UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2020

OR

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

For the transition period from to

Commission File Number: 1-34354

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
(Exact name of registrant as specified in its Charter)

Luxembourg	**98-0554932**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

40, avenue Monterey
L-2163 Luxembourg
Grand Duchy of Luxembourg
(Address of principal executive offices)

(352) 24 69 79 00
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $1.00 par value	ASPS	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer ☐	Accelerated filer ☑
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of July 31, 2020, there were 15,631,557 outstanding shares of the registrant's common stock (excluding 9,781,191 shares held as treasury stock).

Table of Contents

ALTISOURCE PORTFOLIO SOLUTIONS S.A.

FORM 10-Q

PART I — FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements (Unaudited)

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,177	$ 82,741
Investment in equity securities	30,047	42,618
Accounts receivable, net	35,337	43,615
Prepaid expenses and other current assets	14,157	15,214
Total current assets	147,718	184,188
Premises and equipment, net	18,661	24,526
Right-of-use assets under operating leases, net	22,843	29,074
Goodwill	73,849	73,849
Intangible assets, net	53,997	61,046
Other assets	11,281	12,436
Total assets	$ 328,349	$ 385,119
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 61,406	$ 67,671
Deferred revenue	5,203	5,183
Other current liabilities	11,991	14,724
Total current liabilities	78,600	87,578
Long-term debt	288,581	287,882
Other non-current liabilities	26,018	31,016
Commitments, contingencies and regulatory matters (Note 24)		
Equity (deficit):		
Common stock ($1.00 par value; 100,000 shares authorized, 25,413 issued and 15,629 outstanding as of June 30, 2020; 15,454 outstanding as of December 31, 2019)	25,413	25,413
Additional paid-in capital	138,493	133,669
Retained earnings	213,023	272,026
Treasury stock, at cost (9,784 shares as of June 30, 2020 and 9,959 shares as of December 31, 2019)	(443,059)	(453,934)
Altisource deficit	(66,130)	(22,826)
Non-controlling interests	1,280	1,469
Total deficit	(64,850)	(21,357)
Total liabilities and deficit	$ 328,349	$ 385,119

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share data)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Revenue	$ 95,342	$ 196,535	$ 216,786	$ 366,470
Cost of revenue	82,628	152,714	177,209	276,929
Gross profit	12,714	43,821	39,577	89,541
Operating expenses:				
Selling, general and administrative expenses	24,701	36,516	52,794	78,442
Restructuring charges	5,769	1,899	8,694	6,319
(Loss) income from operations	(17,756)	5,406	(21,911)	4,780
Other income (expense), net				
Interest expense	(4,446)	(5,812)	(9,162)	(11,764)
Unrealized (loss) gain on investment in equity securities	(11,224)	11,787	(12,571)	14,025
Other (expense) income, net	(321)	528	773	902
Total other income (expense), net	(15,991)	6,503	(20,960)	3,163
(Loss) income before income taxes and non-controlling interests	(33,747)	11,909	(42,871)	7,943
Income tax provision	(1,117)	(16,513)	(3,538)	(15,291)
Net loss	(34,864)	(4,604)	(46,409)	(7,348)
Net income attributable to non-controlling interests	(197)	(1,240)	(302)	(1,680)
Net loss attributable to Altisource	$ (35,061)	$ (5,844)	$ (46,711)	$ (9,028)
Loss per share:				
Basic	$ (2.25)	$ (0.36)	$ (3.00)	$ (0.56)
Diluted	$ (2.25)	$ (0.36)	$ (3.00)	$ (0.56)
Weighted average shares outstanding:				
Basic	15,601	16,214	15,549	16,253
Diluted	15,601	16,214	15,549	16,253
Comprehensive loss:				
Comprehensive loss, net of tax	$ (34,864)	$ (4,604)	$ (46,409)	$ (7,348)
Comprehensive income attributable to non-controlling interests	(197)	(1,240)	(302)	(1,680)
Comprehensive loss attributable to Altisource	$ (35,061)	$ (5,844)	$ (46,711)	$ (9,028)

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)

	Altisource Equity (Deficit)						
	Common stock		Additional paid-in capital	Retained earnings	Treasury stock, at cost	Non-controlling interests	Total
	Shares						
Balance, December 31, 2018	25,413	$ 25,413	$ 122,667	$ 590,655	$ (443,304)	$ 1,237	$ 296,668
Net loss	—	—	—	(3,184)	—	440	(2,744)
Distributions to non-controlling interest holders	—	—	—	—	—	(620)	(620)
Share-based compensation expense	—	—	2,621	—	—	—	2,621
Exercise of stock options and issuance of restricted share units and restricted shares	—	—	—	(1,549)	1,577	—	28
Treasury shares withheld for the payment of tax on restricted share unit and restricted share issuances	—	—	—	(1,163)	578	—	(585)
Balance, March 31, 2019	25,413	25,413	125,288	584,759	(441,149)	1,057	295,368
Net loss	—	—	—	(5,844)	—	1,240	(4,604)
Distributions to non-controlling interest holders	—	—	—	—	—	(518)	(518)
Share-based compensation expense	—	—	2,832	—	—	—	2,832
Exercise of stock options and issuance of restricted share units and restricted shares	—	—	—	(3,473)	3,680	—	207
Treasury shares withheld for the payment of tax on restricted share unit and restricted share issuances	—	—	—	(1,402)	689	—	(713)
Repurchase of shares	—	—	—	—	(6,700)	—	(6,700)
Balance, June 30, 2019	25,413	$ 25,413	$ 128,120	$ 574,040	$ (443,480)	$ 1,779	$ 285,872
Balance, December 31, 2019	25,413	$ 25,413	$ 133,669	$ 272,026	$ (453,934)	$ 1,469	$ (21,357)
Net loss	—	—	—	(11,650)	—	105	(11,545)
Distributions to non-controlling interest holders	—	—	—	—	—	(311)	(311)
Share-based compensation expense	—	—	2,894	—	—	—	2,894
Issuance of restricted share units and restricted shares	—	—	—	(4,796)	4,796	—	—
Treasury shares withheld for the payment of tax on restricted share unit and restricted share issuances	—	—	—	(3,114)	1,909	—	(1,205)
Balance, March 31, 2020	25,413	25,413	136,563	252,466	(447,229)	1,263	(31,524)
Net loss	—	—	—	(35,061)	—	197	(34,864)
Distributions to non-controlling interest holders	—	—	—	—	—	(180)	(180)
Share-based compensation expense	—	—	1,930	—	—	—	1,930
Issuance of restricted share units and restricted shares	—	—	—	(3,177)	3,177	—	—
Treasury shares withheld for the payment of tax on restricted share unit and restricted share issuances	—	—	—	(1,205)	993	—	(212)
Balance, June 30, 2020	25,413	$ 25,413	$ 138,493	$ 213,023	$ (443,059)	$ 1,280	$ (64,850)

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six months ended June 30, 2020	Six months ended June 30, 2019
Cash flows from operating activities:		
Net loss	$ (46,409)	$ (7,348)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	7,701	10,522
Amortization of right-of-use assets under operating leases	5,474	6,793
Amortization of intangible assets	7,049	12,191
Unrealized loss (gain) on investment in equity securities	12,571	(14,025)
Share-based compensation expense	4,824	5,453
Bad debt expense	1,066	131
Amortization of debt discount	333	327
Amortization of debt issuance costs	366	363
Deferred income taxes	261	15,846
Loss on disposal of fixed assets	99	908
Changes in operating assets and liabilities:		
Accounts receivable	7,212	(15,789)
Short-term investments in real estate	—	39,459
Prepaid expenses and other current assets	1,057	5,239
Other assets	868	(511)
Accounts payable and accrued expenses	(6,734)	(16,587)
Current and non-current operating lease liabilities	(6,024)	(6,734)
Other current and non-current liabilities	(930)	(3,082)
Net cash (used in) provided by operating activities	(11,216)	33,156
Cash flows from investing activities:		
Additions to premises and equipment	(1,466)	(934)
Proceeds received from sale of equity securities	—	6,476
Other	—	1,087
Net cash (used in) provided by investing activities	(1,466)	6,629
Cash flows from financing activities:		
Repayments and repurchases of long-term debt	—	(5,810)
Proceeds from stock option exercises	—	235
Purchase of treasury shares	—	(6,700)
Distributions to non-controlling interests	(491)	(1,138)
Payments of tax withholding on issuance of restricted share units and restricted shares	(1,417)	(1,298)
Net cash used in financing activities	(1,908)	(14,711)
Net (decrease) increase in cash, cash equivalents and restricted cash	(14,590)	25,074
Cash, cash equivalents and restricted cash at the beginning of the period	86,583	64,046
Cash, cash equivalents and restricted cash at the end of the period	$ 71,993	$ 89,120
Supplemental cash flow information:		
Interest paid	$ 8,463	$ 11,279
Income taxes received, net	(944)	(27)
Acquisition of right-of-use assets with operating lease liabilities	958	6,200
Reduction of right-of-use assets from operating lease modifications or reassessments	(1,715)	(3,409)
Non-cash investing and financing activities:		
Net increase (decrease) in payables for purchases of premises and equipment	$ 469	$ (25)

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

Description of Business

Altisource Portfolio Solutions S.A., together with its subsidiaries (which may be referred to as "Altisource," the "Company," "we," "us" or "our"), is an integrated service provider and marketplace for the real estate and mortgage industries. Combining operational excellence with a suite of innovative services and technologies, Altisource helps solve the demands of the ever-changing markets we serve.

We are publicly traded on the NASDAQ Global Select Market under the symbol "ASPS." We are organized under the laws of the Grand Duchy of Luxembourg.

Basis of Accounting and Presentation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission ("SEC") Regulation S-X. Accordingly, these financial statements do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, the interim data includes all normal recurring adjustments considered necessary to fairly state the results for the interim periods presented. The preparation of interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our interim condensed consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Intercompany transactions and accounts have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

Altisource consolidates Best Partners Mortgage Cooperative, Inc., which is managed by The Mortgage Partnership of America, L.L.C. ("MPA"), a wholly-owned subsidiary of Altisource. Best Partners Mortgage Cooperative, Inc. is a mortgage cooperative doing business as Lenders One® ("Lenders One"). MPA provides services to Lenders One under a management agreement that ends on December 31, 2025 (with renewals for three successive five-year periods at MPA's option).

The management agreement between MPA and Lenders One, pursuant to which MPA is the management company, represents a variable interest in a variable interest entity. MPA is the primary beneficiary of Lenders One as it has the power to direct the activities that most significantly impact the cooperative's economic performance and the right to receive benefits from the cooperative. As a result, Lenders One is presented in the accompanying condensed consolidated financial statements on a consolidated basis and the interests of the members are reflected as non-controlling interests. As of June 30, 2020, Lenders One had total assets of $2.4 million and total liabilities of $0.6 million. As of December 31, 2019, Lenders One had total assets of $1.6 million and total liabilities of $0.3 million.

In 2019, Altisource created Pointillist, Inc. ("Pointillist") and contributed the Pointillist® customer journey analytics business and $8.5 million to it. Pointillist is owned by Altisource and management of Pointillist. Management of Pointillist owns a non-controlling interest representing 12.1% of the outstanding equity of Pointillist. Additional equity shares of Pointillist are available for issuance to management and board members of Pointillist. Altisource has no ongoing obligation to provide future funding to Pointillist. Pointillist is presented in the accompanying condensed consolidated financial statements on a consolidated basis and the portion of Pointillist owned by Pointillist management is reported as non-controlling interests.

These interim condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on March 5, 2020.

Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1 — Quoted prices in active markets for identical assets and liabilities
Level 2 — Observable inputs other than quoted prices included in Level 1
Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities

Financial assets and financial liabilities are classified based on the lowest level of input that is significant to the fair value measurements. Our assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* This standard simplified the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Prior guidance required that companies compute the implied fair value of goodwill under Step 2 by performing procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. This standard requires companies to perform annual or interim goodwill impairment tests by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company adopted this standard effective January 1, 2020 and is applied prospectively. Adoption of this new standard did not have any impact on the Company’s condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This standard modified certain disclosure requirements such as the valuation processes for Level 3 fair value measurements. This standard also requires new disclosures such as the disclosure of certain assumptions used to develop significant unobservable inputs for Level 3 fair value measurements. The Company adopted this standard effective January 1, 2020 and is applied prospectively. Adoption of this new standard did not have any impact on the Company’s condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*. This standard aligns the requirements for capitalizing implementation costs in a hosting arrangement service contract with the existing guidance for capitalizing implementation costs incurred for an internal-use software license. This standard also requires capitalizing or expensing implementation costs based on the nature of the costs and the project stage during which they are incurred and establishes additional disclosure requirements. The Company adopted this standard effective January 1, 2020 and is applied prospectively. Adoption of this new standard did not have any impact on the Company’s condensed consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This standard is part of the FASB’s initiative to reduce complexity in accounting standards by instituting several simplifying provisions and removing several exceptions pertaining to income tax accounting. This standard will be effective for annual periods beginning after December 15, 2020, including interim periods within that reporting period. Early adoption of this standard is permitted. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This standard applies only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. This standard provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting, in response to concerns about structural risks of interbank offered rates, and, particularly, the risk of cessation of LIBOR. This standard is effective from the period from March 12, 2020 through December 31, 2022. An entity may elect to apply the amendments for contract modifications as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a topic or an industry subtopic, the standard must be applied prospectively for all eligible contract modifications for that topic or industry subtopic. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

NOTE 2 — CUSTOMER CONCENTRATION

Ocwen

Ocwen Financial Corporation (together with its subsidiaries, "Ocwen") is a residential mortgage loan servicer of mortgage servicing rights ("MSRs") it owns, including those MSRs in which others have an economic interest, and a subservicer of MSRs owned by others.

During the three and six months ended June 30, 2020, Ocwen was our largest customer, accounting for 61% of our total revenue for the six months ended June 30, 2020 (60% of our revenue for the second quarter of 2020). Ocwen purchases certain mortgage services from us under the terms of services agreements and amendments thereto (collectively, the "Ocwen Services Agreements") with terms extending through August 2025. Certain of the Ocwen Services Agreements contain a "most favored nation" provision and also grant the parties the right to renegotiate pricing, among other things.

In February 2019, Altisource and Ocwen entered into agreements that, among other things, facilitated Ocwen's transition from REALServicing and related technologies to another mortgage servicing software platform, establish a process for Ocwen to review and approve the assignment of one or more of our agreements to potential buyers of Altisource's business lines, requiring Ocwen to use Altisource as service provider for certain service referrals totaling an amount equal to 100% of the applicable service referrals on certain portfolios plus an amount equal to not less than 90% of applicable service referrals from certain other portfolios (determined on a service by service basis), subject to certain additional restrictions and limitations, and affirm Altisource's role as a strategic service provider to Ocwen through August 2025. In connection with these agreements, Altisource expressly preserved and did not waive any of its existing contractual rights relating to service referrals, other than with respect to Ocwen transitioning from the REALServicing and related technologies. If Altisource fails certain performance standards for specified periods of time, then Ocwen may terminate Altisource as a provider for the applicable service(s), subject to certain limitations and Altisource's right to cure. Ocwen's transition to another mortgage servicing platform was completed during 2019.

Revenue from Ocwen primarily consists of revenue earned from the loan portfolios serviced and subserviced by Ocwen when Ocwen engages us as the service provider, and revenue earned directly from Ocwen, pursuant to the Ocwen Services Agreements. For the six months ended June 30, 2020 and 2019, we recognized revenue from Ocwen of $131.6 million and $185.2 million, respectively ($57.4 million and $87.0 million for the second quarter of 2020 and 2019, respectively). Revenue from Ocwen as a percentage of consolidated revenue was 61% and 51% for the six months ended June 30, 2020 and 2019, respectively (60% and 44% for the second quarter of 2020 and 2019, respectively).

We earn additional revenue related to the portfolios serviced and subserviced by Ocwen when a party other than Ocwen or the MSR owner selects Altisource as the service provider. For the six months ended June 30, 2020 and 2019, we recognized revenue of $12.8 million and $20.3 million, respectively ($5.0 million and $9.2 million for the second quarter of 2020 and 2019, respectively), related to the portfolios serviced by Ocwen when a party other than Ocwen or the MSR owner selected Altisource as the service provider. These amounts are not included in deriving revenue from Ocwen and revenue from Ocwen as a percentage of revenue discussed above.

During the second quarter of 2020, Ocwen informed us that an investor had instructed Ocwen to use a field services provider other than Altisource on properties associated with certain MSRs. They indicated that they were instructed to begin the transition in July 2020, and that the transition should be completed in a few months. We believe Ocwen commenced using another field services provider for these properties in July 2020. Based upon the impacted portfolios to date and the designated service provider, Altisource believes that Ocwen received these directions from NRZ, but Ocwen has not confirmed this belief. The timing to complete the transition to the replacement field service provider has not been defined, but we anticipate that there will be an impact to revenue and earnings from the transfer of field services that may be material in future periods. We estimate that $58.2 million and

$77.5 million of service revenue from Ocwen for the six months ended June 30, 2020 and 2019, respectively ($27.4 million and $35.1 million for the second quarter of 2020 and 2019, respectively) was derived from Field Services referrals from the NRZ owned portfolios. Without providing the timing or specific services impacted, Ocwen also communicated to Altisource that the same investor plans to direct them to transition certain other default related service referrals to other providers. We estimate that revenue from these certain other default related services represented approximately $20.6 million and $22.5 million of service revenue from Ocwen for the six months ended June 30, 2020 and 2019, respectively ($9.0 million and $10.5 million for the second quarter of 2020 and 2019, respectively). Altisource believes that any action taken by Ocwen to redirect these service referrals breaches Altisource's agreement with Ocwen. We are currently in discussions with Ocwen to address this matter, and have reserved all of our rights with respect to this matter.

To address the potential reduction in revenue, Altisource is taking additional measures to reduce its cost structure and strengthen its operations.

As of June 30, 2020, accounts receivable from Ocwen totaled $16.3 million, $14.7 million of which was billed and $1.6 million of which was unbilled. As of December 31, 2019, accounts receivable from Ocwen totaled $19.1 million, $15.7 million of which was billed and $3.4 million of which was unbilled.

NRZ

New Residential Investment Corp. (individually, together with one or more of its subsidiaries or one or more of its subsidiaries individually, "NRZ") is a real estate investment trust that invests in and manages investments primarily related to residential real estate, including MSRs and excess MSRs.

Ocwen has disclosed that NRZ is its largest client. As of June 30, 2020, NRZ owned MSRs or rights to MSRs relating to approximately 53% of loans serviced and subserviced by Ocwen (measured in unpaid principal balance ("UPB")). In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to certain of its MSRs (the "Subject MSRs") and under which Ocwen will subservice mortgage loans underlying the MSRs for an initial term of five years, subject to early termination rights.

On August 28, 2017, Altisource, through its licensed subsidiaries, entered into a Cooperative Brokerage Agreement, as amended, and related letter agreement (collectively, the "Brokerage Agreement") with NRZ which extends through August 2025. Under this agreement and related amendments, Altisource remains the exclusive provider of brokerage services for real estate owned ("REO") associated with the Subject MSRs, irrespective of the subservicer, subject to certain limitations. NRZ's brokerage subsidiary receives a cooperative brokerage commission on the sale of REO properties from these portfolios subject to certain exceptions.

The Brokerage Agreement may be terminated by NRZ upon the occurrence of certain specified events. Termination events include, but are not limited to, a breach of the terms of the Brokerage Agreement (including, without limitation, the failure to meet performance standards and non-compliance with law in a material respect), the failure to maintain licenses which failure materially prevents performance of the contract, regulatory allegations of non-compliance resulting in an adversarial proceeding against NRZ, voluntary or involuntary bankruptcy, appointment of a receiver, disclosure in a Form 10-K or Form 10-Q that there is significant uncertainty about Altisource's ability to continue as a going concern, failure to maintain a specified level of cash and an unapproved change of control.

