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

FORM 10-Q

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

For the quarterly period ended June 30, 2017

OR

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

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) (Zip Code)

(352) 24 69 79 00
(Registrant's telephone number)

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 **o**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No **o**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company (as defined in Rule 12b-2 of the Exchange Act):

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

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 by Section 13(a) of the Exchange Act. o

As of August 4, 2017, there were 18,048,977 outstanding shares of the registrant's shares of beneficial interest (excluding 7,363,771 shares held as treasury stock).

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FORM 10-Q

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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, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 114,205	$ 149,294
Available for sale securities	53,628	45,754
Accounts receivable, net	72,977	87,821
Prepaid expenses and other current assets	49,419	42,608
Total current assets	290,229	325,477
Premises and equipment, net	87,060	103,473
Goodwill	86,283	86,283
Intangible assets, net	136,893	155,432
Deferred tax assets, net	5,160	7,292
Other assets	11,003	11,255
Total assets	$ 616,628	$ 689,212
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 75,162	$ 83,135
Accrued litigation settlement	—	32,000
Current portion of long-term debt	5,945	5,945
Deferred revenue	9,886	8,797
Other current liabilities	10,520	19,061
Total current liabilities	101,513	148,938
Long-term debt, less current portion	439,486	467,600
Other non-current liabilities	8,906	10,480
Commitments, contingencies and regulatory matters (Note 20)		
Equity:		
Common stock ($1.00 par value; 100,000 shares authorized, 25,413 issued and 18,034 outstanding as of June 30, 2017; 25,413 shares authorized and issued and 18,774 outstanding as of December 31, 2016)	25,413	25,413
Additional paid-in capital	110,078	107,288
Retained earnings	341,926	333,786
Accumulated other comprehensive income (loss)	3,997	(1,745)
Treasury stock, at cost (7,379 shares as of June 30, 2017 and 6,639 shares as of December 31, 2016)	(416,342)	(403,953)
Altisource equity	65,072	60,789
Non-controlling interests	1,651	1,405
Total equity	66,723	62,194
Total liabilities and equity	$ 616,628	$ 689,212

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Revenue	$ 250,685	$ 255,799	$ 491,168	$ 505,931
Cost of revenue	185,393	174,371	363,346	343,234
Gross profit	65,292	81,428	127,822	162,697
Selling, general and administrative expenses	52,470	54,207	100,171	107,823
Income from operations	12,822	27,221	27,651	54,874
Other income (expense), net:				
Interest expense	(5,465)	(5,988)	(11,263)	(12,529)
Other income (expense), net	4,803	2,744	5,518	2,717
Total other income (expense), net	(662)	(3,244)	(5,745)	(9,812)
Income before income taxes and non-controlling interests	12,160	23,977	21,906	45,062
Income tax provision	(2,438)	(3,291)	(5,024)	(5,484)
Net income	9,722	20,686	16,882	39,578
Net income attributable to non-controlling interests	(687)	(692)	(1,302)	(1,090)
Net income attributable to Altisource	$ 9,035	$ 19,994	$ 15,580	$ 38,488
Earnings per share:				
Basic	$ 0.49	$ 1.08	$ 0.84	$ 2.06
Diluted	$ 0.48	$ 1.02	$ 0.82	$ 1.94
Weighted average shares outstanding:				
Basic	18,335	18,437	18,497	18,646
Diluted	18,836	19,604	19,069	19,822
Comprehensive income:				
Net income	$ 9,722	$ 20,686	$ 16,882	$ 39,578
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities, net of income tax (provision) benefit of $2,593, $3,249, $(2,132), $2,960	(6,981)	(7,871)	5,742	(7,172)
Comprehensive income, net of tax	2,741	12,815	22,624	32,406
Comprehensive income attributable to non-controlling interests	(687)	(692)	(1,302)	(1,090)
Comprehensive income attributable to Altisource	$ 2,054	$ 12,123	$ 21,322	$ 31,316

See accompanying notes to condensed consolidated financial statements.

