from making dividends or for any dividend paid an equal dollar amount must be remitted to the lender and applied against outstanding borrowings. In addition, future debt arrangements that we or our subsidiaries enter into may contain additional restrictions on the ability of our subsidiaries to pay dividends or otherwise transfer funds to us. The Indenture governing the notes contains no limits on such restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the additional notes to participate in those assets, will be structurally subordinated to the claims of that subsidiary's creditors, including trade creditors.

As of September 30, 2011, our subsidiaries had approximately $6.6 billion of liabilities to which the additional notes would have been structurally subordinated. In the future, we may incur additional subsidiary indebtedness to which the additional notes would be structurally subordinated.

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We may not have the ability to raise the funds necessary to finance the change of control offer required by the Indenture.

Upon the occurrence of certain change of control events, we will be required to offer to repurchase all outstanding notes at a price equal to 101% of the principal amount of the notes, together with accrued and unpaid interest, if any, to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of the notes, especially if the change of control also requires us to offer to repurchase our outstanding convertible notes pursuant to the terms of such convertible notes. Additionally, the Amended Credit Facility provides, and our future indebtedness may provide, that the occurrence of certain change of control events with respect to us would constitute a default thereunder permitting the lenders to accelerate all amounts outstanding. Moreover, our Amended Credit Facility restricts, and our future indebtedness may restrict, our ability to prepay or redeem the notes, including pursuant to a change of control offer. In the event a change of control occurs, we could seek the consent of the lenders under our Amended Credit Facility to the change of control or the repurchase of the notes, or could attempt to refinance our Amended Credit Facility, but there is no guarantee that such efforts would be successful. Further, our convertible notes require us to offer to repurchase such convertible notes upon certain change of control events. The exercise by the holders of their right to require us to purchase the notes could cause a default under our other debt arrangements, even if the change of control itself does not, due to the financial effect of the purchase on us.

One of the circumstances under which a change of control may occur is upon the sale, conveyance, transfer or other disposition of all or substantially all of our assets. The phrase "all or substantially all," as used with respect to our assets, is subject to interpretation under applicable state law, and its applicability in a given instance would depend upon the facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale, conveyance, transfer, or other disposition of "all or substantially all" of our assets has occurred in a particular instance, in which case a holder's ability to obtain the benefit of these provisions, or other provisions in the Indenture using the same phrasing, could be unclear.

If an active trading market for the notes does not exist, you may not be able to sell the additional notes readily or at all or at or above the price that you paid.

We do not intend to apply for the notes to be listed on any securities exchange or to arrange for quotation on any automated dealer quotation system. The underwriters have advised us that they intend to make a market in the notes, but they are not obligated to do so and may discontinue any market making in the notes at any time, in their sole discretion. You may not be able to sell your additional notes at a particular time or at favorable prices. As a result, we cannot assure you as to the liquidity of any trading market for the notes. Accordingly, you may be required to bear the financial risk of your investment in the additional notes indefinitely. If an active trading market were to exist, future trading prices of the notes may be volatile and will depend on many factors, including:

- our operating performance and financial condition;
- the interest of securities dealers in making a market for the notes; and
- the market for similar securities.

The additional notes will share voting power with the initial notes.

The additional notes will be fungible with $350,000,000 aggregate principal amount of the initial notes. Upon completion of this offering, the aggregate principal amount of outstanding notes will be $450,000,000. Accordingly, the $100,000,000 aggregate principal amount of additional notes will carry only 22.22% of the total voting power of the notes.

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USE OF PROCEEDS

We estimate the net proceeds from the issuance and sale of the additional notes offered hereby, after deducting underwriting discounts and estimated offering expenses but excluding accrued interest, will be approximately $96.3 million. We intend to use the net proceeds from this offering, along with cash on hand and borrowings under our Amended Credit Facility, to repay at or prior to maturity the outstanding aggregate principal amount of our 2012 Convertible Notes. As of September 30, 2011, there was $250.0 million aggregate principal amount of our 2012 Convertible Notes outstanding. We will continue to pay regularly scheduled interest, which accrues at an annual rate of 4%, on our 2012 Convertible Notes until they are repaid at or prior to maturity. Pending such use, the proceeds may be used to temporarily repay outstanding borrowings under our Amended Credit Facility, originate mortgage loans or may be invested temporarily in short-term interest-bearing investment funds or similar assets.

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