For the six months ended June 30, 2020 and 2019, we recognized revenue from NRZ of $4.6 million and $7.0 million, respectively ($1.9 million and $3.0 million for the second quarter of 2020 and 2019, respectively), under the Brokerage Agreement. For the six months ended June 30, 2020 and 2019, we recognized additional revenue of $19.1 million and $34.1 million, respectively ($7.1 million and $16.4 million for the second quarter of 2020 and 2019, respectively), relating to the Subject MSRs when a party other than NRZ selects Altisource as the service provider.

NOTE 3 — SALE OF THE FINANCIAL SERVICES BUSINESS

On July 1, 2019, Altisource sold its Financial Services business, consisting of its post-charge-off consumer debt and mortgage charge-off collection services and customer relationship management services (the "Financial Services Business") to Transworld Systems Inc. ("TSI") for $44.0 million consisting of an up-front payment of $40.0 million, subject to a working capital adjustment (finalized during 2019) and transaction costs upon closing of the sale, and an additional $4.0 million payment on the one year anniversary of the sale closing, which was received on July 1, 2020. The parties also entered into a transition services agreement to provide for the management and orderly transition of certain services and technologies to TSI for periods ranging from 2 months to 13 months, subject to additional 3 month extensions. These services include support for information technology systems and infrastructure, facilities management, finance, compliance and human resources functions and are charged to TSI on a fixed fee or hourly basis. As of July 1, 2020, nearly all of the transition services and technologies have been fully transitioned to TSI.

NOTE 4 — INVESTMENT IN EQUITY SECURITIES

During 2016, we purchased 4.1 million shares of Front Yard Residential Corporation ("RESI") common stock. This investment is reflected in the accompanying condensed consolidated balance sheets at fair value and changes in fair value are included in other income (expense), net in the accompanying condensed consolidated statements of operations and comprehensive loss. As of June 30, 2020 and December 31, 2019, we held 3.5 million shares of RESI common stock. As of June 30, 2020 and December 31, 2019, the fair value of our investment was $30.0 million and $42.6 million, respectively. During the six months ended June 30, 2020 and 2019, we recognized an unrealized (loss) gain from the change in fair value of $(12.6) million and $14.0 million, respectively ($(11.2) million and $11.8 million for the second quarter of 2020 and 2019, respectively). The unrealized gains for the three and six months ended June 30, 2019 included $1.2 million and $1.5 million, respectively, of net gains recognized on RESI shares sold during the second quarter of 2019. During the six months ended June 30, 2020 and 2019, we earned dividends of $0.5 million and $1.2 million, respectively (no comparative amount for the second quarter of 2020 and $0.5 million for the second quarter of 2019), related to this investment.

In May 2019, the Company began selling its investment in RESI common stock. During the three and six months ended June 30, 2019, the Company sold 0.6 million shares for net proceeds of approximately $6.5 million (no comparative amount for the three and six months ended June 30, 2020). As required by the senior secured term loan agreement, the Company used the net proceeds to repay a portion of its senior secured term loan.

On February 17, 2020, RESI entered into a merger agreement to be acquired by affiliates of Amherst Single Family Residential Partners VI, LP ("Amherst") for $12.50 in cash per share. On May 4, 2020, RESI announced the termination of the merger agreement.

NOTE 5 — ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

(in thousands)	June 30, 2020	December 31, 2019
Billed	$ 30,850	$ 35,921
Unbilled	9,800	12,166
	40,650	48,087
Less: Allowance for credit losses	(5,313)	(4,472)
Total	$ 35,337	$ 43,615

Unbilled accounts receivable consist primarily of certain real estate asset management, REO sales, title and closing services for which we generally recognize revenue when the service is provided but collect upon closing of the sale, and foreclosure trustee services, for which we generally recognize revenues over the service delivery period but bill following completion of the service. We also include amounts in unbilled accounts receivable that are earned during a month and billed in the following month.

NOTE 6 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

(in thousands)	June 30, 2020	December 31, 2019
Income taxes receivable	$ 2,572	$ 5,098
Maintenance agreements, current portion	1,340	1,923
Prepaid expenses	5,439	3,924
Other current assets	4,806	4,269
Total	$ 14,157	$ 15,214

NOTE 7 — DISCONTINUATION OF LINES OF BUSINESS

Owners.com

In October 2019, the Company announced its plans to wind down and close the Owners.com business, which was completed by December 31, 2019. Owners.com was a technology-enabled real estate brokerage and provider of related mortgage brokerage and title services. Owners.com was not material in relation to the Company's results of operations or financial position. Wind down expenses were included in the Project Catalyst restructuring charges (see Note 23).

Buy-Renovate-Lease-Sell

On November 26, 2018, the Company announced its plans to sell its short-term investments in real estate ("BRS Inventory") and discontinue the Company's Buy-Renovate-Lease-Sell ("BRS") business. Altisource's BRS business focused on buying, renovating, leasing and selling single-family homes to real estate investors. The BRS business was not material in relation to the Company's results of operations or financial position. The Company completed the sale of the BRS Inventory during the year ended December 31, 2019.

NOTE 8 — PREMISES AND EQUIPMENT, NET

Premises and equipment, net consists of the following:

(in thousands)	June 30, 2020	December 31, 2019
Computer hardware and software	$ 129,966	$ 144,608
Leasehold improvements	21,807	23,800
Furniture and fixtures	7,269	8,775
Office equipment and other	3,798	4,004
	162,840	181,187
Less: Accumulated depreciation and amortization	(144,179)	(156,661)
Total	$ 18,661	$ 24,526

Depreciation and amortization expense amounted to $7.7 million and $10.5 million for the six months ended June 30, 2020 and 2019, respectively ($3.6 million and $4.9 million for the second quarter of 2020 and 2019, respectively), and is included in cost of revenue for operating assets and in selling, general and administrative expenses for non-operating assets in the accompanying condensed consolidated statements of operations and comprehensive loss.

Premises and equipment, net consist of the following, by country:

(in thousands)	June 30, 2020	December 31, 2019
United States	$ 9,779	$ 13,426
Luxembourg	7,660	10,295
India	1,030	671
Uruguay	115	39
Philippines	77	95
Total	$ 18,661	$ 24,526

NOTE 9 — RIGHT-OF-USE ASSETS UNDER OPERATING LEASES, NET

Right-of-use assets under operating leases, net consists of the following:

(in thousands)	June 30, 2020	December 31, 2019
Right-of-use assets under operating leases	$ 38,685	$ 39,729
Less: Accumulated amortization	(15,842)	(10,655)
Total	$ 22,843	$ 29,074

Amortization of operating leases was $5.5 million and $6.8 million for the six months ended June 30, 2020 and 2019, respectively, ($2.8 million and $3.1 million for the second quarter of 2020 and 2019, respectively) and is included in cost of revenue for operating assets and in selling, general and administrative expenses for non-operating assets in the accompanying condensed consolidated statements of operations and comprehensive loss.

NOTE 10 — GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

Goodwill consists of the following:

(in thousands)	Total
Balance as of June 30, 2020 and December 31, 2019	$ 73,849

Intangible Assets, net

Intangible assets, net consist of the following:

(in thousands)	Weighted average estimated useful life *(in years)*	Gross carrying amount		Accumulated amortization		Net book value	
		June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Definite lived intangible assets:							
Customer related intangible assets	9	$ 214,973	$ 214,973	$ (181,367)	$ (176,043)	$ 33,606	$ 38,930
Operating agreement	20	35,000	35,000	(18,251)	(17,376)	16,749	17,624
Trademarks and trade names	16	9,709	9,709	(6,099)	(5,893)	3,610	3,816
Non-compete agreements	4	1,230	1,230	(1,228)	(1,215)	2	15
Intellectual property	—	—	300	—	(175)	—	125
Other intangible assets	5	1,800	3,745	(1,770)	(3,209)	30	536
Total		$ 262,712	$ 264,957	$ (208,715)	$ (203,911)	$ 53,997	$ 61,046

Amortization expense for definite lived intangible assets was $7.0 million and $12.2 million for six months ended June 30, 2020 and 2019, respectively ($2.8 million and $3.5 million for the second quarter of 2020 and 2019, respectively). Expected annual definite lived intangible asset amortization expense for 2020 through 2024 is $13.7 million, $10.5 million, $5.1 million, $5.1 million and $5.1 million, respectively.

NOTE 11 — OTHER ASSETS

Other assets consist of the following:

(in thousands)	June 30, 2020	December 31, 2019
Restricted cash	$ 3,816	$ 3,842
Security deposits	2,777	3,473
Deferred tax assets, net	1,126	1,626
Other	3,562	3,495
Total	$ 11,281	$ 12,436

NOTE 12 — ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable and accrued expenses consist of the following:

(in thousands)	June 30, 2020	December 31, 2019
Accounts payable	$ 20,926	$ 22,431
Accrued expenses - general	21,422	24,558
Accrued salaries and benefits	15,704	18,982
Income taxes payable	3,354	1,700
Total	$ 61,406	$ 67,671

Other current liabilities consist of the following:

(in thousands)	June 30, 2020	December 31, 2019
Operating lease liabilities	$ 9,300	$ 11,398
Other	2,691	3,326
Total	$ 11,991	$ 14,724

NOTE 13 — LONG-TERM DEBT

Long-term debt consists of the following:

(in thousands)	June 30, 2020	December 31, 2019
Senior secured term loans	$ 293,826	$ 293,826
Less: Debt issuance costs, net	(2,753)	(3,119)
Less: Unamortized discount, net	(2,492)	(2,825)
Long-term debt	$ 288,581	$ 287,882

Altisource Portfolio Solutions S.A. and its wholly-owned subsidiary, Altisource S.à r.l. entered into a credit agreement (the "Credit Agreement") in April 2018 with Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent, and certain lenders. Under the Credit Agreement, Altisource borrowed $412.0 million in the form of Term B Loans and obtained a $15.0 million revolving credit facility. The Term B Loans mature in April 2024 and the revolving credit facility matures in April 2023. Altisource Portfolio Solutions S.A. and certain subsidiaries are guarantors of the term loan and the revolving credit facility (collectively, the "Guarantors").

There are no mandatory repayments of the Term B Loans due until March 2023, when $1.3 million is due to be repaid. Thereafter, the Term B Loans must be repaid in consecutive quarterly principal installments of $3.1 million, with the balance due at maturity. All amounts outstanding under the Term B Loans will become due on the earlier of (i) April 3, 2024, and (ii) the date on which the loans are declared to be due and owing by the administrative agent at the request (or with the consent) of the Required Lenders (as defined in the Credit Agreement; other capitalized terms, unless defined herein, are defined in the Credit Agreement) or as otherwise provided in the Credit Agreement upon the occurrence of any event of default.

In addition to the scheduled principal payments, subject to certain exceptions, the Term B Loans are subject to mandatory prepayment upon issuances of debt, certain casualty and condemnation events and sales of assets, as well as from a percentage of Consolidated Excess Cash Flow if our leverage ratio is greater than 3.00 to 1.00, as calculated in accordance with the provisions of the Credit Agreement (the percentage increases if our leverage ratio exceeds 3.50 to 1.00). Certain mandatory prepayments reduce future contractual amortization payments in direct order of maturity by an amount equal to the mandatory prepayment.

Altisource may incur incremental indebtedness under the Credit Agreement from one or more incremental lenders, which may include existing lenders, in an aggregate incremental principal amount not to exceed $125.0 million, subject to certain conditions set forth in the Credit Agreement, including a sublimit of $80.0 million with respect to incremental revolving credit commitments. The lenders have no obligation to provide any incremental indebtedness.

The Term B Loans bear interest at rates based upon, at our option, the Adjusted Eurodollar Rate or the Base Rate. Adjusted Eurodollar Rate term loans bear interest at a rate per annum equal to the sum of (i) the greater of (x) the Adjusted Eurodollar Rate for a three month interest period and (y) 1.00% plus (ii) 4.00%. Base Rate term loans bear interest at a rate per annum equal to the sum of (i) the greater of (x) the Base Rate and (y) 2.00% plus (ii) 3.00%. The interest rate as of June 30, 2020 was 5.00%.

Loans under the revolving credit facility bear interest at rates based upon, at our option, the Adjusted Eurodollar Rate or the Base Rate. Adjusted Eurodollar Rate revolving loans bear interest at a rate per annum equal to the sum of (i) the Adjusted Eurodollar Rate for a three month interest period plus (ii) 4.00%. Base Rate revolving loans bear interest at a rate per annum equal to the sum of (i) the Base Rate plus (ii) 3.00%. The unused commitment fee is 0.50%. Borrowings under the revolving credit facility are not permitted if our leverage ratio exceeds 3.50 to 1.00. There were no borrowings outstanding under the revolving credit facility as of June 30, 2020.

The payment of all amounts owing by Altisource under the Credit Agreement is guaranteed by the Guarantors and is secured by a pledge of all equity interests of certain subsidiaries of Altisource, as well as a lien on substantially all of the assets of Altisource S.à r.l. and the Guarantors, subject to certain exceptions.

The Credit Agreement includes covenants that restrict or limit, among other things, our ability, subject to certain exceptions and baskets, to incur indebtedness; incur liens on our assets; sell, transfer or dispose of assets; make Restricted Junior Payments including share repurchases, dividends and repayment of junior indebtedness; make investments; dispose of equity interests of any Material Subsidiaries; engage in a line of business substantially different than existing businesses and businesses reasonably related, complimentary or ancillary thereto; amend material debt agreements or other material contracts; engage in certain transactions with affiliates; enter into sale/leaseback transactions; grant negative pledges or agree to such other restrictions relating to subsidiary dividends and distributions; make changes to our fiscal year; and engage in mergers and consolidations; and to the extent any Revolving Credit Loans are outstanding on the last day of a fiscal quarter, permit the Total Leverage Ratio to be greater than 3.50:1.00 as of the last day of such fiscal quarter, subject to a customary cure provision (the "Revolving Financial Covenant").

The Credit Agreement contains certain events of default including (i) failure to pay principal when due or interest or any other amount owing on any other obligation under the Credit Agreement within five days of becoming due, (ii) material incorrectness of representations and warranties when made, (iii) breach of certain other covenants, subject to cure periods described in the Credit Agreement, (iv) a breach of the Revolving Financial Covenant, subject to a customary cure provision and not an Event of Default with respect to the Term Loans unless and until the Required Revolving Lenders accelerate the Revolving Credit Loans, (v) failure to pay principal or interest on any other debt that equals or exceeds $40.0 million when due, (vi) default on any other debt that equals or exceeds $40.0 million that causes, or gives the holder or holders of such debt the ability to cause, an acceleration of such debt, (vii) occurrence of a Change of Control, (viii) bankruptcy and insolvency events, (ix) entry by a court of one or more judgments against us in an amount in excess of $40.0 million that remain unbonded, undischarged or unstayed for a certain number of days after the entry thereof, (x) the occurrence of certain ERISA events and (xi) the failure of certain Loan Documents to be in full force and effect. If any event of default occurs and is not cured within applicable grace periods set forth in the Credit Agreement or waived, all loans and other obligations could become due and immediately payable and the facility could be terminated.

As of June 30, 2020, debt issuance costs were $2.8 million, net of $1.8 million of accumulated amortization. As of December 31, 2019, debt issuance costs were $3.1 million, net of $1.4 million of accumulated amortization.

NOTE 14 — OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

(in thousands)	June 30, 2020	December 31, 2019
Operating lease liabilities	$ 15,024	$ 19,707
Income tax liabilities	10,552	10,935
Other non-current liabilities	442	374
Total	$ 26,018	$ 31,016

NOTE 15 — FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The following table presents the carrying amount and estimated fair value of financial instruments and certain liabilities measured at fair value as of June 30, 2020 and December 31, 2019. The following fair values are estimated using market information and what the Company believes to be appropriate valuation methodologies under GAAP:

	June 30, 2020				December 31, 2019			
(in thousands)	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Cash and cash equivalents	$ 68,177	$ 68,177	$ —	$ —	$ 82,741	$ 82,741	$ —	$ —
Restricted cash	3,816	3,816	—	—	3,842	3,842	—	—
Investment in equity securities	30,047	30,047	—	—	42,618	42,618	—	—
Long-term receivable	2,436	—	—	2,436	2,371	—	—	2,371
Liabilities:								
Senior secured term loan	293,826	—	214,493	—	293,826	—	277,666	—

Fair Value Measurements on a Recurring Basis

Cash and cash equivalents and restricted cash are carried at amounts that approximate their fair values due to the highly liquid nature of these instruments and were measured using Level 1 inputs.

Investment in equity securities is carried at fair value and consists of 3.5 million shares of RESI common stock as of June 30, 2020 and December 31, 2019. The investment in equity securities is measured using Level 1 inputs as these securities have quoted prices in active markets.

The fair value of our senior secured term loan is based on quoted market prices. Based on the frequency of trading, we do not believe that there is an active market for our debt. Therefore, the quoted prices are considered Level 2 inputs.

In connection with the sale of the rental property management business in August 2018, Altisource will receive $3.0 million on the earlier of a RESI change of control or on August 8, 2023. We measure long-term receivables without a stated interest rate based on the present value of the future payments.

There were no transfers between different levels during the periods presented.

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk primarily consist of cash and cash equivalents and accounts receivable. Our policy is to deposit our cash and cash equivalents with larger, highly rated financial institutions. The Company derives over 50% of its revenue from Ocwen (see Note 2 for additional information on Ocwen revenues and accounts receivable balance). The Company strives to mitigate its concentrations of credit risk with respect to accounts receivable by actively monitoring past due accounts and the economic status of larger customers, if known.

NOTE 16 — SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

Share Repurchase Program

On May 15, 2018, our shareholders approved the renewal and replacement of the share repurchase program previously approved by the shareholders on May 17, 2017. Under the program, we are authorized to purchase up to 4.3 million shares of our common stock, based on a limit of 25% of the outstanding shares of common stock on the date of approval, at a minimum price of $1.00 per share and a maximum price of $500.00 per share, for a period of five years from the date of approval. As of June 30, 2020, approximately 2.4 million shares of common stock remain available for repurchase under the program. There were no purchases of shares of common stock during the six months ended June 30, 2020. We purchased 0.3 million shares of common stock at an average price of $21.89 per share during the three and six months ended June 30, 2019. Luxembourg law limits share repurchases to the balance of Altisource Portfolio Solutions S.A. (unconsolidated parent company) retained earnings, less the value of shares repurchased. As of June 30, 2020, we can repurchase up to approximately $94 million of our common stock under Luxembourg law. Our Credit Agreement also limits the amount we can spend on share repurchases, which limit was approximately $448 million as of June 30, 2020, and may prevent repurchases in certain circumstances.

Share-Based Compensation

We issue share-based awards in the form of stock options, restricted shares and restricted share units for certain employees, officers and directors. We recognized share-based compensation expense of $4.8 million and $5.5 million for the six months ended June 30, 2020 and 2019, respectively ($1.9 million and $2.8 million for the second quarter of 2020 and 2019, respectively). As of June 30, 2020, estimated unrecognized compensation costs related to share-based awards amounted to $8.5 million, which we expect to recognize over a weighted average remaining requisite service period of approximately 1.51 years.

Stock Options

Stock option grants are composed of a combination of service-based, market-based and performance-based options.

Service-Based Options. These options generally vest over three or four years with equal annual vesting and generally expire on the earlier of ten years after the date of grant or following termination of service. A total of 280 thousand service-based options were outstanding as of June 30, 2020.

Market-Based Options. These option grants generally have two components, each of which vests only upon the achievement of certain criteria. The first component, which we refer to as "ordinary performance" grants, generally consists of two-thirds of the market-based grant and begins to vest if the stock price is at least double the exercise price, as long as the stock price realizes a compounded annual gain of at least 20% over the exercise price. The remaining third of the market-based options, which we refer to as "extraordinary performance" grants, generally begins to vest if the stock price is at least triple the exercise price, as long as the stock price realizes a compounded annual gain of at least 25% over the exercise price. Market-based options vest in three or four year installments with the first installment vesting upon the achievement of the criteria and the remaining installments vesting thereafter in equal annual installments. Market-based options generally expire on the earlier of ten years after the date of grant or following termination of service, unless the performance criteria is met prior to termination of service or in the final three years of the option term, in which case vesting will generally continue in accordance with the provisions of the award agreement. A total of 222 thousand market-based options were outstanding as of June 30, 2020.