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

	Altisource Equity							
	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Non-controlling interests	Total
	Shares							
Balance, December 31, 2015	25,413	$ 25,413	$ 96,321	$ 369,270	$ —	$ (440,026)	$ 1,292	$ 52,270
Comprehensive income:								
Net income	—	—	—	38,488	—	—	1,090	39,578
Other comprehensive loss, net of tax	—	—	—	—	(7,172)	—	—	(7,172)
Distributions to non-controlling interest holders	—	—	—	—	—	—	(1,065)	(1,065)
Share-based compensation expense	—	—	3,569	—	—	—	—	3,569
Exercise of stock options and issuance of restricted shares	—	—	—	(4,298)	—	5,284	—	986
Repurchase of shares	—	—	—	—	—	(19,746)	—	(19,746)
Balance, June 30, 2016	25,413	$ 25,413	$ 99,890	$ 403,460	$ (7,172)	$ (454,488)	$ 1,317	$ 68,420
Balance, December 31, 2016	25,413	$ 25,413	$ 107,288	$ 333,786	$ (1,745)	$ (403,953)	$ 1,405	$ 62,194
Comprehensive income:								
Net income	—	—	—	15,580	—	—	1,302	16,882
Other comprehensive income, net of tax	—	—	—	—	5,742	—	—	5,742
Distributions to non-controlling interest holders	—	—	—	—	—	—	(1,056)	(1,056)
Share-based compensation expense	—	—	1,858	—	—	—	—	1,858
Cumulative effect of an accounting change (Note 1)	—	—	932	(932)	—	—	—	—
Exercise of stock options and issuance of restricted shares	—	—	—	(5,014)	—	5,779	—	765
Treasury shares withheld for the payment of tax on restricted share issuances	—	—	—	(1,494)	—	405	—	(1,089)
Repurchase of shares	—	—	—	—	—	(18,573)	—	(18,573)
Balance, June 30, 2017	25,413	$ 25,413	$ 110,078	$ 341,926	$ 3,997	$ (416,342)	$ 1,651	$ 66,723

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, 2017	Six months ended June 30, 2016
Cash flows from operating activities:		
Net income	$ 16,882	$ 39,578
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,895	18,346
Amortization of intangible assets	18,539	24,967
Change in the fair value of acquisition related contingent consideration	16	193
Share-based compensation expense	1,858	3,569
Bad debt expense	2,890	1,041
Gain on early extinguishment of debt	(3,937)	(5,464)
Amortization of debt discount	156	201
Amortization of debt issuance costs	433	557
Deferred income taxes	—	18
Loss on disposal of fixed assets	2,798	9
Changes in operating assets and liabilities:		
Accounts receivable	11,954	3,407
Prepaid expenses and other current assets	(6,811)	(6,012)
Other assets	523	447
Accounts payable and accrued expenses	(10,637)	(4,454)
Other current and non-current liabilities	(41,042)	(6,998)
Net cash provided by operating activities	12,517	69,405
Cash flows from investing activities:		
Additions to premises and equipment	(5,658)	(12,441)
Purchase of available for sale securities	—	(48,219)
Change in restricted cash	(271)	(10)
Net cash used in investing activities	(5,929)	(60,670)
Cash flows from financing activities:		
Repayment and repurchases of long-term debt	(24,766)	(47,751)
Proceeds from stock option exercises	765	986
Purchase of treasury shares	(15,531)	(19,746)
Distributions to non-controlling interests	(1,056)	(1,065)
Payment of tax withholding on issuance of restricted shares	(1,089)	—
Net cash used in financing activities	(41,677)	(67,576)
Net decrease in cash and cash equivalents	(35,089)	(58,841)
Cash and cash equivalents at the beginning of the period	149,294	179,327
Cash and cash equivalents at the end of the period	$ 114,205	$ 120,486
Supplemental cash flow information:		
Interest paid	$ 10,787	$ 11,694
Income taxes paid, net	12,668	5,618
Non-cash investing and financing activities:		
(Decrease) increase in payables for purchases of premises and equipment	$ (378)	$ 1,369
Increase in payables for purchases of treasury shares	3,042	—

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 market.

Altisource Portfolio Solutions S.A. was formed under the laws of Luxembourg and is publicly traded on the NASDAQ Global Select Market under the symbol "ASPS."

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.

Effective January 1, 2017, our reportable segments changed as a result of changes in our internal organization, which changed the way our chief operating decision maker manages our businesses, allocates resources and evaluates performance. We now report our operations through two new reportable segments: Mortgage Market and Real Estate Market. In addition, we report Other Businesses, Corporate and Eliminations separately. Prior to the January 1, 2017 change in reportable segments, our reportable segments were Mortgage Services, Financial Services and Technology Services. Prior year comparable period segment disclosures have been restated to conform to the current year presentation. See Note 21 for a description of our business segments.

Altisource consolidates a cooperative entity which is managed by The Mortgage Partnership of America, L.L.C. ("MPA"), a wholly-owned subsidiary of Altisource, Best Partners Mortgage Cooperative, Inc., 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, 2017, Lenders One had total assets of $3.5 million and total liabilities of $0.9 million. As of December 31, 2016, Lenders One had total assets of $3.8 million and total liabilities of $1.5 million.

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, 2016, as filed with the SEC on February 16, 2017.