Performance-Based Options. These option grants generally will vest if certain specific financial measures are achieved; one-fourth vests on each anniversary of the grant date. For certain other financial measures, options cliff-vest upon the achievement of the specific performance during the period from 2019 through 2021. The award of performance-based options is adjusted based on the level of achievement specified in the award agreements. If the performance criteria achieved is above threshold performance levels, participants have the opportunity to vest in 50% to 200% of the option grants, depending upon performance achieved. If the performance criteria achieved is below a certain threshold, the options are canceled. The options generally expire on the earlier of ten years after the date of grant or following termination of service. There were 461 thousand performance-based options outstanding as of June 30, 2020.

There were no stock options granted during the six months ended June 30, 2020 and 2019. Outstanding stock options increased by 228 thousand in February 2019 in connection with the determination of the level of achievement for certain performance-based options granted in 2018.

The fair values of the service-based options and performance-based options are determined using the Black-Scholes option pricing model and the fair values of the market-based options were determined using a lattice (binomial) model.

We determined the expected option life of all service-based stock option grants using the simplified method, determined based on the graded vesting term plus the contractual term of the options, divided by two. We use the simplified method because we believe that our historical data does not provide a reasonable basis upon which to estimate expected option life.

The following table summarizes the total intrinsic value of stock options exercised and the grant date fair value of stock options that vested during the periods presented:

	Six months ended June 30,	
(in thousands, except per share amounts)	**2020**	**2019**
Intrinsic value of options exercised	$ —	$ 34
Grant date fair value of stock options that vested	2,602	2,752

The following table summarizes the activity related to our stock options:

	Number of options	Weighted average exercise price	Weighted average contractual term *(in years)*	Aggregate intrinsic value *(in thousands)*
Outstanding as of December 31, 2019	1,468,046	$ 29.19	4.60	$ 94
Forfeited/expired	(504,911)	23.69		
Outstanding as of June 30, 2020	963,135	32.07	6.11	—
Exercisable as of June 30, 2020	589,845	28.52	5.88	—

Other Share-Based Awards

The Company's other share-based and similar types of awards are composed of restricted shares and restricted share units. The restricted shares and restricted share units are composed of a combination of service-based awards and performance-based awards.

Service-Based Awards. These awards generally vest over two to four year periods with (a) vesting in equal annual installments, or (b) vesting of all of the restricted shares and restricted share units at the end of the vesting period. A total of 411 thousand service-based awards were outstanding as of June 30, 2020. Beginning in 2019, service-based restricted share units were awarded as a component of most employees' annual incentive compensation rather than cash.

Performance-Based Awards. These awards generally vest if certain specific financial measures are achieved; one-third vests on each anniversary of the grant date or cliff-vest on the third anniversary of the grant date. The number of performance-based restricted shares and restricted share units that may vest will be based on the level of achievement as specified in the award agreements. If the performance criteria achieved is above certain financial performance levels and Altisource's share performance is above certain established criteria, participants have the opportunity to vest in up to 225% of the restricted share unit award for certain awards. If the performance criteria achieved is below certain thresholds, the award is canceled. A total of 265 thousand performance-based awards were outstanding as of June 30, 2020.

The Company granted 349 thousand restricted share units (at a weighted average grant date fair value of $16.26 per share) during the six months ended June 30, 2020.

The following table summarizes the activity related to our restricted shares and restricted share units:

	Number of restricted shares and restricted share units
Outstanding as of December 31, 2019	636,146
Granted	349,459
Issued	(175,533)
Forfeited/canceled	(133,622)
Outstanding as of June 30, 2020	676,450

NOTE 17 — REVENUE

We classify revenue in three categories: service revenue, revenue from reimbursable expenses and non-controlling interests. Service revenue consists of amounts attributable to our fee-based services and sales of short-term investments in real estate. Reimbursable expenses and non-controlling interests are pass-through items for which we earn no margin. Reimbursable expenses consist of amounts we incur on behalf of our customers in performing our fee-based services that we pass directly on to our customers without a markup. Non-controlling interests represent the earnings of Lenders One, a consolidated entity that is a mortgage cooperative managed, but not owned, by Altisource. The Lenders One members' earnings are included in revenue and reduced from net income to arrive at net income attributable to Altisource (see Note 1). Our services are provided to customers located in the United States. The components of revenue were as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2020	2019	2020	2019
Service revenue	$ 91,008	$ 190,520	$ 204,184	$ 355,519
Reimbursable expenses	3,840	4,775	11,685	9,271
Non-controlling interests	494	1,240	917	1,680
Total	$ 95,342	$ 196,535	$ 216,786	$ 366,470

Disaggregation of Revenue

Disaggregation of total revenues by major source is as follows:

(in thousands)	Revenue recognized when services are performed or assets are sold	Revenue related to technology platforms and professional services	Reimbursable expenses revenue	Total revenue
Three months ended June 30, 2020	$ 87,447	$ 4,055	$ 3,840	$ 95,342
Three months ended June 30, 2019	178,949	12,811	4,775	196,535
Six months ended June 30, 2020	195,455	9,646	11,685	216,786
Six months ended June 30, 2019	326,704	30,495	9,271	366,470

Contract Balances

Our contract assets consist of unbilled accounts receivable (see Note 5). Our contract liabilities consist of current deferred revenue and other non-current liabilities as reported on the accompanying condensed consolidated balance sheets. Revenue recognized that was included in the contract liability at the beginning of the period was $3.8 million and $8.6 million for the six months ended June 30, 2020 and 2019, respectively ($1.3 million and $3.7 million for the second quarter of 2020 and 2019, respectively).

NOTE 18 — COST OF REVENUE

Cost of revenue principally includes payroll and employee benefits associated with personnel employed in customer service and operations roles, fees paid to external providers related to the provision of services, cost of real estate sold, reimbursable expenses, technology and telecommunications costs as well as depreciation and amortization of operating assets. The components of cost of revenue were as follows:

(in thousands)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Compensation and benefits	$ 24,913	$ 36,806	$ 50,829	$ 78,174
Outside fees and services	41,761	58,588	89,901	121,169
Technology and telecommunications	9,074	9,060	18,306	18,538
Reimbursable expenses	3,840	4,775	11,685	9,271
Depreciation and amortization	3,040	3,209	6,488	7,407
Cost of real estate sold	—	40,276	—	42,370
Total	$ 82,628	$ 152,714	$ 177,209	$ 276,929

NOTE 19 — SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses include payroll and employee benefits associated with personnel employed in executive, sales and marketing, finance, law, compliance, human resources, vendor management, facilities and risk management roles. This category also includes professional services fees, occupancy costs, marketing costs, depreciation and amortization of non-operating assets and other expenses. The components of selling, general and administrative expenses were as follows:

(in thousands)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Compensation and benefits	$ 9,307	$ 15,238	$ 21,319	$ 26,591
Occupancy related costs	5,668	6,921	11,089	14,395
Amortization of intangible assets	2,840	3,544	7,049	12,191
Professional services	3,841	3,320	6,476	8,796
Marketing costs	951	2,989	2,388	5,921
Depreciation and amortization	544	1,682	1,213	3,115
Other	1,550	2,822	3,260	7,433
Total	$ 24,701	$ 36,516	$ 52,794	$ 78,442

NOTE 20 — OTHER (EXPENSE) INCOME, NET

Other (expense) income, net consists of the following:

(in thousands)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Interest income	$ 6	$ 116	$ 80	$ 267
Other, net	(327)	412	693	635
Total	$ (321)	$ 528	$ 773	$ 902

NOTE 21 — INCOME TAXES

We recognized an income tax provision of $3.5 million and $15.3 million for the six months ended June 30, 2020 and 2019, respectively ($1.1 million and $16.5 million for the second quarter of 2020 and 2019, respectively). The decreases in the income tax provision for the three and six months ended June 30, 2020 were primarily from a $12.3 million reduction in Luxembourg deferred tax assets in connection with a decrease in the Luxembourg statutory income tax rate from 26.0% to 24.9% in the second quarter of 2019. The income tax provisions on losses before income taxes and non-controlling interests for the three and six months ended June 30, 2020 were driven by income tax on transfer pricing income from US and foreign operations other than our Luxembourg operating company and no tax benefit on the pretax losses from our Luxembourg operating company for the three and six months ended June 30, 2020.

NOTE 22 — LOSS PER SHARE

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net loss per share excludes all dilutive securities because their impact would be anti-dilutive, as described below.

Basic and diluted loss per share are calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands, except per share data)	2020	2019	2020	2019
Net loss attributable to Altisource	$ (35,061)	$ (5,844)	$ (46,711)	$ (9,028)
Weighted average common shares outstanding, basic	15,601	16,214	15,549	16,253
Weighted average common shares outstanding, diluted	15,601	16,214	15,549	16,253
Loss per share:				
Basic	$ (2.25)	$ (0.36)	$ (3.00)	$ (0.56)
Diluted	$ (2.25)	$ (0.36)	$ (3.00)	$ (0.56)

For the six months ended June 30, 2020 and 2019, 1.8 million and 1.5 million, respectively (1.5 million for each of the second quarter of 2020 and 2019), stock options, restricted shares and restricted share units were excluded from the computation of loss per share, as a result of the following:

- As a result of the net loss attributable to Altisource for the six months ended June 30, 2020 and 2019, 0.2 million and 0.3 million, respectively (0.1 million and 0.3 million for the second quarter of 2020 and 2019, respectively), stock options, restricted shares and restricted share units in each period were excluded from the computation of diluted loss per share, as their impacts were anti-dilutive
- For the six months ended June 30, 2020 and 2019, 0.6 million and 0.4 million, respectively (0.3 million and 0.5 million for the second quarter of 2020 and 2019, respectively), stock options were anti-dilutive and have been excluded from the computation of diluted loss per share because their exercise price was greater than the average market price of our common stock
- For the six months ended June 30, 2020 and 2019, 1.0 million and 0.8 million, respectively (1.1 million and 0.7 million for the second quarter of 2020 and 2019, respectively), stock options, restricted shares and restricted share units, which begin to vest upon the achievement of certain market criteria related to our common stock price, performance criteria and an annualized rate of return to shareholders that have not yet been met in each period have been excluded from the computation of diluted loss per share

NOTE 23 — RESTRUCTURING CHARGES

In August 2018, Altisource initiated Project Catalyst, a project intended to optimize its operations and reduce costs to better align its cost structure with its anticipated revenues and improve its operating margins. During the six months ended June 30, 2020 and 2019, Altisource incurred $8.7 million and $6.3 million, respectively ($5.8 million and $1.9 million for the second quarter of 2020 and 2019, respectively), of severance costs, professional services fees, facility consolidation costs, technology costs and business wind down costs related to the reorganization plan. We expect to incur additional severance costs, professional services fees, technology costs and facility consolidation costs in connection with this internal reorganization, automation and other technology related activities and will expense those costs as incurred. Based on our analysis, we currently anticipate the future costs relating to Project Catalyst to be in the range of approximately $4 million to $7 million.

NOTE 24 — COMMITMENTS, CONTINGENCIES AND REGULATORY MATTERS

We record a liability for contingencies if an unfavorable outcome is probable and the amount of loss can be reasonably estimated, including expected insurance coverage. For proceedings where the reasonable estimate of loss is a range, we record a best estimate of loss within the range.

Litigation

We are currently involved in legal actions in the course of our business, some of which seek monetary damages. We do not believe that the outcome of these proceedings, both individually and in the aggregate, will have a material impact on our financial condition, results of operations or cash flows.

Regulatory Matters

Periodically, we are subject to audits, examinations and investigations by federal, state and local governmental authorities and receive subpoenas, civil investigative demands or other requests for information from such governmental authorities in connection with their regulatory or investigative authority. We are currently responding to such inquiries from governmental authorities relating to certain aspects of our business. We believe it is premature to predict the potential outcome or to estimate any potential financial impact in connection with these inquiries.

Sales Taxes

On June 21, 2018, the United States Supreme Court rendered a 5-4 majority decision in South Dakota v. Wayfair, Inc., holding that a state may require a remote seller with no physical presence in the state to collect and remit sales tax on goods and services provided to purchasers in the state, overturning existing court precedent. During the six months ended June 30, 2019, the Company completed the analysis of its services for potential exposure to sales tax in various jurisdictions in the United States. The Company recognized a $2.1 million net loss for the six months ended June 30, 2019 in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations and comprehensive loss (no comparative amount for the six months ended June 30, 2020 and the second quarter of 2020 and 2019). The Company began invoicing, collecting and remitting sales tax in applicable jurisdictions in 2019. The Company is also in the process of seeking additional reimbursements for sales tax payments from clients; however, there can be no assurance that the Company will be successful in collecting some or all of such additional reimbursements. Future changes in our estimated sales tax exposure could result in a material adjustment to our condensed consolidated financial statements, which would impact our financial condition and results of operations.

Ocwen Related Matters

As discussed in Note 2, during the six months ended June 30, 2020, Ocwen was our largest customer, accounting for 61% of our total revenue (60% of our revenue for the second quarter of 2020). Additionally, 6% of our revenue for the six months ended June 30, 2020 (5% of our revenue for the second quarter of 2020) was earned on the loan portfolios serviced by Ocwen, when a party other than Ocwen or the MSR owner selected Altisource as the service provider.

Ocwen has disclosed that it is subject to a number of ongoing federal and state regulatory examinations, consent orders, inquiries, subpoenas, civil investigative demands, requests for information and other actions and is subject to pending legal proceedings, some of which include claims against Ocwen for substantial monetary damages. In addition to monetary damages, various complaints have sought to obtain permanent injunctive relief, consumer redress, refunds, restitution, disgorgement, civil penalties, costs and fees and other relief. Existing or future similar matters could result in, and in some cases, have resulted in, adverse regulatory or other actions against Ocwen. Previous regulatory actions against Ocwen have subjected Ocwen to independent oversight of its operations and placed certain restrictions on its ability to acquire servicing rights. In addition to the above, Ocwen may become subject to future adverse regulatory or other actions.

Ocwen has disclosed that NRZ is its largest client. As of June 30, 2020, NRZ owned MSRs or rights to MSRs relating to approximately 53% of loans serviced and subserviced by Ocwen (measured in UPB). In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to the Subject MSRs and under which Ocwen will subservice mortgage loans underlying the Subject MSRs for an initial term of five years. NRZ can terminate its sub-servicing agreement with Ocwen in exchange for the payment of a termination fee.

The existence or outcome of Ocwen regulatory matters or the termination of the NRZ sub-servicing agreement with Ocwen may have significant adverse effects on Ocwen's business and/or our continuing relationship with Ocwen. For example, Ocwen may be required to alter the way it conducts business, including the parties it contracts with for services, it may be required to seek changes to its existing pricing structure with us, it may lose its non-government-sponsored enterprise ("GSE") servicing rights or subservicing arrangements or may lose one or more of its state servicing or origination licenses. Additional regulatory actions or adverse financial developments may impose additional restrictions on or require changes in Ocwen's business that could require it to sell assets or change its business operations. Any or all of these effects and others could result in our eventual loss of Ocwen as a customer or a reduction in the number and/or volume of services they purchase from us or the loss of other customers.

During the second quarter of 2020, Ocwen informed us that an investor had instructed Ocwen to use a field services provider other than Altisource on properties associated with certain MSRs. They indicated that they were instructed to begin the transition in July 2020, and that the transition should be completed in a few months. We believe Ocwen commenced using another field services provider for these properties in July 2020. Based upon the impacted portfolios to date and the designated service provider, Altisource believes that Ocwen received these directions from NRZ, but Ocwen has not confirmed this belief. The timing to complete the transition to the replacement field service provider has not been defined, but we anticipate that there will be an impact to revenue and earnings from the transfer of field services that may be material in future periods. We estimate that \$58.2 million and \$77.5 million of service revenue from Ocwen for the six months ended June 30, 2020 and 2019, respectively (\$27.4 million and \$35.1 million for the second quarter of 2020 and 2019, respectively) was derived from Field Services referrals from the NRZ owned portfolios. Without providing the timing or specific services impacted, Ocwen also communicated to Altisource that the same investor plans to direct them to transition certain other default related service referrals to other providers. We estimate that revenue from these certain other default related services represented approximately \$20.6 million and \$22.5 million of service revenue from Ocwen for the six months ended June 30, 2020 and 2019, respectively (\$9.0 million and \$10.5 million for the second quarter of 2020 and 2019, respectively). Altisource believes that any action taken by Ocwen to redirect these service referrals breaches Altisource's agreement with Ocwen. We are currently in discussions with Ocwen to address this matter, and have reserved all of our rights with respect to this matter.

To address the potential reduction in revenue, Altisource is taking additional measures to reduce its cost structure and strengthen its operations.

In addition to expected reductions in our revenue from the Field Services referrals transition, if any of the following events occurred, Altisource's revenue could be further significantly reduced and our results of operations could be materially adversely affected, including from the possible impairment or write-off of goodwill, intangible assets, property and equipment, other assets and accounts receivable:

- Altisource loses Ocwen as a customer or there is an additional significant reduction in the volume of services they purchase from us
- Ocwen loses, sells or transfers a significant portion of its GSE and Federal Housing Administration servicing rights or subservicing arrangements or remaining non-GSE servicing rights or subservicing arrangements and Altisource fails to be retained as a service provider
- The contractual relationship between Ocwen and NRZ changes significantly and this change results in a change in our status as a provider of services related to the Subject MSRs
- Ocwen loses state servicing licenses in states with a significant number of loans in Ocwen's servicing portfolio
- The contractual relationship between Ocwen and Altisource changes significantly or there are significant changes to our pricing to Ocwen for services from which we generate material revenue
- Altisource otherwise fails to be retained as a service provider

Management cannot predict whether any of these events will occur or the amount of any impact they may have on Altisource. However, we are focused on diversifying and growing our revenue and customer base and we have a sales and marketing strategy to support these efforts. Moreover, in the event one or more of these events materially negatively impact Altisource, we believe the variable nature of our cost structure would allow us to realign our cost structure in line with remaining revenue and that current liquidity and cash flows from operations would be sufficient to meet our working capital, capital expenditures, debt service and other cash needs. There can be no assurance that our plans will be successful or our operations will be profitable.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* and in July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements* (collectively "Topic 842"). Topic 842 introduced a new lessee model that brings substantially all leases on the balance sheet. The Company adopted Topic 842 effective January 1, 2019 using the modified retrospective transition approach. In addition, the Company elected the practical expedients permitted under the transition guidance within the new standard, including allowing the Company to carry forward its historical lease classification, using hindsight to determine the lease term for existing leases, combining fixed lease and non-lease components and excluding short-term leases. Adoption of this new standard resulted in the recognition of $42.1 million of right-of-use assets in right-of-use assets under operating leases, $45.5 million of operating lease liabilities ($16.7 million in other current liabilities and $28.8 million in other non-current liabilities) and reduced accrued rent and lease incentives of $3.4 million in accounts payable and accrued expenses and other non-current liabilities on the accompanying condensed consolidated balance sheets.

We lease certain premises and equipment, primarily consisting of office space and information technology equipment. Certain of our leases include options to renew at our discretion or terminate leases early, and these options are considered in our determination of the expected lease term. Certain of our lease agreements include rental payments adjusted periodically for inflation. Our lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. We sublease certain office space to third parties. Sublease income was $0.7 million and $0.8 million for the six months ended June 30, 2020 and 2019, respectively ($0.4 million and $0.5 million for the second quarter of 2020 and 2019, respectively). The amortization period of right-of-use assets are generally limited by the expected lease term. Our leases generally have expected lease terms at adoption of one to six years.