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 Pronouncement

The Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, became effective on January 1, 2017. This standard simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The standard requires companies to recognize all award-related excess tax benefits and tax deficiencies in the income statement, classify any excess tax benefits as an operating activity in the statement of cash flows, limit tax withholding up to the maximum statutory tax rates in order to continue to apply equity accounting rules and classify cash paid by employers when directly withholding shares for tax withholding purposes as an investing activity in the statement of cash flows. The standard also provides companies with the option of estimating forfeitures or recognizing forfeitures as they occur. In connection with the adoption of this standard, the Company made an accounting policy election to account for forfeitures in compensation expense as they occur, rather than continuing to apply the Company's previous policy of estimating forfeitures. This policy election resulted in a cumulative effect adjustment of $0.9 million to retained earnings and additional paid-in capital as of January 1, 2017 using the modified retrospective transition method. There were no other significant impacts of the adoption of this standard on the Company's results of operations and financial position.

Future Adoption of New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of this new standard is an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted, although not prior to annual periods beginning after December 15, 2016. The Company is currently evaluating the impact of this guidance on its results of operations and financial position. Based on the Company's analysis of all sources of revenue from customers for the six months ended June 30, 2017, the Company estimated that less than 4% of consolidated revenue, primarily related to software development professional services, would likely be deferred and recognized over future periods under the new standard. The Company will continue to analyze the impact of this guidance and refine the estimated impact on its results of operations and financial position.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This standard will require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The standard also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. It also amends certain financial statement presentation and disclosure requirements associated with the fair value of financial instruments. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is not permitted. Based on the Company's preliminary analysis of this guidance, upon adoption of ASU No. 2016-01 the Company will reflect changes in the fair value of its available for sale securities in income. These changes in fair value are currently reflected in other comprehensive income. The Company will continue to analyze the impact of this guidance and refine the estimated impact on its results of operations and financial position.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard introduces a new lessee model that brings substantially all leases on the balance sheet. The standard will require companies to recognize lease assets and lease liabilities on their balance sheets and disclose key information about leasing arrangements in their financial statements. This standard will be effective for annual periods beginning after December 15, 2018, including interim periods within that reporting period. Early application of this standard is permitted. The Company is currently evaluating the impact of this guidance on its results of operations and financial position. Based on the Company's preliminary analysis of its lease arrangements as of June 30, 2017 where the Company is a lessee, less than $30.0 million, primarily related to office leases, would be recorded as right-of-use assets and lease liabilities on the Company's balance sheet under the new standard. The Company will continue to analyze the impact of this guidance and refine the estimated impact on its results of operations and financial position.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. This standard clarifies guidance on principal versus agent considerations in connection with revenue recognition. When another party is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customer. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted, although not prior to annual periods beginning after December 15, 2016. The Company is currently evaluating the impact this guidance may have on its results of operations and financial position in connection with its adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as described above.

In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. This standard provides guidance on identifying performance obligations in a contract with a customer and clarifying several licensing considerations, including whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time) and guidance on sales-based and usage-based royalties. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted, although not prior to annual periods beginning after December 15, 2016. The Company is currently evaluating the impact this guidance may have on its results of operations and financial position in connection with its adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as described above.

In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. This standard addresses collectability, sales taxes and other similar taxes collected from customers, non-cash consideration, contract modifications at transition and completed contracts at transition. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted, although not prior to annual periods beginning after December 15, 2016. The Company is currently evaluating the impact this guidance may have on its results of operations and financial position in connection with its adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as described above.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This standard addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption of this standard is permitted. The Company currently does not expect the adoption of this guidance to have a material effect on its statement of cash flows.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory.* This standard will require that companies recognize the income tax consequences of an intra-entity transfer of an asset (other than inventory) when the transfer occurs. Current guidance prohibits companies from recognizing current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption of this standard is permitted. The Company currently does not expect the adoption of this guidance to have a material effect on its results of operations and financial position.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This standard will require that companies include restricted cash and restricted cash equivalents in their cash and cash equivalent balances in the statement of cash flows. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption of this standard is permitted. The Company currently does not expect the adoption of this guidance to have a material effect on its statement of cash flows. As of June 30, 2017 and December 31, 2016, restricted cash was $4.4 million and $4.1 million, respectively.

In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. The FASB issued 13 technical corrections and improvements to ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, including providing optional exemptions from the disclosure requirement for remaining performance obligations for specific situations in which an entity need not estimate variable consideration to recognize revenue. The amendments in this standard also expand the information that is required to be disclosed when an entity applies one of the optional exemptions. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted, although not prior to annual periods beginning after December 15, 2016. The Company is currently evaluating the impact this guidance may have on its results of operations and financial position in connection with its adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as described above.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business.* This standard clarifies the definition of a business and provides a screen to determine if a set of inputs, processes and outputs is a business. The screen requires that when substantially all of the fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the assets acquired would not be a business. Under the new guidance, in order to be considered a business, an acquisition must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. In addition, the standard narrows the definition of the term "output" so that it is consistent with how it is described in ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* This standard will simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Current guidance requires 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 will require 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. This standard will be effective for annual periods beginning after December 15, 2019, including interim periods within that reporting period, and will be applied prospectively. Early adoption of this standard is permitted. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*. This standard was issued to clarify the scope of Subtopic 610-20, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets*, and to add guidance for partial sales of nonfinancial assets. Subtopic 610-20 provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted, although not prior to annual periods beginning after December 15, 2016. The Company currently does not expect the adoption of this guidance to have a material effect on its results of operations and financial position.

In May 2017, the FASB issued ASU No. 2017-09, C*ompensation—Stock Compensation (Topic 718): Scope of Modification Accounting*. This standard provides guidance about which changes to the terms or conditions of a share-based payment award require the application of modification accounting. This standard will require companies to continue to apply modification accounting, unless the fair value, vesting conditions and classification of an award all do not change as a result of the modification. This standard will be effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted. The Company currently does not expect the adoption of this guidance to have a material effect on its results of operations and financial position.

NOTE 2 — CUSTOMER CONCENTRATION

Ocwen Financial Corporation ("Ocwen") is our largest customer. Ocwen purchases certain mortgage services and technology services from us under the terms of master services agreements and amendments thereto (collectively, the "Ocwen Service Agreements") with terms extending through August 2025. Certain of the Ocwen Service Agreements, among other things, contain a "most favored nation" provision and also grant the parties the right to renegotiate pricing. Certain of the Ocwen Service Agreements also prohibit Ocwen from establishing fee-based businesses that would directly or indirectly compete with Altisource's services with respect to the Homeward Residential, Inc. and Residential Capital, LLC servicing portfolios acquired by Ocwen in December 2012 and February 2013, respectively. In addition, Ocwen purchases certain origination services from Altisource under an agreement that continues until January 23, 2019, but which is subject to a 90 day termination right by Ocwen.

Revenue from Ocwen primarily consists of revenue earned directly from Ocwen and revenue earned from the loans serviced by Ocwen when Ocwen designates us as the service provider. Revenue from Ocwen as a percentage of segment and consolidated revenue was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Mortgage Market	68%	64%	68%	65%
Real Estate Market	1%	—%	1%	1%
Other Businesses, Corporate and Eliminations	11%	22%	13%	23%
Consolidated revenue	58%	55%	58%	55%

For the six months ended June 30, 2017 and 2016, we generated revenue from Ocwen of $285.6 million and $280.7 million, respectively ($144.2 million and $140.5 million for the second quarter of 2017 and 2016, respectively). Services provided to Ocwen during such periods and reported in the Mortgage Market segment included real estate asset management and sales, residential property valuation, trustee management services, property preservation and inspection services, insurance services, mortgage charge-off collections and software applications. Services provided to Ocwen and reported in the Real Estate Market segment included rental property management. Services provided to Ocwen and reported as Other Businesses, Corporate and Eliminations included information technology ("IT") infrastructure management. As of June 30, 2017, accounts receivable from Ocwen totaled $23.8 million, $18.1 million of which was billed and $5.7 million of which was unbilled. As of December 31, 2016, accounts receivable from Ocwen totaled $26.2 million, $15.8 million of which was billed and $10.4 million of which was unbilled.

We earn additional revenue related to the portfolios serviced by Ocwen when a party other than Ocwen selects Altisource as the service provider. For the six months ended June 30, 2017 and 2016, we recognized revenue of $82.9 million and $98.0 million, respectively ($41.2 million and $51.3 million for the second quarter of 2017 and 2016, respectively), related to the portfolios serviced by Ocwen when a party other than Ocwen selected Altisource as the service provider. These amounts are not included in deriving revenue from Ocwen as a percentage of revenue in the table above.

NOTE 3 — ACQUISITION

Granite Acquisition

On July 29, 2016, we acquired certain assets and assumed certain liabilities of Granite Loan Management of Delaware, LLC ("Granite") for $9.5 million in cash. Granite provides residential and commercial loan disbursement processing, risk mitigation and construction inspection services to lenders. The Granite acquisition is not material in relation to the Company's results of operations or financial position.