Information about our lease terms and our discount rate assumption is as follows:

	As of June 30, 2020
Weighted average remaining lease term (in years)	3.37
Weighted average discount rate	6.99%

Our lease activity during the period is as follows:

(in thousands)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Operating lease costs:				
Selling, general and administrative expense	$ 2,529	$ 3,050	$ 4,810	$ 6,616
Cost of revenue	635	743	1,269	1,712
Cash used in operating activities for amounts included in the measurement of lease liabilities	$ 3,447	$ 3,720	$ 6,758	$ 8,457
Short-term (less than one year) lease costs	1,222	1,152	2,427	2,309

Maturities of our lease liabilities as of June 30, 2020 are as follows:

(in thousands)	Operating lease obligations
2020	$ 5,652
2021	8,056
2022	5,630
2023	4,582
2024	2,863
Thereafter	599
Total lease payments	27,382
Less: interest	(3,058)
Present value of lease liabilities	$ 24,324

Escrow Balances

We hold customers' assets in escrow accounts at various financial institutions pending completion of certain real estate activities. These amounts are held in escrow accounts for limited periods of time and are not included in the accompanying condensed consolidated balance sheets. Amounts held in escrow accounts were $42.7 million and $12.3 million as of June 30, 2020 and December 31, 2019, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations ("MD&A") is a supplement to the accompanying interim condensed consolidated financial statements and is intended to provide a reader of our financial statements with a narrative from the perspective of management on our businesses, current developments, financial condition, results of operations and liquidity. Our MD&A should be read in conjunction with our Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission ("SEC") on March 5, 2020.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may relate to, among other things, future events or our future performance or financial condition. Words such as "anticipate," "intend," "expect," "may," "could," "should," "would," "plan," "estimate," "believe," "predict," "potential" or "continue" or the negative of these terms and other comparable terminology are intended to identify such forward-looking statements. Such statements are based on expectations as to the future and are not statements of historical fact. Furthermore, forward-looking statements are not guarantees of future performance and involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially. The following are examples of such items and are not intended to be all inclusive:

- assumptions related to sources of liquidity and the adequacy of financial resources;
- assumptions about our ability to grow our business, including executing on our strategic initiatives;
- assumptions about our ability to improve margins and affect anticipated expense reductions as a result of Project Catalyst and otherwise in response to lower revenues due to COVID-19, the transfer of certain Field Services referrals to another service provider discussed below, or other factors;
- assumptions about the variable nature of our cost structure that would allow us to realign our cost structure in line with revenue;
- assumptions regarding the impact of seasonality;
- assumptions regarding the impacts of the COVID-19 pandemic and the timeliness and effectiveness of actions taken in response thereto;
- estimates regarding our effective tax rate; and
- estimates regarding our reserves and valuations.

Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, but are not limited to, the risks discussed in the *Risk Factors* in Part II, Item 1A of the Form 10-Q for the quarterly period ended March 31, 2020 and the *Risk Factors* section of our Form 10-K for the year ended December 31, 2019 including:

- our ability to retain Ocwen Financial Corporation (together with its subsidiaries, "Ocwen") as a customer or our ability to receive the anticipated volume of referrals from Ocwen;
- our ability to retain New Residential Investment Corp. (individually, together with one or more of its subsidiaries, or one or more of its subsidiaries individually, "NRZ") as a customer or our ability to receive the anticipated volume of referrals from NRZ;
- our ability to comply with material agreements if a change of control is deemed to have occurred including, among other things, through the formation of a shareholder group, which may cause a termination event or event of default under certain of our agreements;
- our ability to execute on our strategic plan;
- our ability to retain our existing customers, expand relationships and attract new customers;
- our ability to comply with governmental regulations and policies and any changes in such regulations and policies;
- the level of loan delinquencies and charge-offs;
- the level of origination volume;
- technology incidents, data breaches and cybersecurity risks;
- significant changes in tax regulations and interpretations in the countries, states and local jurisdictions in which we operate; and
- the risks and uncertainties related to pandemics, epidemics or other force majeure events, including the COVID-19 pandemic, and associated impacts on the economy, supply chain, transportation, movement of people, availability of vendors and demand for our products or services as well as increased costs, recommendations or restrictions imposed by governmental entities, changes in relevant business practices undertaken or imposed by our clients, vendors or regulators, impacts on contracts and client relationships and potential litigation exposure.

We caution the reader not to place undue reliance on these forward-looking statements as they reflect our view only as of the date of this report. We are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

OVERVIEW

Our Business

When we refer to "Altisource," the "Company," "we," "us" or "our" we mean Altisource Portfolio Solutions S.A., a Luxembourg société anonyme, or public limited liability company, and its subsidiaries.

We are an integrated service provider and marketplace for the real estate and mortgage industries. Combining operational excellence with a suite of innovative services and technologies, Altisource helps solve the demands of the ever-changing markets we serve.

We provide loan servicers and originators with marketplaces, services and technologies that span the residential mortgage lifecycle. We provide real estate consumers with marketplaces and services that span the residential real estate lifecycle.

Our principal revenue generating activities are as follows:

Core Businesses

Field Services

- Property preservation and inspection services and marketplace transaction management, payment management and vendor management oversight software-as-a-service ("SaaS") technologies

Marketplace

- Hubzu® online real estate auction platform, real estate auction, real estate brokerage and asset management
- Equator®, a SaaS-based technology to manage real estate owned ("REO"), short sales, foreclosure, bankruptcy and eviction processes

Mortgage and Real Estate Solutions

- Mortgage loan fulfillment, certification and certification insurance services and technologies
- Title insurance (as an agent), settlement and valuation services
- Residential and commercial construction inspection and risk mitigation services
- Management of the Best Partners Mortgage Cooperative, Inc., doing business as Lenders One® ("Lenders One"), mortgage banking cooperative
- Foreclosure trustee services

Other Businesses

Earlier Stage Business

- Pointillist® customer journey analytics platform

Other

- Financial Services business including post-charge-off consumer debt, mortgage charge-off collection services and customer relationship management services (sold on July 1, 2019)
- Buy-Renovate-Lease-Sell ("BRS") business (wound down in 2019)
- Residential loan servicing technologies, document management platform and information technology ("IT") infrastructure management services (wound down in 2019 following Ocwen's transition to another servicing platform)
- Commercial loan servicing technology
- Owners.com® technology-enabled real estate brokerage and provider of related mortgage brokerage and title services (discontinued in the fourth quarter of 2019)

We classify revenue in three categories: service revenue, revenue from reimbursable expenses and non-controlling interests. In evaluating our performance, we focus on service revenue. Service revenue consists of amounts attributable to our fee-based services and sales of short-term investments in real estate. Reimbursable expenses and non-controlling interests are pass-through items for which we earn no margin. Reimbursable expenses consist of amounts we incur on behalf of our customers in performing our fee-based services that we pass directly on to our customers without a markup. Non-controlling interests represent the earnings of Lenders One. Lenders One is a mortgage cooperative managed, but not owned, by Altisource. The Lenders One members' earnings are included in revenue and reduced from net income to arrive at net income attributable to Altisource.

Strategy and Core Businesses

We are focused on becoming the premier provider of mortgage and real estate marketplaces and related services to a broad and diversified customer base of residential loan investors and servicers, and originators. The real estate and mortgage marketplaces represent very large markets, and we believe our scale and suite of offerings provide us with competitive advantages that could support our growth.

Through our offerings that support residential loan investors and servicers, we provide a suite of services and technologies intended to meet their growing and evolving needs. We are focused on growing referrals from our existing customer base and attracting new customers to our offerings. We have a customer base that includes government-sponsored enterprises ("GSEs"), asset managers, and several large bank and non-bank servicers including Ocwen and NRZ. We believe we are one of only a few providers with a broad suite of servicer solutions, nationwide coverage and scalability. Further, we believe we are well positioned to gain market share from existing and new customers in the event delinquency rates rise, or customers and prospects consolidate to larger, full-service providers or outsource services that have historically been performed in-house.

We also provide services to loan originators (or other similar mortgage market participants) in originating, buying and selling residential mortgages. We provide a suite of services and technologies to meet the evolving and growing needs of lenders, mortgage purchasers and securitizers. We are focused on growing referrals from our existing customer base and attracting new customers to our offerings. We have a customer base that includes the Lenders One cooperative mortgage bankers and mid-size and larger bank and non-bank loan originators. We believe our suite of services, technologies and unique access to the members of the Lenders One mortgage cooperative position us to grow our relationships with our existing customer base by providing additional products, services and solutions to these customers. Further, we believe we are well positioned to gain market share from existing and new customers in the event origination volumes rise, or customers and prospects consolidate to larger, full-service providers or outsource services that have historically been performed in-house.

Our earlier stage business consists of Pointillist, Inc. ("Pointillist"). The Pointillist business was developed by Altisource through our consumer analytics capabilities. We believe the Pointillist business is a potentially disruptive SaaS-based platform which provides unique customer journey analytics at scale and enables customers to engage through our intelligent platform. During 2019, we created Pointillist as a separate legal entity to position it for accelerated growth and outside investment and contributed the Pointillist business and $8.5 million to it. Pointillist is owned by Altisource and management of Pointillist. Management of Pointillist owns a non-controlling interest representing 12.1% of the outstanding equity of Pointillist. Additional equity shares of Pointillist are available for issuance to management and board members of Pointillist. Altisource has an option, but no ongoing obligation, to participate in future funding of Pointillist.

We previously reported the results of Owners.com as an earlier stage business. In October 2019, the Company announced its plans to wind down and close the Owners.com business, which was completed by December 31, 2019.

COVID-19 Pandemic Impacts

The COVID-19 pandemic is having an unprecedented impact on human life and the economy, including the real estate, mortgage and servicing industries in which we operate. Our first half of 2020 financial performance in our default related services businesses was negatively impacted by COVID-19 related governmental restrictions on services that could be performed and travel (i.e., only essential services and travel), restrictions on governmental services available (e.g., title offices closed), government measures to provide financial support to borrowers, and changing vendor and consumer behavior. This impact was partially offset by stronger performance from our origination related businesses that benefited from lower interest rates throughout most of the first half of 2020. We anticipate the COVID-19 circumstances will continue to have a negative impact on our default related services businesses. We further anticipate that the duration and quantum of this impact will be influenced by economic, regulatory and other factors that influence mortgage delinquency and foreclosure rates, evictions and the market for sales of one to four family homes. As long as these factors persist, we anticipate continued negative impact on our default related services businesses.

As a result of COVID-19, during portions of the first half of 2020 at differing times, certain jurisdictions in the United States have operated under certain social distancing restrictions, and restrictions on travel and commerce. The government has provided various forms of borrower assistance, including forbearance programs and foreclosure and eviction moratoriums. Despite government assistance programs, there has been a significant negative impact on United States employment, with a June 2020 unemployment rate of 11% according to the Bureau of Labor Statistics. These factors, together with the general economic impact of the pandemic, have led to a disruption in the real estate, mortgage and servicing markets. While we cannot predict the duration of the pandemic and future governmental measures that may continue to reduce foreclosure initiations and sales, we believe the short- to medium-term revenue impact to Altisource will largely be driven by two factors. First, with most of the population of the United States practicing social distancing and limiting interactions with others, and with growing unemployment throughout the country, we expect that home buying activity will continue to be significantly lower. We anticipate that this will largely negatively impact our Hubzu and settlement services businesses. Second, with foreclosure and eviction moratoriums, forbearance plans and other borrower relief actions, along with social distancing restrictions, we anticipate that foreclosure, eviction and REO referrals will be substantially lower. Based upon ATTOM Data Solutions reporting, foreclosure starts and completions declined by approximately 44% for the first half of 2020 compared to the same period in 2019. The decline accelerated in the second quarter of 2020, with foreclosure starts down by approximately 80% compared to the second quarter 2019 and foreclosure completions in June 2020 were 76% lower than compared to June 2019. As long as these factors persist, we anticipate a continued negative impact on our Equator, title, foreclosure trustee, valuation, field services and REO businesses.

In addition, governmental restrictions on movement and the provision of certain services, social distancing requirements, the closure of or reduced services provided by certain governmental offices, vendors' refusals or inability to provide certain services in certain jurisdictions and limitations on the availability of supplies have negatively impacted our Field Services business. Governmental restrictions and designations of essential services are subject to interpretation and have been evolving, negatively impacting the ability and willingness of our vendors in applicable jurisdictions to perform services and limiting services that we are able to provide to our customers, negatively impacting our Field Services businesses. Limited availability of supplies has also restricted the amount of services that we can provide, and in some cases, has increased the costs that we pay for these services. Some of our vendors have also refused to perform services that may involve contact with the public further limiting the services that we are capable of providing to customers. As long as these factors persist, we anticipate continued negative impact to our Field Services business.

At the same time, our originations businesses benefitted from the decline in mortgage interest rates and the growing refinance market. To the extent these factors continue, we anticipate stronger than planned growth in our origination related services. This potential growth could be limited, however, by the government's and GSEs' willingness, and purchase price, to acquire loans in forbearance, higher unemployment rates and economic deterioration.

Although the default related business experienced a modest rebound late in June, with June 2020 default related service revenue approximately 10% higher than May 2020, we believe this reflects the partial re-opening of businesses that support real estate sales as the industry implements measures to operate in this COVID-19 environment. Given declining default related referrals and inventory and the recent large increases in COVID-19 cases across many states and the extension of the federal foreclosure moratoriums through August 2020, it is too early to determine whether this trend will continue. To address this challenging environment, we implemented cost reduction measures in the second quarter of 2020, and as a result, we have been able to reduce the anticipated cash burn and maintain a strong cash position ending the quarter with $98.2 million in cash, cash equivalents and marketable equity securities.

Altisource is attempting to adapt to the evolving situation, including by:

- Taking steps designed to maintain the health and safety of our employees
- Adjusting operations to mitigate the impact to its customers and business while complying with governmental orders
- Addressing our cost structure and preserving liquidity to prepare for what could be a period of lower revenue than planned

During March 2020, we began implementing our business continuity plans and enabling remote work capabilities across the organization. Altisource has transitioned the majority of its global workforce to work remotely. We have largely been able to maintain our productivity, despite this shift to remote work arrangements. We have implemented heightened hygiene protocols to help safeguard the health of the small number of employees who continue to perform critical functions from certain facilities that cannot be performed remotely.

We adjusted our operations in response to the current environment. In addition to the cost reduction measures described below, we sought to retain and deploy otherwise underutilized employees to increase the capacity of our originations businesses. Our customer relationship management, sales and operations teams are in regular contact with our customers concerning changing circumstances and impacts on services and performance levels. We are seeking to work with our customers to adjust services and operations to address the COVID-19 business related challenges and opportunities.

We are also preparing Altisource for what could be an extended period of lower revenue than planned from the near-term economic effects of COVID-19 and the governmental response to it. The Company has $68.2 million in cash and equivalents as of June 30, 2020. Our liquidity position has been further enhanced by our debt reduction efforts over the last several years. Our current outstanding debt on our senior secured term loan is $293.8 million.

We have and continue to seek to address our cost structure. In addition to undertaking cost reduction activities planned prior to the COVID-19 pandemic, we took several additional measures to further reduce our 2020 cash expenses. These measures included employee furloughs and terminations, the elimination of certain discretionary spending and temporary employee and Board compensation reductions. As a result of these cost reduction activities, we anticipate reducing our 2020 cash expenses, in addition to outside fees and services that generally decline proportionately with a decline in service referrals, by an estimated $45 million to $50 million compared to the fourth quarter 2019 annual run rate. Based upon our revenue and working capital forecasts, and the successful implementation of our planned cash expense reductions, we anticipate that we can adequately support the cash needs of the business largely from the results of operations.

We are also positioning our businesses to be able to respond to what we believe will be strong medium- to longer-term demand for our default related services from anticipated growth in loan delinquencies. Increasing delinquencies have the potential to result in an increase in demand for our default related services businesses, including an increase in demand for inspection and preservation services, real estate auction and brokerage services, foreclosure trustee services, valuation services, and title and settlement services. We also anticipate that the current unprecedented level of foreclosure, eviction and other mortgage borrower relief will likely subside and, if unemployment rates remain elevated, delinquency levels are likely to be higher than they were before the COVID-19 pandemic began. Given the countercyclical nature of several of our businesses, we believe Altisource has the potential to benefit from such an environment.

Share Repurchase Program

On May 15, 2018, our shareholders approved the renewal and replacement of the share repurchase program previously approved by the shareholders on May 17, 2017. Under the program, we are authorized to purchase up to 4.3 million shares of our common stock, based on a limit of 25% of the outstanding shares of common stock on the date of approval, at a minimum price of $1.00 per share and a maximum price of $500.00 per share, for a period of five years from the date of approval. As of June 30, 2020, approximately 2.4 million shares of common stock remain available for repurchase under the program. There were no purchases of shares of common stock during the six months ended June 30, 2020. We purchased 0.3 million shares of common stock at an average price of $21.89 per share during the three and six months ended June 30, 2019. Luxembourg law limits share repurchases to the balance of Altisource Portfolio Solutions S.A. (unconsolidated parent company) retained earnings, less the value of shares repurchased. As of June 30, 2020, we can repurchase up to approximately $94 million of our common stock under Luxembourg law. Our Credit Agreement also limits the amount we can spend on share repurchases, which limit was approximately $448 million as of June 30, 2020, and may prevent repurchases in certain circumstances.

Ocwen Related Matters

During the six months ended June 30, 2020, Ocwen was our largest customer, accounting for 61% of our total revenue for the six months ended June 30, 2020 (60% of our revenue for the second quarter of 2020). Additionally, 6% of our revenue for the six months ended June 30, 2020 (5% of our revenue for the second quarter of 2020) was earned on the loan portfolios serviced by Ocwen, when a party other than Ocwen or the mortgage servicing rights ("MSRs") owner selected Altisource as the service provider.

Ocwen has disclosed that it is subject to a number of ongoing federal and state regulatory examinations, consent orders, inquiries, subpoenas, civil investigative demands, requests for information and other actions and is subject to pending legal proceedings, some of which include claims against Ocwen for substantial monetary damages. In addition to monetary damages, various complaints have sought to obtain permanent injunctive relief, consumer redress, refunds, restitution, disgorgement, civil penalties, costs and fees and other relief. Existing or future similar matters could result in, and in some cases, have resulted in, adverse regulatory or other actions against Ocwen. Previous regulatory actions against Ocwen have subjected Ocwen to independent oversight of its operations and placed certain restrictions on its ability to acquire servicing rights. In addition to the above, Ocwen may become subject to future adverse regulatory or other actions.

Ocwen has disclosed that NRZ is its largest client. As of June 30, 2020, NRZ owned MSRs or rights to MSRs relating to approximately 53% of loans serviced and subserviced by Ocwen (measured in unpaid principal balance). In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to certain of its MSRs (the "Subject MSRs") and under which Ocwen will subservice mortgage loans underlying the MSRs for an initial term of five years. NRZ can terminate its sub-servicing agreement with Ocwen in exchange for the payment of a termination fee.

The existence or outcome of Ocwen regulatory matters or the termination of the NRZ sub-servicing agreement with Ocwen may have significant adverse effects on Ocwen's business and/or our continuing relationship with Ocwen. For example, Ocwen may be required to alter the way it conducts business, including the parties it contracts with for services, it may be required to seek changes to its existing pricing structure with us, it may lose its non-GSE servicing rights or subservicing arrangements or may lose one or more of its state servicing or origination licenses. Additional regulatory actions or adverse financial developments may impose additional restrictions on or require changes in Ocwen's business that could require it to sell assets or change its business operations. Any or all of these effects and others could result in our eventual loss of Ocwen as a customer or a reduction in the number and/or volume of services they purchase from us or the loss of other customers.

During the second quarter of 2020, Ocwen informed us that an investor had instructed Ocwen to use a field services provider other than Altisource on properties associated with certain MSRs. They indicated that they were instructed to begin the transition in July 2020, and that the transition should be completed in a few months. We believe Ocwen commenced using another field services provider for these properties in July 2020. Based upon the impacted portfolios to date and the designated service provider, Altisource believes that Ocwen received these directions from NRZ, but Ocwen has not confirmed this belief. The timing to complete the transition to the replacement field service provider has not been defined, but we anticipate that there will be an impact to revenue and earnings from the transfer of field services that may be material in future periods. We estimate that $58.2 million and $77.5 million of service revenue from Ocwen for the six months ended June 30, 2020 and 2019, respectively ($27.4 million and $35.1 million for the second quarter of 2020 and 2019, respectively) was derived from Field Services referrals from the NRZ owned portfolios. Without providing the timing or specific services impacted, Ocwen also communicated to Altisource that the same investor plans to direct them to transition certain other default related service referrals to other providers. We estimate that revenue from these certain other default related services represented approximately $20.6 million and $22.5 million of service revenue from Ocwen for the six months ended June 30, 2020 and 2019, respectively ($9.0 million and $10.5 million for the second quarter of 2020 and 2019, respectively). Altisource believes that any action taken by Ocwen to redirect these service referrals breaches Altisource's agreement with Ocwen. We are currently in discussions with Ocwen to address this matter, and have reserved all of our rights with respect to this matter.

To address the potential reduction in revenue, Altisource is taking additional measures to reduce its cost structure and strengthen its operations.

In addition to expected reductions in our revenue from the Field Services referrals transition, if any of the following events occurred, Altisource's revenue could be further significantly reduced and our results of operations could be materially adversely affected, including from the possible impairment or write-off of goodwill, intangible assets, property and equipment, other assets and accounts receivable:

- Altisource loses Ocwen as a customer or there is an additional significant reduction in the volume of services they purchase from us
- Ocwen loses, sells or transfers a significant portion of its GSE and Federal Housing Administration servicing rights or subservicing arrangements or remaining non-GSE servicing rights or subservicing arrangements and Altisource fails to be retained as a service provider
- The contractual relationship between Ocwen and NRZ changes significantly and this change results in a change in our status as a provider of services related to the Subject MSRs
- Ocwen loses state servicing licenses in states with a significant number of loans in Ocwen's servicing portfolio
- The contractual relationship between Ocwen and Altisource changes significantly or there are significant changes to our pricing to Ocwen for services from which we generate material revenue
- Altisource otherwise fails to be retained as a service provider

Management cannot predict whether any of these events will occur or the amount of any impact they may have on Altisource. However, we are focused on diversifying and growing our revenue and customer base and we have a sales and marketing strategy to support these efforts. Moreover, in the event one or more of these events materially negatively impact Altisource, we believe the variable nature of our cost structure would allow us to realign our cost structure in line with remaining revenue and that current liquidity and cash flows from operations would be sufficient to meet our working capital, capital expenditures, debt service and other cash needs. There can be no assurance that our plans will be successful or our operations will be profitable.

Factors Affecting Comparability

The following items impact the comparability of our results:

- The Company's financial performance for the three and six months ended June 30, 2020 in its default related services businesses was negatively impacted by COVID-19 related governmental restrictions and changing vendor and consumer behavior. This impact was partially offset by stronger performance from the Company's origination related businesses that benefited from lower interest rates for the three and six months ended June 30, 2020. Across the Company's three core businesses, service revenue from customers other than Ocwen, NRZ and Front Yard Residential Corporation ("RESI") for the three and six months ended June 30, 2020 grew by 5% and 19%, respectively, compared to the three and six months ended June 30, 2019, despite the COVID-19 impacts the Company started facing late in the first quarter of 2020. Compared to the six months ended June 30, 2019, the increase is primarily from the growth in our customer base and market share expansion. Service revenue from the origination businesses such as loan fulfillment, loan certification, title, settlement and valuation services in Mortgage and Real Estate Solutions grew by 44% for the six months ended June 30, 2020 (35% for the second quarter of 2020). In the Marketplace and Field Services businesses, revenue growth from customers other than Ocwen and NRZ was more than offset by lower revenue from Ocwen's declining servicing portfolio and the impact of COVID-19.

- During the six months ended June 30, 2020 and 2019, we recognized an unrealized (loss) gain of $(12.6) million and $14.0 million, respectively, ($(11.2) million and $11.8 million for the second quarter of 2020 and 2019, respectively) from the change in fair value on our investment in RESI in other income (expense), net in the condensed consolidated statements of operations and comprehensive loss from a change in the market value of RESI common shares.
- In August 2018, Altisource initiated Project Catalyst, a project intended to optimize its operations and reduce costs to better align its cost structure with its anticipated revenues and improve its operating margins. During the six months ended June 30, 2020 and 2019, Altisource incurred $8.7 million and $6.3 million, respectively, ($5.8 million and $1.9 million for the second quarter of 2020 and 2019, respectively) of severance costs, professional services fees, facility consolidation costs, technology costs and business wind down costs related to the reorganization plan. Altisource expects to incur additional severance costs, professional services fees, technology costs and facility consolidation costs in connection with this internal reorganization, automation and other technology related activities and will expense those costs as incurred. Based on the Company's analysis, it currently anticipates the future costs relating to Project Catalyst to be in the range of approximately $4 million to $7 million and does not include any anticipated costs associated with COVID-19 cost savings initiatives or planned cost reductions in connection with Ocwen's decision to move certain field services referrals to another provider.
- On July 1, 2019, Altisource sold its Financial Services business, consisting of post-charge-off consumer debt and mortgage charge-off collection services and customer relationship management services (the "Financial Services Business") to Transworld Systems Inc. ("TSI") for $44.0 million consisting of an upfront payment of $40.0 million, subject to a working capital adjustment (finalized during 2019) and transaction costs upon closing of the sale, and an additional $4.0 million payment on the one year anniversary of the sale closing, which was received on July 1, 2020. The parties also entered into a transition services agreement to provide for the management and orderly transition of certain services and technologies to TSI for periods ranging from 2 months to 13 months, subject to additional 3 month extensions. As of July 1, 2020, nearly all of the transition services and technologies have been fully transitioned to TSI. For the three and six months ended June 30, 2019, service revenue from the Financial Services Business was $17.3 million and $33.4 million, respectively (no comparative amount for the three and six months ended June 30, 2020).
- In February 2019, Altisource and Ocwen entered into agreements that, among other things, facilitated Ocwen's transition from REALServicing and related technologies to another mortgage servicing software platform. The transition was completed during 2019. For the six months ended June 30, 2019, service revenue from REALServicing and related technologies was $11.6 million ($4.6 million for the second quarter of 2019).
- In November 2018, the Company announced its plans to sell its short-term investments in real estate and exit the Company's BRS business. For the three and six months ended June 30, 2019, service revenue from BRS was $39.7 million and $42.2 million, respectively (no comparative amount for the three and six months ended June 30, 2020).
- In May 2019, the Company began selling its investment in RESI common stock. During the three and six months ended June 30, 2019, the Company sold 0.6 million shares for net proceeds of approximately $6.5 million (no comparative amount for the three and six months ended June 30, 2020). As required by the senior secure term loan agreement, the Company is using the net proceeds to repay a portion of its senior secured term loan.
- In October 2019, the Company announced its plans to wind down and close the Owners.com business, which was completed by December 31, 2019. For the three and six months ended June 30, 2019, service revenue from Owners.com was $2.2 million and $3.8 million, respectively (no comparative amount for the three and six months ended June 30, 2020).
- On June 21, 2018, the United States Supreme Court rendered a 5-4 majority decision in South Dakota v. Wayfair, Inc., holding that a state may require a remote seller with no physical presence in the state to collect and remit sales tax on goods and services provided to purchasers in the state, overturning certain existing court precedent. During the six months ended June 30, 2019, the Company completed the analysis of its services for potential exposure to sales tax in various jurisdictions in the United States. The Company recognized a $2.1 million net loss for the six months ended June 30, 2019 in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations and comprehensive loss (no comparative amount for the six months ended June 30, 2020 and the second quarter of 2020 and 2019). The Company began invoicing, collecting and remitting sales tax in applicable jurisdictions in 2019. The Company is also in the process of seeking additional reimbursements for sales tax payments from clients; however, there can be no assurance that the Company will be successful in collecting some or all of such additional reimbursements.

Future changes in our estimated sales tax exposure could result in a material adjustment to our consolidated financial statements which would impact our financial condition and results of operations.

- The Company recognized an income tax provision of $3.5 million and $15.3 million for the six months ended June 30, 2020 and 2019, respectively ($1.1 million and $16.5 million for the second quarter of 2020 and 2019, respectively). The decreases in the income tax provision for the three and six months ended June 30, 2020 were primarily from a $12.3 million reduction in Luxembourg deferred tax assets in connection with a decrease in the Luxembourg statutory income tax rate from 26.0% to 24.9% in the second quarter of 2019. The income tax provisions on losses before income taxes and non-controlling interests for the three and six months ended June 30, 2020 were driven by income tax on transfer pricing income from US and foreign operations other than our Luxembourg operating company and no tax benefit on the pretax losses from our Luxembourg operating company for the three and six months ended June 30, 2020.

Table of Contents

RESULTS OF OPERATIONS

Summary Results

The following is a discussion of our results of operations for the periods indicated.

The following table sets forth information on our consolidated results of operations:

(in thousands, except per share data)	Three months ended June 30, 2020	Three months ended June 30, 2019	% Increase (decrease)	Six months ended June 30, 2020	Six months ended June 30, 2019	% Increase (decrease)
Service revenue	$ 91,008	$ 190,520	(52)	$ 204,184	$ 355,519	(43)
Reimbursable expenses	3,840	4,775	(20)	11,685	9,271	26
Non-controlling interests	494	1,240	(60)	917	1,680	(45)
Total revenue	95,342	196,535	(51)	216,786	366,470	(41)
Cost of revenue	82,628	152,714	(46)	177,209	276,929	(36)
Gross profit	12,714	43,821	(71)	39,577	89,541	(56)
Operating expenses:						
Selling, general and administrative expenses	24,701	36,516	(32)	52,794	78,442	(33)
Restructuring charges	5,769	1,899	204	8,694	6,319	38
(Loss) income from operations	(17,756)	5,406	N/M	(21,911)	4,780	N/M
Other income (expense), net						
Interest expense	(4,446)	(5,812)	(24)	(9,162)	(11,764)	(22)
Unrealized (loss) gain on investment in equity securities	(11,224)	11,787	(195)	(12,571)	14,025	(190)
Other (expense) income, net	(321)	528	(161)	773	902	(14)
Total other income (expense), net	(15,991)	6,503	(346)	(20,960)	3,163	N/M
(Loss) income before income taxes and non-controlling interests	(33,747)	11,909	(383)	(42,871)	7,943	N/M
Income tax provision	(1,117)	(16,513)	(93)	(3,538)	(15,291)	(77)
Net loss	(34,864)	(4,604)	N/M	(46,409)	(7,348)	N/M
Net income attributable to non-controlling interests	(197)	(1,240)	(84)	(302)	(1,680)	(82)
Net loss attributable to Altisource	$ (35,061)	$ (5,844)	N/M	$ (46,711)	$ (9,028)	N/M
Margins:						
Gross profit/service revenue	14 %	23%		19 %	25%	
(Loss) income from operations/ service revenue	(20)%	3%		(11)%	1%	
Loss per share:						
Basic	$ (2.25)	$ (0.36)	N/M	$ (3.00)	$ (0.56)	N/M
Diluted	$ (2.25)	$ (0.36)	N/M	$ (3.00)	$ (0.56)	N/M
Weighted average shares outstanding:						
Basic	15,601	16,214	(4)	15,549	16,253	(4)
Diluted	15,601	16,214	(4)	15,549	16,253	(4)

N/M — not meaningful.

Revenue

Revenue by line of business was as follows:

(in thousands)	Three months ended June 30, 2020	Three months ended June 30, 2019	% Increase (decrease)	Six months ended June 30, 2020	Six months ended June 30, 2019	% Increase (decrease)
Service revenue:						
Field Services	$ 47,567	$ 64,388	(26)	$ 102,480	$ 134,482	(24)
Marketplace	17,161	32,603	(47)	43,328	69,570	(38)
Mortgage and Real Estate Solutions	25,468	26,940	(5)	55,744	53,353	4
Earlier Stage Business	578	330	75	1,139	596	91
Other	234	66,259	(100)	1,493	97,518	(98)
Total service revenue	91,008	190,520	(52)	204,184	355,519	(43)
Reimbursable expenses:						
Field Services	848	2,478	(66)	3,168	5,074	(38)
Marketplace	1,837	1,544	19	6,067	2,235	171
Mortgage and Real Estate Solutions	1,155	736	57	2,450	1,772	38
Other	—	17	(100)	—	190	(100)
Total reimbursable expenses	3,840	4,775	(20)	11,685	9,271	26
Non-controlling interests:						
Mortgage and Real Estate Solutions	494	1,240	(60)	917	1,680	(45)
Total revenue	$ 95,342	$ 196,535	(51)	$ 216,786	$ 366,470	(41)

We recognized service revenue of $204.2 million for the six months ended June 30, 2020, a 43% decrease compared to the six months ended June 30, 2019 ($91.0 million for the second quarter of 2020, a 52% decrease compared to the second quarter of 2019), primarily from the 2019 sale, discontinuation and exit from certain businesses (resulting in a 33% and 26% decline in service revenue for the three and six months ended June 30, 2020, respectively). Service revenue was also lower during these periods from COVID-19 pandemic related governmental restrictions and changing vendor and consumer behavior on demand for Field Services, Marketplace and default related services in Mortgage and Real Estate Solutions. In addition, service revenue declined from a reduction in the size of Ocwen's portfolio and NRZ's more aggressive sale of homes at the foreclosure auction (which reduces our REO auction, brokerage, field services and title service revenue). These decreases were partially offset by a 5% and 19% increase in revenue from customers other than Ocwen, NRZ and RESI for the three and six months ended June 30, 2020, respectively, in our Field Services, Marketplace and Mortgage and Real Estate Solutions businesses from new customer on-boardings, market share expansion with existing customers, and higher origination related volumes driven by lower interest rates. Service revenue from the origination businesses such as loan fulfillment, loan certification, title, settlement and valuation services in Mortgage and Real Estate Solutions grew by 44% for the six months ended June 30, 2020 (35% for the second quarter of 2020). Other service revenue declined for the three and six months ended June 30, 2020 from the July 1, 2019 sale of the Financial Services Business, lower REALServicing revenue from Ocwen's migration to another servicing system, the discontinuation of the BRS business and the wind down of Owners.com compared to the three and six months ended June 30, 2019.

We recognized reimbursable expense revenue of $11.7 million for the six months ended June 30, 2020, a 26% increase compared to the six months ended June 30, 2019 ($3.8 million for the second quarter of 2020, a 20% decrease compared to the second quarter of 2019). The increase for the six months ended June 30, 2020 was primarily driven by an increase in reimbursable expense revenue from a new early stage disposition service offering (cash for keys program and evictions) initiated in June 2019 in Marketplace, partially offset by lower Field Services revenue consistent with the decline in service revenue discussed above. The decrease in reimbursable expense revenue for the second quarter of 2020 was primarily driven by lower Field Services revenue consistent with the decline in service revenue discussed above, partially offset by an increase in certain title and foreclosure trustee volumes in Mortgage and Real Estate Solutions and a new early stage disposition service offering in Marketplace.

Certain of our revenues can be impacted by seasonality. More specifically, revenues from property sales, loan originations and certain property preservation services in Field Services typically tend to be at their lowest level during the fall and winter months and at their highest level during the spring and summer months.

Cost of Revenue and Gross Profit

Cost of revenue principally includes payroll and employee benefits associated with personnel employed in customer service and operations roles, fees paid to external providers related to the provision of services, cost of real estate sold, reimbursable expenses, technology and telecommunications costs and depreciation and amortization of operating assets.

Cost of revenue consists of the following:

	Three months ended June 30,			Six months ended June 30,		
(in thousands)	2020	2019	% Increase (decrease)	2020	2019	% Increase (decrease)
Compensation and benefits	$ 24,913	$ 36,806	(32)	$ 50,829	$ 78,174	(35)
Outside fees and services	41,761	58,588	(29)	89,901	121,169	(26)
Technology and telecommunications	9,074	9,060	—	18,306	18,538	(1)
Reimbursable expenses	3,840	4,775	(20)	11,685	9,271	26
Depreciation and amortization	3,040	3,209	(5)	6,488	7,407	(12)
Cost of real estate sold	—	40,276	(100)	—	42,370	(100)
Cost of revenue	$ 82,628	$ 152,714	(46)	$ 177,209	$ 276,929	(36)

We recognized cost of revenue of $177.2 million for the six months ended June 30, 2020, a 36% decrease compared to the six months ended June 30, 2019 ($82.6 million for the second quarter of 2020, a 46% decrease compared to the second quarter of 2019). The decreases in compensation and benefits, outside fees and services and cost of real estate sold were primarily driven by lower service revenue in Field Services and Marketplace businesses, the July 1, 2019 sale of the Financial Services Business and the discontinuation of the BRS business and wind down of Owners.com discussed in the revenue section above. Compensation and benefits also decreased due to lower headcount and temporary reductions in compensation in connection with cash cost savings measures initiated in the second quarter of 2020 in response to the COVID-19 related decreases in service revenue discussed in the revenue section above and as a result of the Project Catalyst reorganization. The changes in reimbursable expenses were consistent with the changes in reimbursable expense revenue discussed in the revenue section above.

Gross profit decreased to $39.6 million, representing 19% of service revenue, for the six months ended June 30, 2020 compared to $89.5 million, representing 25% of service revenue, for the six months ended June 30, 2019 (decreased to $12.7 million, representing 14% of service revenue, for the second quarter of 2020 compared to $43.8 million, representing 23% of service revenue, for the second quarter of 2019). Gross profit as a percentage of service revenue for the three and six months ended June 30, 2020 decreased compared to the three and six months ended June 30, 2019, primarily due to revenue mix with lower revenue from higher margin Marketplace businesses and the impact of the July 1, 2019 sale of the Financial Services Business. These decreases were partially offset by our COVID-19 cash cost savings measures, Project Catalyst cost reduction initiatives and higher revenue in the second quarter of 2019 from the sale of the majority of the short-term investments in real estate ("BRS Inventory") that resulted in a $1.8 million loss.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses include payroll for personnel employed in executive, sales and marketing, finance, law, compliance, human resources, vendor management, facilities and risk management roles. This category also includes professional services fees, occupancy costs, marketing costs, depreciation and amortization of non-operating assets and other expenses.

SG&A expenses consist of the following:

(in thousands)	Three months ended June 30, 2020	Three months ended June 30, 2019	% Increase (decrease)	Six months ended June 30, 2020	Six months ended June 30, 2019	% Increase (decrease)
Compensation and benefits	$ 9,307	$ 15,238	(39)	$ 21,319	$ 26,591	(20)
Occupancy related costs	5,668	6,921	(18)	11,089	14,395	(23)
Amortization of intangible assets	2,840	3,544	(20)	7,049	12,191	(42)
Professional services	3,841	3,320	16	6,476	8,796	(26)
Marketing costs	951	2,989	(68)	2,388	5,921	(60)
Depreciation and amortization	544	1,682	(68)	1,213	3,115	(61)
Other	1,550	2,822	(45)	3,260	7,433	(56)
Selling, general and administrative expenses	$ 24,701	$ 36,516	(32)	$ 52,794	$ 78,442	(33)

SG&A expenses for the six months ended June 30, 2020 of $52.8 million decreased by 33% compared to the six months ended June 30, 2019 ($24.7 million for the second quarter of 2020, a 32% decrease compared to the second quarter of 2019). The decreases were primarily driven by lower compensation and benefits, occupancy related costs, amortization of intangible assets, marketing costs and Other expenses. Compensation and benefits decreased as we reduced headcount and temporarily reduced compensation from COVID-19 cash cost savings measures and Project Catalyst cost reduction initiatives. The decreases in occupancy related costs primarily resulted from the July 1, 2019 sale of the Financial Services Business and facility consolidation initiatives. The decrease in amortization of intangible assets was driven by the completion of the amortization period of certain intangible assets during 2019, the July 1, 2019 sale of the Financial Services Business and lower revenue generated from the Homeward Residential, Inc. and Residential Capital, LLC portfolios (revenue-based amortization) consistent with the reduction in the size of Ocwen's portfolio, discussed in the revenue section above. The decreases in marketing costs were primarily driven by the wind down of Owners.com in the fourth quarter of 2019. Other expenses decreased primarily due to lower travel and entertainment costs driven by lower headcount and COVID-19 travel restrictions and a $2.1 million contingent loss accrual for sales tax exposure in the United States recognized during the first quarter of 2019.