The final allocation of the purchase price is as follows:

(in thousands)	
Accounts receivable, net	$ 1,024
Prepaid expenses	22
Other assets	25
Premises and equipment, net	299
Non-compete agreements	100
Trademarks and trade names	100
Customer relationships	3,400
Goodwill	4,827
	9,797
Accounts payable and accrued expenses	(57)
Other current liabilities	(192)
Purchase price	$ 9,548

NOTE 4 — AVAILABLE FOR SALE SECURITIES

During the six months ended June 30, 2016, we purchased 4.1 million shares of Altisource Residential Corporation ("Residential") common stock for $48.2 million. This investment is classified as available for sale and reflected in the condensed consolidated balance sheets at fair value at the respective balance sheet dates ($53.6 million as of June 30, 2017 and $45.8 million as of December 31, 2016). Unrealized gains and losses on available for sale securities are reflected in other comprehensive income, unless there is an impairment that is other than temporary. In the event that a decline in market value is other than temporary, we would record a charge to earnings and a new cost basis in the investment would be established. During the six months ended June 30, 2017 and 2016, we earned dividends of $1.2 million and $1.0 million, respectively ($0.6 million and $1.0 million for the second quarter of 2017 and 2016, respectively), related to this investment. In addition, during the six months ended June 30, 2016, we incurred expenses of $3.4 million (no comparative amount in 2017) related to this investment.

NOTE 5 — ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

(in thousands)	June 30, 2017	December 31, 2016
Billed	$ 53,703	$ 58,392
Unbilled	31,242	39,853
	84,945	98,245
Less: Allowance for doubtful accounts	(11,968)	(10,424)
Total	$ 72,977	$ 87,821

Unbilled receivables consist primarily of certain real estate asset management and sales services for which we generally recognize revenue when the service is provided but collect upon closing of the sale, and default management 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 receivables 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, 2017	December 31, 2016
Maintenance agreements, current portion	$ 6,008	$ 6,590
Short-term investments in real estate	15,114	13,025
Income taxes receivable	13,054	5,186
Prepaid expenses	7,950	6,919
Litigation settlement insurance recovery	—	4,000
Other current assets	7,293	6,888
Total	$ 49,419	$ 42,608

NOTE 7 — PREMISES AND EQUIPMENT, NET

Premises and equipment, net consists of the following:

(in thousands)	June 30, 2017	December 31, 2016
Computer hardware and software	$ 172,535	$ 164,877
Office equipment and other	13,279	20,188
Furniture and fixtures	13,895	13,997
Leasehold improvements	33,019	33,808
	232,728	232,870
Less: accumulated depreciation and amortization	(145,668) —	(129,397)
Total	$ 87,060	$ 103,473

Depreciation and amortization expense amounted to $18.9 million and $18.3 million for the six months ended June 30, 2017 and 2016, respectively ($8.9 million and $9.1 million for the second quarter of 2017 and 2016, 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 income.

NOTE 8 — GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The following is a summary of goodwill by segment:

(in thousands)	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Total
Balance as of June 30, 2017 and December 31, 2016	$ 73,259	$ 10,056	$ 2,968	$ 86,283

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, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Definite lived intangible assets:							
Trademarks and trade names	13	$ 15,354	$ 15,354	$ (8,328)	$ (7,724)	$ 7,026	$ 7,630
Customer related intangible assets	10	277,828	277,828	(173,452)	(156,980)	104,376	120,848
Operating agreement	20	35,000	35,000	(12,982)	(12,104)	22,018	22,896
Non-compete agreements	4	1,560	1,560	(702)	(507)	858	1,053
Intellectual property	10	300	300	(100)	(85)	200	215
Other intangible assets	5	3,745	3,745	(1,330)	(955)	2,415	2,790
Total		$ 333,787	$ 333,787	$ (196,894)	$ (178,355)	$ 136,893	$ 155,432

Amortization expense for definite lived intangible assets was $18.5 million and $25.0 million for the six months ended June 30, 2017 and 2016, respectively ($9.4 million and $12.8 million for the second quarter of 2017 and 2016, respectively). Expected annual definite lived intangible asset amortization for 2017 through 2021 is $33.8 million, $26.2 million, $21.8 million, $18.2 million and $13.3 million, respectively.

NOTE 9 — OTHER ASSETS

Other assets consist of the following:

(in thousands)	June 30, 2017	December 31, 2016
Security deposits	$ 5,135	$ 5,508
Maintenance agreements, non-current portion	666	853
Restricted cash	4,398	4,127
Other	804	767
Total	$ 11,003	$ 11,255

NOTE 10 — ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable and accrued expenses consist of the following:

(in thousands)	June 30, 2017	December 31, 2016
Accounts payable	$ 11,168	$ 8,787
Accrued expenses - general	30,552	26,426
Accrued salaries and benefits	33,442	47,614
Income taxes payable	—	308
Total	$ 75,162	$ 83,135

Other current liabilities consist of the following:

(in thousands)	June 30, 2017	December 31, 2016
Unfunded cash account balances	$ 2,475	$ 7,137
Other	8,045	11,924
Total	$ 10,520	$ 19,061

NOTE 11 — LONG-TERM DEBT

Long-term debt consists of the following:

(in thousands)	June 30, 2017	December 31, 2016
Senior secured term loan	$ 450,648	$ 479,653
Less: debt issuance costs, net	(3,831)	(4,486)
Less: unamortized discount, net	(1,386)	(1,622)
Net long-term debt	445,431	473,545
Less: current portion	(5,945)	(5,945)
Long-term debt, less current portion	$ 439,486	$ 467,600

On November 27, 2012, Altisource Solutions S.à r.l., a wholly-owned subsidiary of Altisource Portfolio Solutions S.A., entered into a senior secured term loan agreement with Bank of America, N.A., as administrative agent, and certain lenders. Altisource Portfolio Solutions S.A. and certain subsidiaries are guarantors of the term loan (collectively, the “Guarantors”). We subsequently entered into three amendments to the senior secured term loan agreement to increase the principal amount of the senior secured term loan and, among other changes, re-establish the $200.0 million incremental term loan facility accordion, lower the interest rate, extend the maturity date by approximately one year and increase the maximum amount of Restricted Junior Payments (as defined in the senior secured term loan agreement; other capitalized terms, unless defined herein, are defined in the senior secured term loan agreement).

After giving effect to the third amendment entered into on August 1, 2014, the term loan must be repaid in equal consecutive quarterly principal installments of $1.5 million, with the balance due at maturity. All amounts outstanding under the senior secured term loan agreement will become due on the earlier of (i) December 9, 2020 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 or as otherwise provided in the senior secured term loan agreement upon the occurrence of any event of default under the senior secured term loan agreement.

In addition to the scheduled principal payments, subject to certain exceptions, the term loan is subject to mandatory prepayment upon issuances of debt, casualty and condemnation events and sales of assets, as well as from a percentage of Consolidated Excess Cash Flow if the leverage ratio is greater than 3.00 to 1.00, as calculated in accordance with the provisions of the senior secured term loan agreement (the percentage increases if the leverage ratio exceeds 3.50 to 1.00). No mandatory prepayments were owed for the six months ended June 30, 2017.

In the second quarter of 2017, we repurchased portions of our senior secured term loan with an aggregate par value of $26.0 million at a weighted average discount of 16.5%, recognizing a net gain of $3.9 million on the early extinguishment of debt. In the second quarter of 2016, we repurchased portions of our senior secured term loan with an aggregate par value of $51.0 million at a weighted average discount of 13.2%, recognizing a net gain of $5.5 million on the early extinguishment of debt. The net gains were included in other income (expense), net in the condensed consolidated statements of operations and comprehensive income.

The term loan bears interest at rates based upon, at our option, the Adjusted Eurodollar Rate or the Base Rate. Adjusted Eurodollar Rate loans bear interest at a rate per annum equal to the sum of (i) the greater of (x) the Adjusted Eurodollar Rate for the applicable interest period and (y) 1.00% plus (ii) a 3.50% margin. Base Rate 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) a 2.50% margin. The interest rate at June 30, 2017 was 4.72%.

Term loan payments are guaranteed by the Guarantors and are secured by a pledge of all equity interests of certain subsidiaries as well as a lien on substantially all of the assets of Altisource Solutions S.à r.l. and the Guarantors, subject to certain exceptions.

The senior secured term loan agreement includes covenants that restrict or limit, among other things, our ability to: create liens and encumbrances; incur additional indebtedness; sell, transfer or dispose of assets; make Restricted Junior Payments including share repurchases, dividends and repayment of junior indebtedness; change lines of business; 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.

The senior secured term loan 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 senior secured term loan agreement within five days of becoming due, (ii) material incorrectness of representations and warranties when made, (iii) breach of covenants, (iv) failure to pay principal or interest on any other debt that equals or exceeds $40.0 million when due, (v) 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, (vi) occurrence of a Change of Control, (vii) bankruptcy and insolvency events, (viii) 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, (ix) the occurrence of certain ERISA events and (x) 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 senior secured term loan agreement or waived, all loans and other obligations could become due and immediately payable and the facility could be terminated.

As of June 30, 2017, debt issuance costs were $3.8 million, net of $6.4 million of accumulated amortization. As of December 31, 2016, debt issuance costs were $4.5 million, net of $5.8 million of accumulated amortization.

NOTE 12 — OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

(in thousands)	June 30, 2017	December 31, 2016
Deferred revenue	$ 4,276	$ 5,680
Other non-current liabilities	4,630	4,800
Total	$ 8,906	$ 10,480

NOTE 13 — FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The following table presents the carrying amount and estimated fair value of financial instruments held by the Company and acquisition contingent consideration liabilities as of June 30, 2017 and December 31, 2016. The following fair values are estimated using market information and what the Company believes to be appropriate valuation methodologies under GAAP:

	June 30, 2017				December 31, 2016			
(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	$ 114,205	$ 114,205	$ —	$ —	$ 149,294	$ 149,294	$ —	$ —
Restricted cash	4,398	4,398	—	—	4,127	4,127	—	—
Available for sale securities	53,628	53,628	—	—	45,754	45,754	—	—
Liabilities:								
Acquisition contingent consideration	393	—	—	393	376	—	—	376
Long-term debt	450,648	—	392,064	—	479,653	—	474,856	—

Fair Value Measurements on a Recurring Basis

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

Available for sale securities are carried at fair value and consist of 4.1 million shares of Residential common stock. Available for sale securities are measured using Level 1 inputs as these securities have quoted prices in active markets.