Other Operating Expenses

In August 2018, Altisource initiated Project Catalyst, a project intended to optimize our operations and reduce costs to better align its cost structure with its anticipated revenues and improve our operating margins. During the six months ended June 30, 2020 and 2019, Altisource incurred $8.7 million and $6.3 million, respectively ($5.8 million and $1.9 million for the second quarter of 2020 and 2019, respectively), of severance costs, professional services fees, facility consolidation costs, technology costs and business wind down costs related to the reorganization plan. Altisource expects to incur additional severance costs, professional services fees, technology costs and facility consolidation costs in connection with this internal reorganization, automation and other technology related activities and will expense those costs as incurred. Based on the Company's analysis, it currently anticipates the future costs relating to Project Catalyst to be in the range of approximately $4 million to $7 million.

(Loss) Income from Operations

Income from operations decreased to a loss of $(21.9) million, representing (11)% of service revenue, for the six months ended June 30, 2020, compared to $4.8 million, representing 1% of service revenue, for the six months ended June 30, 2019 (decreased to a loss of $(17.8) million, representing (20)% of service revenue, for the second quarter of 2020 compared to $5.4 million, representing 3% of service revenue, for the second quarter of 2019). Income from operations as a percentage of service revenue decreased for the three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019, primarily as a result of lower gross profit margins and higher restructuring costs, partially offset by lower SG&A expenses, as discussed above.

Other Income (Expense), net

Other income (expense), net principally includes interest expense, unrealized (loss) gain on our investment in RESI common shares and other non-operating gains and losses.

Other income (expense), net was $(21.0) million for the six months ended June 30, 2020 compared to $3.2 million for the six months ended June 30, 2019 ($(16.0) million for the second quarter of 2020 and $6.5 million the second quarter of 2019). The decreases in other income were primarily driven by $(11.2) million and $(12.6) million unrealized losses on our investment in RESI common shares for the three and six months ended June 30, 2020, respectively, compared to $11.8 million and $14.0 million unrealized gains for the three and six months ended June 30, 2019, respectively. These decreases in other income were partially offset by lower interest expense during the three and six months ended June 30, 2020. Interest expense decreased primarily due to lower average outstanding balances of the senior secured term loan as a result of repayments during 2019 and lower interest rates. For the six months ended June 30, 2020, the interest rate of the senior secured term loan was 5.70% compared to 6.49% for the six months ended June 30, 2019 (5.45% for the second quarter of 2020 compared to 6.60% for the second quarter of 2019).

Income Tax Provision

We recognized an income tax provision of $3.5 million and $15.3 million for the six months ended June 30, 2020 and 2019, respectively ($1.1 million and $16.5 million for the second quarter of 2020 and 2019, respectively). The decreases in the income tax provision for the three and six months ended June 30, 2020 were primarily from a $12.3 million reduction in Luxembourg deferred tax assets in connection with a decrease in the Luxembourg statutory income tax rate from 26.0% to 24.9% in the second quarter of 2019. The income tax provisions on losses before income taxes and non-controlling interests for the three and six months ended June 30, 2020 were driven by the income tax on transfer pricing income from US and foreign operations other than our Luxembourg operating company and no tax benefit on the pretax losses from our Luxembourg operating company for the three and six months ended June 30, 2020.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary source of liquidity has historically been cash flow from operations and cash on hand. However, the COVID-19 pandemic has resulted in a reduction in cash flow from operations for the six months ended June 30, 2020, as lower service revenue has not been fully offset by cash cost savings initiatives. We seek to deploy cash generated in a disciplined manner. Principally, we intend to use cash to develop and grow complementary services and businesses that we believe will generate attractive margins in line with our core capabilities and strategy. We use cash for repayments of our long-term debt, capital investments and we anticipate that we may use cash from time to time to repurchase shares of our common stock. In addition, we consider and evaluate business acquisitions, dispositions, closures or other similar actions from time to time that are aligned with our strategy.

Credit Agreement

In 2018, Altisource entered into the Credit Agreement pursuant to which Altisource borrowed $412.0 million in the form of Term B Loans and obtained a $15.0 million revolving credit facility. The Term B Loans mature in April 2024 and the revolving credit facility matures in April 2023. As of June 30, 2020, $293.8 million of the Term B Loans were outstanding. Borrowings under the revolving credit facility are not permitted if our leverage ratio exceeds to 3.50 to 1.00. There were no borrowings outstanding under the revolving credit facility as of June 30, 2020.

There are no mandatory repayments of the Term B Loans due until March 2023, when $1.3 million is due to be repaid. Thereafter, the Term B Loans must be repaid in consecutive quarterly principal installments of $3.1 million, with the balance due at maturity. All amounts outstanding under the Term B Loans will become due on the earlier of (i) April 3, 2024, and (ii) the date on which the loans are declared to be due and owing by the administrative agent at the request (or with the consent) of the Required Lenders (as defined in the Credit Agreement; other capitalized terms, unless defined herein, are defined in the Credit Agreement) or as otherwise provided in the Credit Agreement upon the occurrence of any event of default.

In addition to the scheduled principal payments, subject to certain exceptions, the Term B Loans are subject to mandatory prepayment upon issuances of debt, certain casualty and condemnation events and sales of assets, as well as from a percentage of Consolidated Excess Cash Flow if our leverage ratio is greater than 3.00 to 1.00, as calculated in accordance with the provisions of the Credit Agreement (the percentage increases if our leverage ratio exceeds 3.50 to 1.00). Certain mandatory prepayments reduce future contractual amortization payments by an amount equal to the mandatory prepayment.

The interest rate on the Term B Loans as of June 30, 2020 was 5.00%.

Altisource may incur incremental indebtedness under the Credit Agreement from one or more incremental lenders, which may include existing lenders, in an aggregate incremental principal amount not to exceed $125.0 million, subject to certain conditions set forth in the Credit Agreement, including a sublimit of $80.0 million with respect to incremental revolving credit commitments. The lenders have no obligation to provide any incremental indebtedness.

The Credit Agreement includes covenants that restrict or limit, among other things, our ability, subject to certain exceptions and baskets, to incur additional debt, pay dividends and repurchase shares of our common stock. In the event we require additional liquidity, our ability to obtain it may be limited by the Credit Agreement.

Cash Flows

The following table presents our cash flows for the six months ended June 30:

(in thousands)	2020	2019	% Increase (decrease)
Net loss adjusted for non-cash items	$ (6,665)	$ 31,161	(121)
Changes in operating assets and liabilities	(4,551)	1,995	(328)
Net cash (used in) provided by operating activities	(11,216)	33,156	(134)
Net cash (used in) provided by investing activities	(1,466)	6,629	(122)
Net cash used in financing activities	(1,908)	(14,711)	87
Net (decrease) increase in cash, cash equivalents and restricted cash	(14,590)	25,074	(158)
Cash, cash equivalents and restricted cash at the beginning of the period	86,583	64,046	35
Cash, cash equivalents and restricted cash at the end of the period	$ 71,993	$ 89,120	(19)

Cash Flows from Operating Activities

Cash flows from operating activities generally consist of the cash effects of transactions and events that enter into the determination of net income. For the six months ended June 30, 2020, cash flows used in operating activities were $(11.2) million, or approximately $(0.05) for every dollar of service revenue ($(0.11) for every dollar of service revenue for the second quarter of 2020), compared to cash flows provided by operating activities of $33.2 million, or approximately $0.09 for every dollar of service revenue for the six months ended June 30, 2019 ($0.21 for every dollar of service revenue for the second quarter of 2019). During the six months ended June 30, 2020, the decrease in cash provided by operating activities was driven by a $37.8 million increase in net loss, adjusted for non-cash items and higher cash used for changes in operating assets and liabilities of $6.5 million. The increase in net loss, adjusted for non-cash items, was primarily due to lower gross profit during the six months ended June 30, 2020 from lower service revenue driven by the COVID-19 pandemic, reduced customer volumes, the July 1, 2019 sale of the Financial Services Business and higher restructuring costs, partially offset by decreases in expenses as a result of COVID-19 cash cost savings measures, the Project Catalyst cost reduction initiatives and lower SG&A expenses. The increase in cash used for changes in operating assets and liabilities was driven by the decrease in short-term investments in real estate of $39.5 million primarily related to the sale of the majority of the remaining BRS Inventory in the six months ended June 30, 2020. The cash flow impact of the prior year decrease in short-term investments was partially offset by a decrease in cash used for changes in operating assets and liabilities driven by $6.9 million of payments of sales tax accruals during the first quarter of 2019, lower cash payments for annual incentive compensation bonuses in the first quarter of 2020 by $7.3 million and a decrease in accounts receivable of $7.2 million for the six months ended June 30, 2020 compared to an increase in accounts receivable of $15.8 million during the six months ended June 30, 2019, largely driven by the timing of collections. During 2019, accounts receivable increased in part as a result of delays in receiving payments from Ocwen in connection with Ocwen's transition to another mortgage servicing software platform. Operating cash flows can be negatively impacted because of the nature of some of our services and the mix of services provided. Certain services are performed immediately following or shortly after the referral, but the collection of the receivable does not occur until a specific event occurs (e.g., the foreclosure is complete, the REO asset is sold, etc.). Furthermore, lower margin services generate lower income and cash flows from operations. Consequently, our cash flows from operations may be negatively impacted when comparing one period to another.

Cash Flows from Investing Activities

Cash flows from investing activities for the six months ended June 30, 2020 and 2019 consisted of additions to premises and equipment, and for the six months ended June 30, 2019, included proceeds from the sale of a business and proceeds from the sale of equity securities. Cash flows (used in) provided by investing activities were $(1.5) million and $6.6 million for the six months ended June 30, 2020 and 2019, respectively. The change in cash provided by investing activities was primarily driven by $6.5 million in proceeds received from the sale of a portion of our investment in RESI common stock during the second quarter of 2019.

Cash Flows from Financing Activities

Cash flows from financing activities for the six months ended June 30, 2020 and 2019 primarily included payments of tax withholdings on issuance of restricted share units and restricted shares and distributions to non-controlling interests, and for the six months ended June 30, 2019, included repayments of long-term debt, the purchase of treasury shares and proceeds from stock option exercises. Cash flows used in financing activities were $(1.9) million and $(14.7) million for the six months ended June 30, 2020 and 2019, respectively. During the six months ended June 30, 2020 and 2019, we made payments of $(1.4) million and

$(1.3) million, respectively, to satisfy employee tax withholding obligations on the issuance of restricted share units and restricted shares. These payments were made to tax authorities, at the employees' direction, to satisfy the employees' tax obligations rather than issuing a portion of vested restricted share units and restricted shares to employees. In addition, during the six months ended June 30, 2020 and 2019, we distributed $(0.5) million and $(1.1) million to non-controlling interests, respectively. During the six months ended June 30, 2019, we used $(5.8) million for repayments of long-term debt related to proceeds received from the sale of RESI shares and we used $(6.7) million to repurchase shares of our common stock.

Liquidity Requirements after June 30, 2020

Our significant future liquidity obligations primarily pertain to long-term debt interest expense under the Credit Agreement (see Liquidity section above) and lease payments. During the next 12 months, we expect to pay $14.7 million of interest expense (assuming no further principal repayments and the June 30, 2020 interest rate) under the Credit Agreement and make lease payments of $9.9 million.

We believe that our existing cash and cash equivalents balances and our anticipated cash flows from operations will be sufficient to meet our liquidity needs, including to fund required interest payments and lease payments, for the next 12 months.

Contractual Obligations, Commitments and Contingencies

For the six months ended June 30, 2020, there were no significant changes to our contractual obligations from those identified in our Form 10-K for the fiscal year ended December 31, 2019 and this Form 10-Q, other than those that occur in the normal course of business. See Note 24 to the condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND RECENT ACCOUNTING PRONOUNCEMENTS

We prepare our interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. In applying many of these accounting principles, we need to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses in our condensed consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and judgments, however, are often subjective. Actual results may be negatively affected based on changing circumstances. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

Our critical accounting policies are described in the MD&A section of our Form 10-K for the year ended December 31, 2019 filed with the SEC on March 5, 2020. There have been no material changes to our critical accounting policies during the six months ended June 30, 2020.

Recently Adopted and Future Adoption of New Accounting Pronouncements

See Note 1 to the condensed consolidated financial statements for a discussion of recently issued accounting pronouncements, including pronouncements that were adopted in the current period.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

Our financial market risk consists primarily of interest rate and foreign currency exchange rate risk.

Interest Rate Risk

As of June 30, 2020, the interest rate charged on the Term B Loan was 5.00%. The interest rate is calculated based on the Adjusted Eurodollar Rate (as defined in the senior secured term loan agreement) with a minimum floor of 1.00% plus 4.00%.

Based on the principal amount outstanding and the Adjusted Eurodollar Rate as of June 30, 2020, a one percentage point increase in the Eurodollar rate would increase our annual interest expense by approximately $2.9 million. There would be no decrease in our annual interest expense if there was a one percentage point decrease in the Eurodollar Rate, as a result of the 1.00% minimum floor.

Currency Exchange Risk

We are exposed to currency risk from potential changes in currency values of our non-United States dollar denominated expenses, assets, liabilities and cash flows. Our most significant currency exposure relates to the Indian rupee. Based on expenses incurred in Indian rupees for the second quarter of 2020, a one percentage point increase or decrease in value of the Indian rupee in relation to the United States dollar would increase or decrease our annual expenses by approximately $0.5 million.

Item 4. Controls and Procedures

a) *Evaluation of Disclosure Controls and Procedures*

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including the Chairman and Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of June 30, 2020, an evaluation was conducted under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based on this evaluation, such officers have concluded that our disclosure controls and procedures were effective as of June 30, 2020.

b) *Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the quarter ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We record a liability for contingencies if an unfavorable outcome is probable and the amount of loss can be reasonably estimated, including expected insurance coverage. For proceedings where the reasonable estimate of loss is a range, we record a best estimate of loss within the range.

Litigation

We are currently involved in legal actions in the course of our business, some of which seek monetary damages. We do not believe that the outcome of these proceedings, both individually and in the aggregate, will have a material impact on our financial condition, results of operations or cash flows.

Regulatory Matters

Periodically, we are subject to audits, examinations and investigations by federal, state and local governmental authorities and receive subpoenas, civil investigative demands or other requests for information from such governmental authorities in connection with their regulatory or investigative authority. We are currently responding to such inquiries from governmental authorities relating to certain aspects of our business. We believe it is premature to predict the potential outcome or to estimate any potential financial impact in connection with these inquiries.

Item 1A. Risk Factors

As of the date of this filing, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Form 10-K for the year ended December 31, 2019 filed with the SEC on March 5, 2020, except as discussed in our Form 10-Q for the quarterly period ended March 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no purchases of shares of common stock during the three months ended June 30, 2020. On May 15, 2018, our shareholders approved the renewal and replacement of the share repurchase program previously approved by the shareholders on May 17, 2017. Under the program, we are authorized to purchase up to 4.3 million shares of our common stock in the open market, subject to certain parameters, for a period of five years from the date of approval. As of June 30, 2020, the maximum number of shares that may be purchased under the repurchase program is 2.4 million shares of the Company’s common stock. In addition to the share repurchase program, during the three months ended June 30, 2020, 26,530 common shares were withheld from employees to satisfy tax withholding obligations that arose from the vesting of restricted shares.

Item 6. Exhibits

Exhibit Number	Exhibit Description
10.1 * †	Form of Restricted Stock Unit Award Agreement Pursuant to Altisource's 2009 Equity Incentive Plan and 2020 Long Term Equity Incentive Program
10.2 * †	Form of Restricted Stock Unit Award Agreement Pursuant to Altisource's 2009 Equity Incentive Plan and 2019 Annual Incentive Plan
31.1 *	Section 302 Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)
31.2 *	Section 302 Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)
32.1 *	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101 *	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2020 is formatted in Inline XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019; (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2020 and 2019; (iii) Condensed Consolidated Statements of Equity for the six months ended June 30, 2020 and 2019; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and 2019; and (v) Notes to Condensed Consolidated Financial Statements.
104 *	Cover Page Interactive Data File formatted as Inline XBRL and contained in Exhibit 101

* Filed herewith.

† Denotes a management contract or compensatory arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
(Registrant)

Date: August 6, 2020

By: /s/ Michelle D. Esterman
Michelle D. Esterman
Chief Financial Officer
(On behalf of the Registrant and as its Principal Financial Officer and Principal Accounting Officer)

RESTRICTED STOCK UNIT AWARD AGREEMENT
PURSUANT TO
ALTISOURCE'S 2009 EQUITY INCENTIVE PLAN AND
2020 LONG TERM EQUITY INCENTIVE PROGRAM

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement") is made and entered into as of January 24, 2020 (the "Grant Date") by and between **Altisource Portfolio Solutions S.A.**, a Luxembourg société anonyme ("Altisource" and, together with its subsidiaries and affiliates, the "Company"), and [ ], an employee of the Company (the "Employee").

WHEREAS, The Company desires, by awarding the Employee restricted units for shares of its common stock, par value $1.00 per share ("Shares"), to further the objectives of the Company's 2009 Equity Incentive Plan, as amended and restated (the "2009 Plan").

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bound hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. RESTRICTED STOCK UNIT AWARD

The Company hereby grants to the Employee, pursuant to and subject to the 2009 Plan, [ ] Restricted Stock Units (the "Restricted Stock Units" or "RSUs"), on the terms and conditions set forth herein (the "RSU Award"), consisting of [ ] Type I performance-based RSUs ("Type I RSUs") and [ ] Type II performance-based RSUs ("Type II RSUs") that shall vest subject to the terms and conditions described in Section 2. Each RSU represents a right for the Employee to receive one Share (or cash, if so determined pursuant to Section 5 Subsection B), as determined in the sole discretion of the Committee, subject to the terms and conditions of this Agreement and the Plan.

2. VESTING OF RSU AWARD

Type I RSUs shall vest in three equal increments on the first, second and third anniversaries of the Grant Date, subject to the Employee meeting a minimum performance level of fifty percent (50%) on his or her annual scorecard for the preceding service year.

Type II RSUs shall be earned and vest entirely on the third anniversary of the Grant Date, subject to the Company's (i) achievement of corporate adjusted earnings per share ("EPS") during 2020-2022 (the "Performance Period"); and (ii) total shareholder return ("TSR") versus the return of the Russell 3000 Index during the "Performance Period, as described in Exhibit A.

Except as provided in Section 4 and Section 8 below, no RSUs will vest unless the Employee is, at the time of vesting, an employee of the Company and not under a notice of resignation.

3. SHAREHOLDER RIGHTS; DIVIDEND EQUIVALENT RIGHTS

A. Shareholder Rights

RSUs are an unfunded promise to deliver Shares (or cash, if so determined pursuant to Section 5 Subsection B) in the future if the requirements of the RSU Award and the Plan are met. Prior to issuance of Shares, if any, to the Employee in settlement of the RSU Award pursuant to Section 5 below, the Employee has no ownership rights in Shares or shareholder rights.

B. Dividend Equivalents

Each RSU shall include dividend equivalent rights that entitle the Employee, simultaneously upon the settlement of the RSU pursuant to Section 5 below, to receive a cash payment equal to any dividends declared on a Share ("Dividend Equivalents") from the Grant Date through the day immediately before the issuance date of the Share in settlement of the RSU. If for any reason, the Employee does not become entitled to receive a Share in settlement of an RSU, the Employee will forfeit the dividend equivalent rights associated with such RSU. Dividend Equivalents shall not accrue interest. For the avoidance of doubt, Employee shall have no right to receive the Dividend Equivalents unless and until the associated RSUs vest.

C. Non-Transferability of the RSU Award

This RSU Award is nontransferable and neither the RSU Award nor the RSUs may be assigned, transferred, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the RSU Award contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the RSU Award, shall be null and void and without effect.

D. RSUs Are Unfunded and Unsecured

RSUs are an unfunded and unsecured promise to deliver Shares in the future (or cash, if so determined pursuant to Section 5 Subsection B), subject to the terms of this Agreement and the Plan. The Employee's rights under this Agreement are no greater than an unsecured, general creditor of the Company.

4. TERMINATION OF RSU AWARD

If, prior to vesting of the entire RSU Award, the Employee's employment terminates, the RSU Award shall terminate in accordance with the 2009 Plan except as follows:

A. by the Company for Cause or termination of employment by the Employee (other than by reason of Retirement), then the RSU Award shall terminate and all unvested RSUs shall be forfeited by the Employee as of the date of termination of employment or, in the case of the Employee's resignation, on the date the Employee provides notice of his or her resignation.

B. by the Company without Cause (other than by reason of Retirement), then (i) any unvested Type I RSUs that are scheduled to vest within twelve (12) months of such termination of employment under Section 2 above shall vest as of the date of termination of employment, and the remainder of the unvested Type I RSUs (if any) shall be forfeited by the Employee as of the date of termination of employment; and (ii) if the respective performance criteria for Type II RSUs have been satisfied on or prior to the ninety (90) day anniversary of the date of such termination of employment, such Type II RSUs shall vest as of the date the criteria are met, provided, however, that in both cases (i) and (ii) the Employee has been employed by the Company for at least two years as of the date of such termination of employment.

C. by reason of Retirement, death or Disability of the Employee, then all unvested Type I RSUs shall vest thirty (30) days after the date of such termination of employment, and all unvested Type II RSUs shall be forfeited unless the performance criteria are achieved within 90 days of such termination, in which case the Type II RSUs shall vest in accordance with Section 2, Subsection B above.

D. The Employee's right to accelerated vesting of RSUs following termination of employment under this Section 4 is subject in all cases to the requirement that the Employee has been employed with the Company for a period of at least two (2) years in the case of termination without Cause, Disability or death, or three (3) years in the case of Retirement, unless otherwise determined by the Company in its sole discretion.

E. In no event shall the granting of the RSU Award or its acceptance by the Employee give or be deemed to give the Employee any right to continued employment by the Company.

5. SETTLEMENT of RSUs.

A. Subject to Section 7.B, each vested RSU shall be settled in one Share (less applicable tax withholdings), as soon as practicable following and no later than the March 15th following the calendar year in which the RSU vests pursuant to Section 2 or 4 of this Agreement.

B. Notwithstanding the foregoing or any other provision of this Agreement, and subject in all cases to the terms of the 2009 Plan then in effect, the Company reserves the right to settle your RSUs by a lump sum cash payment equal to the then fair market value (as determined pursuant to Section 7) of the settled Shares (less applicable tax withholdings).

6. CONDITIONS UPON TERMINATION OF EMPLOYMENT; CLAW-BACK POLICY

A. For a period of two (2) years following the Employee's departure from the Company, the Employee shall not: (i) within the territory where the Employee is working or within which the Employee had responsibility at the time of termination, perform, either directly or indirectly, on behalf of a competitor the same or similar job duties that Employee performed on behalf of the Company in the two (2) years prior to departure, (ii) solicit, directly or indirectly, any employee of the Company to leave the employ of the Company for employment, hire, or engagement as an independent contractor elsewhere, (iii) solicit the sale of competitive goods or services from any customer, supplier, licensee, or business relation of the Company with which Employee had material contact (as that term is defined at O.C.G.A. § 13-8-51(10)) or solicit the aforementioned categories of entities to reduce their relationships with the Company, or (iv) share, reveal or utilize any Confidential Information of the Company except as otherwise expressly permitted in writing by Altisource.

B. For a period of two (2) years following the Employee's departure from the Company, the Employee shall be available at reasonable times to provide information to the Company at the request of the Company's management with respect to phases of the business with which he/she was actively connected during his/her employment, but such availability shall not be required during usual vacation periods or periods of illness or other incapacity or without reasonable compensation and cost reimbursement.

C. In the event that the Employee fails to comply with any of the promises made in this Section 6, then in addition to and not in limitation of any and all other remedies available to the Company at law or in equity (a) RSUs, to the extent then unvested, will be immediately forfeited by the Employee and returned to the Company and (b) the Employee will be required to immediately deliver to the Company an amount (in cash or in Shares) equal to the amount of the market value of any Shares that have been issued to the Employee in settlement of a vested RSU ("Share Value") at any time (or cash, if applicable) from one hundred eighty (180) days prior to the date of termination of employment to one hundred eighty (180) days after the date when the Company learns that the Employee has not complied with any such promise. The Employee will deliver such Share Value amount to the Company on such terms and conditions as may be required by the Company. The Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the Share Value amount and any other damage amount against any amount that might be owed to the Employee by the Company. The Employee acknowledges that in the event that the covenants made in this Section 6 are not fulfilled, the damage to the Company would be irreparable. The Company, in addition to any other remedies available to it, including, without limitation, the remedies set forth in Section 6, Subsection C above, shall be entitled to injunctive relief against the Employee's breach or threatened breach of said covenants. Employee specifically agrees that the subsidiaries and affiliates of Altisource are intended beneficiaries of the restrictions contained in this Paragraph 6 and that those subsidiaries and affiliates have the right to enforce the terms of this Paragraph 6.

D. The Employee acknowledges that the Company would not have awarded the RSUs to the Employee under this Agreement absent the Employee's agreement to be bound by the covenants made in this Section 6.

E. The RSUs shall be subject to any claw-back policy implemented by the Board of Directors of the Company or any Successor Entity.

7. INCOME TAXES

A. Generally

Except as provided in the next sentence, the Company shall withhold and/or receive the return of a number of Shares having a fair market value equal to the taxes that the Company determines it is required to withhold under applicable tax laws with respect to the RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates), in connection with the vesting of RSUs. In the event the Company cannot (under applicable legal, regulatory, listing or other requirements) satisfy such tax withholding obligation in such method or the parties otherwise agree in writing, then the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Employee to pay such amount by check or wire transfer; (ii) by deducting such amount out of any other compensation otherwise payable to the Employee; and/or (iii) by allowing the Employee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Employee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a fair market value on the date of surrender equal to the amount required to be withheld. For these purposes, the fair market value of the Shares to be withheld or repurchased, as applicable, shall be determined using the opening price of the Shares on the date that the amount of tax to be withheld is to be determined or, if such date falls on a day on which the NASDAQ Global Select Market is not open for active trading, using the opening price of the Shares on the next active trading day.

B. Section 409A.

The intent of the parties is that payments and benefits under this Agreement comply with or otherwise be exempt from Section 409A of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder (the "Code"), and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted either to be exempt from or in compliance therewith. If any provision of this Agreement (or any award of compensation or benefits provided under this Agreement) would cause the Employee to incur any additional tax or interest under Section 409A of the Code, the Company may reform such provision to comply with 409A. Notwithstanding the foregoing, Employee is solely responsible for any tax consequences Employee may incur under Code Section 409A and none of Altisource, its subsidiaries or any of their respective directors, officers, employees, agents or shareholders shall have any obligation to indemnify or hold Employee harmless from such taxes. If and to the extent any Shares that become vested and issuable under this RSU Award on account of the Employee's Retirement constitute deferred compensation subject to Code 409A, such issuance shall occur when the Employee has incurred a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h) ("Separation from Service"). Notwithstanding the foregoing, if at the time of the Employee's Separation from Service, the Employee is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i), such Shares shall be issued to the Employee on the first business day of the seventh month following the Employee's Separation from Service.

8. CORPORATE TRANSACTIONS; CHANGE OF CONTROL/RESTRUCTURING EVENT

A. Corporate Transactions

If there shall be any change in the Shares, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, spin off of one or more subsidiaries or other change in the corporate structure, appropriate adjustments shall be made by the Board of Directors in its discretion in the aggregate number and kind of Shares subject to the 2009 Plan and the number and kind of Shares subject to the RSU Award.

B. Change of Control/Restructuring Event

(1) If a Change of Control/Restructuring Event occurs, the Board of Directors shall have the right to make appropriate adjustments, including, without limiting the generality of the foregoing, by (i) allowing the RSUs to continue in full force and effect in accordance with the terms hereof, (ii) issuing an equivalent award of shares in the Successor Entity as the Board of Directors deems equitable, (iii) cancelling the award for consideration (as the Board of Directors sees as equitable) which may equal the value of the consideration to be paid in the Change of Control/Restructuring Event to holders of Shares, or (iv) providing for vesting and settlement of the RSUs immediately prior to, and conditioned on consummation, of the Change of Control/Restructuring Event.

(2) To the extent the Successor Entity allows the RSUs to continue in full force and effect in accordance with the terms hereof, the vesting schedule set forth in Section 2 will continue to apply (subject to the accelerated vesting provisions of Section 4); provided that, in such case, the Board of Directors shall have the right in its discretion to make appropriate adjustments, including, with the consent of the Successor Entity, equitably converting the consideration to be received upon the vesting of the RSUs to common stock of the Successor Entity.

(3) Notwithstanding any provision of Section 8 Subsection B(1) and B(2) to the contrary, in the event a Change of Control/Restructuring Event occurs, if the RSUs are not assumed or replaced by the acquirer/continuing entity on terms deemed by the Compensation Committee to be appropriate, then the Compensation Committee shall have the right to (i) provide for vesting and settlement of the RSUs immediately prior to, and conditioned on consummation, of the Change of Control/Restructuring Event

or (ii) to the extent the Successor Entity allows the RSUs to stay in place, to make appropriate adjustments to avoid an expansion or reduction in the value of the award.

(4) For the avoidance of doubt, in the event the Employee remains employed with the Successor Entity for purposes of this Agreement, he/she will be deemed to remain employed as if he/she continued employment with the Company such that the employment termination provisions applicable to the RSU Award shall not be invoked unless and until his/her employment with such Successor Entity shall terminate.

9. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

The Company shall reserve and keep available such number of Shares or access to cash and cash equivalents as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and/or transfer taxes with respect to the issue and/or transfer of Shares pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

10. ADDITIONAL CONDITIONS

A. The Employee hereby represents and covenants that (a) any Share acquired upon the vesting of the RSU Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such acquisition has been registered under the Securities Act and any applicable state securities law; (b) any subsequent sale of any such Shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, the Employee shall submit a written statement, in form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of acquisition of any Shares hereunder or (y) is true and correct as of the date of any sale of any such Shares, as applicable. As a further condition precedent to the delivery to the Employee of any Shares subject to the RSU Award, the Employee shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance of the Shares and, in connection therewith, shall execute any documents which the Company shall in its sole discretion deem necessary or advisable.

B. The RSU Award is subject to the condition that if the listing, registration or qualification of the Shares subject to the RSU Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the vesting or delivery of the Shares hereunder, the Shares subject to the RSU Award shall not vest or be delivered, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company shall use reasonable efforts to effect or obtain any such listing, registration, qualification, consent or approval.

11. DEFINITIONS

A. As used herein, the term “Board of Directors” shall mean the Board of Directors or Compensation Committee of Altisource or any Successor Entity, as applicable, and the term “Compensation Committee” shall mean the Compensation Committee of the Board of Directors of Altisource.

B. As used herein, the term "Cause" shall mean, as reasonably determined by the Board of Directors (excluding the Employee, if he/she is then a member of the Board of Directors) either (i) any willful or grossly negligent conduct (including but not limited to fraud or embezzlement) committed by the Employee in connection with the Employee's employment by the Company which conduct in the reasonable determination of the Board of Directors has had or will have a material detrimental effect on the Company's business or (ii) the Employee's conviction of, or entering into a plea of *nolo contendere* to, a felony involving fraud or embezzlement, whether or not committed in the course of the Employee's employment with the Company. For avoidance of doubt, termination of employment as a result of a business reorganization or reduction in force will be deemed termination without Cause for purposes of the RSU Award.

C. As used herein, "Change of Control/Restructuring Date" shall mean either the date which includes the "closing" of the transaction which makes a Change of Control/Restructuring Event effective if the Change of Control/Restructuring Event is made effective through a transaction which has a "closing" or the date a Change of Control/Restructuring Event is reported in accordance with applicable law as effective to the Securities and Exchange Commission if the Change of Control/Restructuring Event is made effective other than through a transaction which has a "closing."

D. As used herein, a "Change of Control/Restructuring Event" shall mean (i) the acquisition by any person or entity, or two or more persons and/or entities acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), of outstanding shares of voting stock of the Company at any time if after giving effect to such acquisition, and as a result of such acquisition, such person(s) or entity(ies) own more than fifty percent (50%) of such outstanding voting stock, (ii) the sale in one or more transactions of substantially all of the Company's assets to any person or entity, or two or more persons and/or entities acting in concert, or (iii) the merger, consolidation or similar transaction resulting in a reduction of the interest in the Company's stock of the pre-transaction stockholders to less than fifty percent (50%) of the post-transaction ownership. Notwithstanding anything herein to the contrary, the definition of Change of Control Event set forth herein shall not be broader than the definition of "change in control event" as set forth under Section 409A of the Internal Revenue Code of 1986, as amended, and the guidance promulgated thereunder, and if a transaction or event does not otherwise fall within such definition of change in control event, it shall not be deemed a Change in Control for purposes of this Agreement.

E. As used herein, "Confidential Information" means all non-public, commercially valuable information relating to Company, including any of its customers, vendors, and affiliates, of any kind whatsoever; know-how; experience; expertise; business plans; ways of doing business; business results or prospects; financial books, data and plans; pricing; supplier information and agreements; investor or lender data and information; business processes (whether or not the subject of a patent), computer software and specifications therefore; leases; and any and all agreements entered into by Company or its affiliates and any information contained therein; database mining and marketing; customer relationship management programs; any technical, operating, design, economic, client, customer, consultant, consumer or collector related data and information, marketing strategies or initiatives and plans which at the time or times concerned is either capable of protection as a trade secret or is considered to be of a confidential nature regardless of form. Confidential Information shall not include: (i) information that is or becomes generally available to the public other than as a result of a disclosure in breach of this Agreement, (ii) information that was available on a non-confidential basis prior to the date hereof or becomes available from a person other than the Company who was not otherwise bound by confidentiality obligations to the Company and was not otherwise prohibited from disclosing the information or (iii) Confidential Information that is required by law to be disclosed, in which case, the Employee will provide the Company with notice of such obligation immediately to allow the Company to seek such intervention as it may deem appropriate to prevent such disclosure including and not limited to initiating legal or administrative proceedings prior to disclosure.

F. As used herein, the term "Disability" shall mean a physical or mental impairment which, as reasonably determined by the Board of Directors, renders the Employee unable to perform the essential functions of his employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than one hundred and eighty (180) days in any twelve (12) month period, unless a longer period is required by federal or state law, in which case that longer period would apply.

G. As used herein, the term "Successor Entity" means the person that is formed by, replaces or otherwise survives the Company as a result of a transaction, series of transaction or restructuring with the effect that the Company ceases to exist.

H. Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the 2009 Plan.

12. AMENDMENT

In the event that the Board of Directors amends the 2009 Plan under the provisions of Section 9 of the 2009 Plan and such amendment shall modify or otherwise affect the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the 2009 Plan. The Company shall notify the Employee in writing of any such amendment to the 2009 Plan and this Agreement as soon as practicable after its approval. Notwithstanding any other provision of this Agreement or the 2009 Plan, the Employee's rights under this Agreement may not be amended in a way that materially diminishes the value of the award without the Employee's consent to the amendment.

13. CONSTRUCTION

In the event of any conflict between the 2009 Plan and this Agreement, the provisions of the 2009 Plan shall control. This Agreement shall be governed in all respects by the laws of the State of Georgia. No provision of this Agreement shall limit in any way whatsoever any right that the Company may otherwise have to terminate the employment of the Employee at any time.

If any provision of this Agreement is held to be unenforceable, then this provision will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of this Agreement, valid and enforceable. If a court declines to amend this Agreement as provided herein, the invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

Except as otherwise required by applicable law, rule or regulation, the Board of Directors shall have full discretion with respect to any actions to be taken or determinations to be made in connection with this Agreement (including, without limitation, any determination with regard to Section 3, Section 6 Subsection C and Section 8), and its determinations shall be final, binding and conclusive.

14. ENTIRE AGREEMENT

This Agreement, together with the 2009 Plan, constitutes the entire agreement between the Company and the Employee and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

15. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

16. CONFIRMING INFORMATION

By accepting this Agreement, either through electronic means or by providing a signed copy, the Employee (i) acknowledges and confirms that he/she has read and understood the 2009 Plan and this Agreement and (ii) acknowledges that acceptance through electronic means is equivalent to doing so by providing a signed copy.

[SIGNATURE PAGE FOLLOWS]

I hereby agree to and accept the terms of this Agreement.

Employee

____

Altisource Portfolio Solutions S.A.

By: ____________________________

Name:

Title:

Attested by: _____________________

Name:

Title:

EXHIBIT A

TO

RESTRICTED STOCK UNIT AWARD AGREEMENT

Type II RSUs shall be earned and vest in a two-step process:

Step 1: Type II Performance-based RSU awards will be linked to achievement of the adjusted EPS goal during the Performance Period. The initial award amount will be based on the simple average of achievement level vis-à-vis budget for the three years based on the following linear scale:

	Initial award amount determined as % of Award				
Performance Metric	**Award Terminates**	**50% - 99%**	**100%**	**101% - 149%**	**150%**
Average level of achievement vis-à-vis budget during the Performance Period	Average achievement of less than 85% of the corporate LTIP Adjusted EPS target during the Performance Period	Based on % of linear achievement between 85% and 100% of the corporate LTIP Adjusted EPS target during the Performance Period	Achievement at 100% of the corporate LTIP Adjusted EPS target during the Performance Period	Based on % of linear achievement between > 100% and 115% of the corporate LTIP Adjusted EPS target during the Performance Period	Achievement better than 115% of the corporate LTIP Adjusted EPS target during the Performance Period

Step 2: The amount will be modified based on Total Shareholder Return ("TSR") compared to Russell 3000 during the Performance Period based on the following linear scale:

	Vesting Multiplier				
Multiplier	**50% of Initial Earned Award Will Vest**	**50% - 99% of Initial Earned Award Will Vest**	**100% of Initial Earned Award Will Vest**	**101% - 149% of Initial Earned Award Will Vest**	**150% of Initial Earned Award Will Vest**
TSR	TSR less than 80%	TSR between 80% and 99% based on % of linear achievement	TSR at 100%	TSR greater than 100% and up to 120% based on % of linear achievement	TSR greater than 120%

RESTRICTED STOCK UNIT AWARD AGREEMENT
PURSUANT TO
ALTISOURCE'S 2009 EQUITY INCENTIVE PLAN AND
2019 ANNUAL INCENTIVE PLAN

Altisource Portfolio Solutions S.A., a Luxembourg société anonyme (together with its subsidiaries and affiliates, "Altisource" or the "Company"), hereby grants to **[Employee Name]** (the "Employee") an award of restricted stock units (the "Restricted Stock Units" or "RSUs") for shares of Altisource common stock, par value $1.00 per share ("Shares"), on the terms and conditions set forth herein (the "RSU Award"). Each RSU represents a right for Employee to receive one Share, subject to the fulfillment of the vesting conditions and other conditions set forth in the attached Appendix A.