The fair value of our long-term debt 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 accordance with ASC Topic 805, *Business Combinations*, liabilities for contingent consideration are reflected at fair value and adjusted each reporting period with the change in fair value recognized in earnings. Liabilities for acquisition related contingent consideration were recorded in connection with acquisitions in prior years. We measure the liabilities for acquisition related contingent consideration using Level 3 inputs as they are determined based on the present value of future estimated payments, which include sensitivities pertaining to discount rates and financial projections.

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 the largest portion of its revenues from Ocwen (see Note 2 for additional information on Ocwen revenues and accounts receivable balance). The Company mitigates its concentrations of credit risk with respect to accounts receivable by actively monitoring past due accounts and the economic status of customers, if known.

NOTE 14 — SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

Share Repurchase Program

On May 17, 2017, our shareholders approved the renewal of the share repurchase program originally approved by the shareholders on May 18, 2016, which replaced the previous share repurchase program. Under the program, we are authorized to purchase up to 4.6 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. Under the existing and prior programs, we purchased 0.8 million shares of common stock at an average price of $22.15 per share during the six months ended June 30, 2017 and 0.8 million shares at an average price of $25.79 per share during the six months ended June 30, 2016 (0.4 million shares at an average price of $19.17 per share for the second quarter of 2017 and 0.3 million shares at an average price of $26.74 per share for the second quarter of 2016). As of June 30, 2017, approximately 4.2 million shares of common stock remain available for repurchase under the program. Our senior secured term loan limits the amount we can spend on share repurchases, which was approximately $347 million as of June 30, 2017, and may prevent repurchases in certain circumstances.

Share-Based Compensation

We issue share-based awards in the form of stock options and restricted shares for certain employees, officers and directors. We recorded share-based compensation expense of $1.9 million and $3.6 million for the six months ended June 30, 2017 and 2016, respectively ($1.2 million and $1.7 million for the second quarter of 2017 and 2016, respectively). As of June 30, 2017, estimated unrecognized compensation costs related to share-based awards amounted to $9.2 million, which we expect to recognize over a weighted average remaining requisite service period of approximately 2.15 years.

In connection with the January 1, 2017 adoption of FASB ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (see Note 1), the Company made an accounting policy election to account for forfeitures in compensation expense as they occur, rather than continuing to apply the Company's previous policy of estimating forfeitures. Prior to this accounting change, share-based compensation expense for stock options and restricted shares was recorded net of estimated forfeiture rates ranging from 0% to 40%.

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 cliff-vesting and expire on the earlier of ten years after the date of grant or following termination of service. A total of 792 thousand service-based awards were outstanding as of June 30, 2017.

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 internally as "ordinary performance" grants, 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 internally as "extraordinary performance" grants, 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 awards 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 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 945 thousand market-based awards were outstanding as of June 30, 2017.

Performance-Based Options. These option grants begin to vest upon the achievement of certain specific financial measures. Generally, one-third of the awards vest upon the achievement of the performance criteria and one-third vest on each anniversary of the grant date, or for certain other financial measures cliff-vest upon the achievement of the specific performance during the period from 2017 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 70% to 150% of the option grants, depending upon performance achieved. If the performance criteria achieved is below a certain threshold, the award is canceled. The options expire on the earlier of ten years after the date of grant or following termination of service. There were 126 thousand performance-based awards outstanding as of June 30, 2017.

The Company granted 129 thousand stock options (at a weighted average exercise price of $39.13 per share) and 94 thousand stock options (at a weighted average exercise price of $27.43 per share) during the six months ended June 30, 2017 and 2016, respectively.