This RSU Award is granted pursuant to Altisource's 2009 Equity Incentive Plan, as amended (the "2009 Plan") and the Company's 2019 Annual Incentive Plan. The RSU Award is subject to all of the terms and conditions contained in this Restricted Stock Unit Award Agreement (the "Agreement"), including the terms and conditions contained in the attached Appendix A as well as the 2009 Plan. Subject to the provisions of Appendix A and of the 2009 Plan, the principal features of this RSU Award are as follows:

Number of RSUs:	________
Grant Date:	February 26, 2020
Vesting Schedule:	50% of the RSU Award will vest on February 26, 2021 and the remaining 50% on February 26, 2022

As provided in the 2009 Plan and in this Agreement, this RSU Award or a portion thereof may terminate or be forfeited before the scheduled vesting date(s) of the RSU Award upon the occurrence of certain events (for example, if Employee resigns or is terminated before the date this RSU Award is fully vested). Important additional information on vesting and forfeiture of the RSU Award is contained in Section 6 of Appendix A.

This RSU Award is conditioned upon Employee's execution of this Agreement. **If the Agreement is not executed by Employee by XX, 2020, the RSU Award will be cancelled, resulting in the forfeiture of the portion of Employee's 2019 Annual Incentive Compensation Award that was to have been paid in RSUs.**

[Signature page follows]

IN WITNESS WHEREOF, the Company and Employee have executed this Agreement, to be effective as of the date first above written.

Altisource Portfolio Solutions S.A.

By: _________________________
William B. Shepro
Chief Executive Officer

Altisource Portfolio Solutions S.A.

Attested by: ______________________
Gregory J. Ritts
Corporate Secretary

My signature below indicates that I understand that this RSU Award is (1) subject to all of the terms and conditions as indicated in the attached Appendix A and set forth in the 2009 Plan and (2) not considered salary, nor is it a promise for future grants of equity awards.

By signing below, I also confirm my earlier agreement for [%] of my 2019 Annual Incentive Compensation Award to be paid in RSUs, notwithstanding any term to the contrary in my employment agreement, and I waive any claims related thereto**.**

Employee

____
Employee Name

APPENDIX A
TERMS AND CONDITIONS OF RSU AWARD

1. Grant of RSU Award.

The Company hereby grants to the Employee an RSU Award with respect to the number of RSUs set forth on page 1 of this Agreement, subject to all the terms and conditions of this Agreement and the 2009 Plan.

2. Vesting Schedule.

As set forth on page 1, fifty percent (50%) of the RSUs shall vest on each of the first and second anniversaries of the Grant Date. Except as provided in Section 4 and Section 8 below, RSUs will not vest unless the Employee is, at the time of vesting, an employee of the Company and not under a notice of resignation.

3. Shareholder Rights; Dividend Equivalent Rights.

A. Shareholder Rights.

RSUs are an unfunded promise to deliver Shares (or cash, if so determined pursuant to Section 5 Subsection B) in the future if the requirements of the RSU Award and the 2009 Plan are met. Prior to issuance of Shares, if any, to the Employee in settlement of the RSU Award pursuant to Section 5 below, the Employee has no ownership rights in Shares or shareholder rights.

B. Dividend Equivalents.

Each RSU shall include dividend equivalent rights that entitle the Employee, simultaneously upon the settlement of the RSU pursuant to Section 5 below, to receive a cash payment equal to any dividends declared on a Share ("Dividend Equivalents") from the Grant Date through the day immediately before the issuance date of the Share in settlement of the RSU. If for any reason, the Employee does not become entitled to receive a Share in settlement of an RSU, the Employee will forfeit the dividend equivalent rights associated with such RSU. Dividend Equivalents shall not accrue interest. For the avoidance of doubt, Employee shall have no right to receive the Dividend Equivalents unless and until the associated RSUs vest.

C. Non-Transferability of the RSU Award.

This RSU Award is nontransferable and neither the RSU Award nor the RSUs may be assigned, transferred, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the RSU Award contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the RSU Award, shall be null and void and without effect.

D. RSUs Are Unfunded and Unsecured.

RSUs are an unfunded and unsecured promise to deliver Shares in the future (or cash, if so determined pursuant to Section 5 Subsection B), subject to the terms of this Agreement and the 2009 Plan. The Employee's rights under this Agreement are no greater than an unsecured, general creditor of the Company.

4. Termination of RSU Awards.

If, prior to vesting of the entire RSU Award, the Employee's employment terminates, the RSU Award shall terminate in accordance with the 2009 Plan except as follows:

A. by the Company for Cause or termination of employment by the Employee (other than by reason of Retirement), then the RSU Award shall terminate and all unvested RSUs shall be forfeited by the Employee as of the date of termination of employment or, in the case of the Employee's resignation, on the date the Employee provides notice of his or her resignation.

B. by the Company without Cause or by reason of Retirement, death or Disability of the Employee, then all unvested RSUs shall vest thirty (30) days after the date of such termination of employment.

C. In no event shall the granting of the RSU Award or its acceptance by the Employee give or be deemed to give the Employee any right to continued employment by the Company.

5. Settlement of RSUs.

A. Subject to Section 7.B, each vested RSU shall be settled in one Share (less applicable tax withholdings), as soon as practicable and no later than the March 15th following the calendar year in which the RSU vests pursuant to Section 2 or 4 of this Agreement.

B. Notwithstanding the foregoing or any other provision of this Agreement, and subject in all cases to the terms of the 2009 Plan then in effect, the Company reserves the right to settle the Employee's RSUs by a lump sum cash payment equal to then fair market value (as determined pursuant to Section 7) of the settled Shares (less applicable tax withholdings).

6. Conditions upon Termination of Employment; Claw-back Policy.

A. For the Restrictive Period, the Employee shall not: (i) solicit, directly or indirectly, any employee of the Company to leave the employ of the Company for employment, hire, or engagement as an independent contractor elsewhere, (ii) solicit the sale of competitive goods or services from any customer, supplier, licensee, or business relation of the Company with which Employee had material contact (as that term is defined at O.C.G.A. § 13-8-51(10)) or solicit the aforementioned categories of entities to reduce their relationships with the Company or (iii) share, reveal or utilize any Confidential Information of the Company except as otherwise expressly permitted in writing by the Company.

B. For the Restrictive Period, the Employee shall be available at reasonable times to provide information to the Company at the request of the Company's management with respect to phases of the business with which he/she was actively connected during his/her employment, but such availability shall not be required during usual vacation periods or periods of illness or other incapacity or without reasonable compensation and cost reimbursement.

C. In the event that the Employee fails to comply with any of the promises made in this Section 6, then in addition to and not in limitation of any and all other remedies available to the Company at law or in equity (a) RSUs, to the extent then unvested, will be immediately forfeited by the Employee and returned to the Company and (b) the Employee will be required to immediately deliver to the Company an amount (in cash or in Shares) equal to the amount of the market value of any Shares that have been issued to the Employee in settlement of a vested RSU ("Share Value") at any time (or cash, if applicable) from one hundred eighty (180) days prior to the date of termination of employment to one hundred eighty (180) days after the date when the Company learns that the Employee has not complied with any such promise. The Employee will deliver such Share Value amount to the Company on such terms and conditions as may be required by the Company. The Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the Share Value amount and any other damage amount against any amount that might be owed to the Employee by the Company. The Employee acknowledges that in the event that the covenants made in this Section

6 are not fulfilled, the damage to the Company would be irreparable. The Company, in addition to any other remedies available to it, including, without limitation, the remedies set forth in this Section 6, shall be entitled to injunctive relief against the Employee's breach or threatened breach of said covenants. Employee specifically agrees that the subsidiaries and affiliates of Altisource are intended beneficiaries of the restrictions contained in this Section 6 and that those subsidiaries and affiliates have the right to enforce the terms of this Section 6.

D. The Employee acknowledges that the Company would not have awarded the RSUs to the Employee under this Agreement absent the Employee's agreement to be bound by the covenants made in this Section 6.

E. The RSUs shall be subject to any claw-back policy implemented by the Board of Directors of the Company or any Successor Entity.

7. <u>Income Taxes.</u>

A. Generally.

Except as provided in the next sentence, the Company shall withhold and/or receive the return of a number of Shares having a fair market value equal to the taxes that the Company determines it is required to withhold under applicable tax laws with respect to the RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates), in connection with the vesting of RSUs. In the event the Company cannot (under applicable legal, regulatory, listing or other requirements) satisfy such tax withholding obligation in such method or the parties otherwise agree in writing, then the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Employee to pay such amount by check or wire transfer; (ii) by deducting such amount out of any other compensation otherwise payable to the Employee; and/or (iii) by allowing the Employee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Employee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a fair market value on the date of surrender equal to the amount required to be withheld. For these purposes, the fair market value of the Shares to be withheld or repurchased, as applicable, shall be determined using the opening price of the Shares on the date that the amount of tax to be withheld is to be determined or, if such date falls on a day on which the NASDAQ Global Select Market is not open for active trading, using the opening price of the Shares on the next active trading day.

B. Section 409A.

The intent of the parties is that payments and benefits under this Agreement comply with or otherwise be exempt from Section 409A of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder (the "Code"), and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted either to be exempt from or in compliance therewith. If any provision of this Agreement (or any award of compensation or benefits provided under this Agreement) would cause the Employee to incur any additional tax or interest under Section 409A of the Code, the Company may reform such provision to comply with 409A. Notwithstanding the foregoing, Employee is solely responsible for any tax consequences Employee may incur under Code Section 409A and none of Altisource, its subsidiaries or any of their respective directors, officers, employees, agents or shareholders shall have any obligation to indemnify or hold Employee harmless from such taxes. If and to the extent any Shares that become vested and issuable under this RSU Award on account of the Employee's Retirement constitute deferred compensation subject to Code 409A, such issuance shall occur when the Employee has incurred a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h) ("Separation from Service"). Notwithstanding the foregoing, if at the time of the Employee's Separation from Service, the Employee is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i), such Shares shall be issued to the Employee on the first business day of the seventh month following the Employee's Separation from Service.

8. <u>Corporate Transactions; Change of Control/Restructuring Event.</u>

A. Corporate Transactions

If there shall be any change in the Shares, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, spin off of one or more subsidiaries or other change in the corporate structure, appropriate adjustments shall be made by the Board of Directors in its discretion in the aggregate number and kind of Shares subject to the 2009 Plan and the number and kind of Shares subject to the RSU Award.

B. Change of Control/Restructuring Event

(1) If a Change of Control/Restructuring Event occurs, the Board of Directors shall have the right to make appropriate adjustments, including, without limiting the generality of the foregoing, by (i) allowing the RSUs to continue in full force and effect in accordance with the terms hereof, (ii) issuing an award of shares in the Successor Entity of equivalent value and with similar terms and vesting pattern, as reasonably determined by the Board of Directors, (iii) cancelling the award for consideration (as the Board of Directors sees as equitable) which may equal the value of the consideration to be paid in the Change of Control/ Restructuring Event to holders of Shares, or (iv) providing for vesting and settlement of the RSUs immediately prior to, and conditioned on consummation, of the Change of Control/Restructuring Event.

(2) To the extent the Successor Entity allows the RSUs to continue in full force and effect in accordance with the terms hereof, the vesting schedule set forth in Section 2 will continue to apply (subject to the accelerated vesting provisions of Section 4); provided that, in such case, the Compensation Committee shall have the right in its discretion to make appropriate adjustments to avoid an expansion or reduction in the value of the award, including, with the consent of the Successor Entity, equitably converting the consideration to be received upon the vesting of the RSUs to common stock of the Successor Entity.

(3) Notwithstanding any provision of Section 8 Subsection B(1) and B(2) to the contrary, in the event a Change of Control/Restructuring Event occurs, if the RSUs are not assumed or replaced by the Successor Entity on terms deemed by the Compensation Committee to be appropriate, then the Compensation Committee shall have the right to (i) provide for vesting and settlement of the RSUs immediately prior to, and conditioned on consummation, of the Change of Control/Restructuring Event or (ii) to the extent the Successor Entity allows the RSUs to stay in place, to make appropriate adjustments to avoid an expansion or reduction in the value of the award.

(4) For the avoidance of doubt, in the event the Employee remains employed with the Successor Entity for purposes of this Agreement, he/she will be deemed to remain employed as if he/she continued employment with the Company such that the employment termination provisions applicable to the RSU Award shall not be invoked unless and until his/her employment with such Successor Entity shall terminate.

9. <u>Payment of Expenses and Compliance with Laws.</u>

The Company shall reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and/or transfer taxes with respect to the issue and/or transfer of Shares pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

10. <u>Additional Conditions</u>

A. The Employee hereby represents and covenants that (a) any Share acquired upon the vesting of the RSU Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such acquisition has been registered under the Securities Act and any applicable state securities law; (b) any subsequent sale of any such Shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, the Employee shall submit a written statement, in form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of acquisition of any Shares hereunder or (y) is true and correct as of the date of any sale of any such Shares, as applicable. As a further condition precedent to the delivery to the Employee of any Shares subject to the RSU Award, the Employee shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance of the Shares and, in connection therewith, shall execute any documents which the Company shall in its sole discretion deem necessary or advisable.

B. The RSU Award is subject to the condition that if the listing, registration or qualification of the Shares subject to the RSU Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the vesting or delivery of the Shares hereunder, the Shares subject to the RSU Award shall not vest or be delivered, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company shall use reasonable efforts to effect or obtain any such listing, registration, qualification, consent or approval.

11. Definitions.

A. As used herein, the term "Board of Directors" shall mean the Board of Directors or Compensation Committee of Altisource or any Successor Entity, as applicable, and the term "Compensation Committee" shall mean the Compensation Committee of the Board of Directors of Altisource.

B. As used herein, the term "Cause" shall mean, as reasonably determined by the Board of Directors (excluding the Employee, if he/she is then a member of the Board of Directors), either (i) any willful or grossly negligent conduct (including but not limited to fraud or embezzlement) committed by the Employee in connection with the Employee's employment by the Company, which conduct in the reasonable determination of the Board of Directors has had or will have a material detrimental effect on the Company's business, or (ii) the Employee's conviction of, or entering into a plea of *nolo contendere* to, a felony involving fraud or embezzlement, whether or not committed in the course of the Employee's employment with the Company. For avoidance of doubt, termination of employment as a result of a business reorganization or reduction in force will be deemed termination without Cause for purposes of the RSU Award.

C. As used herein, "Change of Control/Restructuring Date" shall mean either the date which includes the "closing" of the transaction which makes a Change of Control/Restructuring Event effective if the Change of Control/Restructuring Event is made effective through a transaction which has a "closing" or the date a Change of Control/Restructuring Event is reported in accordance with applicable law as effective to the Securities and Exchange Commission if the Change of Control/Restructuring Event is made effective other than through a transaction which has a "closing."

D. As used herein, a "Change of Control/Restructuring Event" shall mean (i) the acquisition by any person or entity, or two or more persons and/or entities acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), of outstanding shares of voting stock of the Company at any time if after giving effect to such acquisition, and as a result of such acquisition, such person(s) or entity(ies) own more than fifty percent (50%) of such outstanding voting stock, (ii) the sale in one or more transactions of substantially all of the Company's assets to any person or entity, or two or more persons and/or entities acting in concert, or (iii) the merger, consolidation or similar transaction resulting in a reduction of the interest in the Company's stock of the pre-transaction stockholders to less than fifty percent (50%) of the post-transaction ownership. Notwithstanding anything herein to the contrary, the definition of Change of Control Event set forth herein shall not be broader than the definition of "change in control event” as set forth under Section 409A of the Internal Revenue Code of 1986, as amended, and the guidance promulgated thereunder, and if a transaction or event does not otherwise fall within such definition of change in control event, it shall not be deemed a Change in Control for purposes of this Agreement.

E. As used herein, “Confidential Information” means all non-public, commercially valuable information relating to Company, including any of its customers, vendors, and affiliates, of any kind whatsoever; know-how; experience; expertise; business plans; ways of doing business; business results or prospects; financial books, data and plans; pricing; supplier information and agreements; investor or lender data and information; business processes (whether or not the subject of a patent), computer software and specifications therefore; leases; and any and all agreements entered into by Company or its affiliates and any information contained therein; database mining and marketing; customer relationship management programs; any technical, operating, design, economic, client, customer, consultant, consumer or collector related data and information, marketing strategies or initiatives and plans which at the time or times concerned is either capable of protection as a trade secret or is considered to be of a confidential nature regardless of form. Confidential Information shall not include: (i) information that is or becomes generally available to the public other than as a result of a disclosure in breach of this Agreement, (ii) information that was available on a non-confidential basis prior to the date hereof or becomes available from a person other than the Company who was not otherwise bound by confidentiality obligations to the Company and was not otherwise prohibited from disclosing the information or (iii) Confidential Information that is required by law to be disclosed, in which case, the Employee will provide the Company with notice of such obligation immediately to allow the Company to seek such intervention as it may deem appropriate to prevent such disclosure including and not limited to initiating legal or administrative proceedings prior to disclosure. As used herein, the term “Disability” shall mean a physical or mental impairment which, as reasonably determined by the Board of Directors, renders the Employee unable to perform the essential functions of his employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than one hundred and eighty (180) days in any twelve (12) month period, unless a longer period is required by federal or state law, in which case that longer period would apply.

F. As used here, “Restrictive Period” shall mean a period of one (1) year following the Employee’s departure from the Company; provided however that if the Employee previously executed one or more equity award agreements with the Company containing a longer restrictive period, such restrictive period shall apply.

G. As used herein, the term “Successor Entity” means the person that is formed by, replaces or otherwise survives the Company as a result of a transaction, series of transaction or restructuring with the effect that the Company ceases to exist.

H. Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the 2009 Plan.

12. <u>Amendment.</u>

In the event that the Board of Directors amends the 2009 Plan under the provisions of Section 9 of the 2009 Plan and such amendment shall modify or otherwise affect the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the 2009 Plan. The Company shall notify the Employee in writing of any such amendment to the 2009 Plan and this Agreement as soon as practicable after its approval. Notwithstanding any other provision of this Agreement or the 2009 Plan, the Employee’s rights under this Agreement may not be amended in a way that materially diminishes the value of the award without the Employee’s consent to the amendment.

13. Construction.

In the event of any conflict between the 2009 Plan and this Agreement, the provisions of the 2009 Plan shall control. This Agreement shall be governed in all respects by the laws of the State of Georgia. No provision of this Agreement shall limit in any way whatsoever any right that the Company may otherwise have to terminate the employment of the Employee at any time.

If any provision of this Agreement is held to be unenforceable, then this provision will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of this Agreement, valid and enforceable. If a court declines to amend this Agreement as provided herein, the invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

Except as otherwise required by applicable law, rule or regulation, the Board of Directors shall have full discretion with respect to any actions to be taken or determinations to be made in connection with this Agreement (including, without limitation, any determination with regard to Section 3, Section 6 Subsection C and Section 8), and its determinations shall be final, binding and conclusive.

14. Entire Agreement.

This Agreement, together with the 2009 Plan, constitutes the entire agreement between the Company and the Employee and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

15. Headings.

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

16. Confirming Information.

By accepting this Agreement, either through electronic means or by providing a signed copy, the Employee (i) acknowledges and confirms that he/she has read and understood the 2009 Plan and this Agreement and (ii) acknowledges that acceptance through electronic means is equivalent to doing so by providing a signed copy.

Exhibit 31.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William B. Shepro, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2020 of Altisource Portfolio Solutions S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

By: /s/ William B. Shepro
William B. Shepro
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michelle D. Esterman, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2020 of Altisource Portfolio Solutions S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

By: /s/ Michelle D. Esterman

Michelle D. Esterman
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (UNITED STATES CODE, TITLE 18, CHAPTER 63, SECTION 1350) ACCOMPANYING QUARTERLY REPORT ON FORM 10-Q OF ALTISOURCE PORTFOLIO SOLUTIONS S.A. FOR THE QUARTER ENDED JUNE 30, 2020

In connection with the Quarterly Report on Form 10-Q of Altisource Portfolio Solutions S.A. (the “Company”) for the quarterly period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), William B. Shepro, as Chairman and Chief Executive Officer of the Company, and Michelle D. Esterman, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ William B. Shepro
William B. Shepro
Chairman and Chief Executive Officer
(Principal Executive Officer)

August 6, 2020

By: /s/ Michelle D. Esterman
Michelle D. Esterman
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)
August 6, 2020