The fair values of the service-based options and performance-based options were determined using the Black-Scholes option pricing model and the fair values of the market-based options were determined using a lattice (binomial) model. The following assumptions were used to determine the fair values as of the grant date:

	Six months ended June 30, 2017		Six months ended June 30, 2016	
	Black-Scholes	Binomial	Black-Scholes	Binomial
Risk-free interest rate (%)	2.06 - 2.29	0.77 - 2.38	1.25 - 1.89	0.23 - 1.97
Expected stock price volatility (%)	61.49 - 66.68	66.68	59.75 - 62.14	59.76 - 62.14
Expected dividend yield	—	—	—	—
Expected option life (in years)	6.00 - 7.50	3.53 - 3.85	6.00 - 6.25	4.54 - 4.88
Fair value	$23.91 - $24.80	$23.54 - $24.30	$11.15 - $17.09	$11.06 - $17.58

We determined the expected option life of all service-based stock option grants using the simplified method. 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 weighted average grant date fair value of stock options granted per share, the total intrinsic value of stock options exercised and the grant date fair value of stock options that vested during the period presented:

	Six months ended June 30,	
(in thousands, except per share amounts)	2017	2016
Weighted average grant date fair value of stock options granted per share	$ 24.23	$ 15.81
Intrinsic value of options exercised	875	1,002
Grant date fair value of stock options that vested	1,693	2,010

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 at December 31, 2016	1,996,509	$ 25.98	5.32	$ 15,942
Granted	128,630	39.13		
Exercised	(62,232)	12.29		
Forfeited	(200,316)	29.32		
Outstanding at June 30, 2017	1,862,591	26.99	4.87	9,075
Exercisable at June 30, 2017	1,286,618	21.56	3.40	6,257

Other Share-Based Awards

The Company's other share-based and similar types of awards are composed of restricted shares and, through August 29, 2016, Equity Appreciation Rights ("EAR"). Effective August 29, 2016, the EAR plans were terminated.

The restricted shares are composed of a combination of service-based awards and performance-based awards. Service-based awards generally vest over one to four years with either annual cliff-vesting, vesting of all of the restricted shares at the end of the vesting period or vesting beginning after two years of service. A total of 221 thousand service-based awards were outstanding as of June 30, 2017. Performance-based awards generally begin to vest upon the achievement of certain specific financial measures. Generally, one-third of the awards vest upon the achievement of the performance criteria and one-third vest on each anniversary of the grant date. The award of performance-based restricted shares 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 80% to 150% of the restricted share award, depending on performance achieved. If the performance criteria achieved is below a certain threshold, the award is canceled. A total of 39 thousand performance-based awards were outstanding as of June 30, 2017. The Company granted 121 thousand restricted shares (at a weighted average price of $33.65 per share) during the six months ended June 30, 2017.

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

	Number of restricted shares
Outstanding at December 31, 2016	231,730
Granted	120,842
Issued	(35,672)
Forfeited/canceled	(56,511)
Outstanding at June 30, 2017	260,389

NOTE 15 — REVENUE

Revenue includes service revenue, 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 not owned by Altisource, and is included in revenue and reduced from net income to arrive at net income attributable to Altisource (see Note 1). The components of revenue were as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2017	2016	2017	2016
Service revenue	$ 238,107	$ 241,324	$ 467,946	$ 475,604
Reimbursable expenses	11,891	13,783	21,920	29,237
Non-controlling interests	687	692	1,302	1,090
Total	$ 250,685	$ 255,799	$ 491,168	$ 505,931

NOTE 16 — 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 and the cost of sales of short-term investments in real estate, reimbursable expenses, technology and telecommunications costs as well as depreciation and amortization of operating assets. The components of cost of revenue were as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2017	2016	2017	2016
Compensation and benefits	$ 62,666	$ 69,773	$ 125,758	$ 134,836
Outside fees and services	93,369	73,326	179,263	145,129
Reimbursable expenses	11,891	13,783	21,920	29,237
Technology and telecommunications	10,941	10,703	22,292	20,643
Depreciation and amortization	6,526	6,786	14,113	13,389
Total	$ 185,393	$ 174,371	$ 363,346	$ 343,234

NOTE 17 — SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2017	2016	2017	2016
Compensation and benefits	$ 15,541	$ 14,324	$ 28,047	$ 28,315
Occupancy related costs	9,538	8,799	19,811	17,882
Amortization of intangible assets	9,393	12,756	18,539	24,967
Professional services	4,367	6,696	8,097	13,436
Marketing costs	3,697	5,671	7,966	12,163
Depreciation and amortization	2,361	2,352	4,782	4,957
Other	7,573	3,609	12,929	6,103
Total	$ 52,470	$ 54,207	$ 100,171	$ 107,823

NOTE 18 — OTHER INCOME (EXPENSE), NET

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

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2017	2016	2017	2016
Gain on early extinguishment of debt	$ 3,937	$ 5,464	$ 3,937	$ 5,464
Expenses related to the purchase of available for sale securities	—	(3,356)	—	(3,356)
Interest income	44	6	142	17
Other, net	822	630	1,439	592
Total	$ 4,803	$ 2,744	$ 5,518	$ 2,717

NOTE 19 — EARNINGS PER SHARE

Basic earnings per share (“EPS”) is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the assumed conversion of all dilutive securities using the treasury stock method.

Basic and diluted EPS are calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands, except per share data)	2017	2016	2017	2016
Net income attributable to Altisource	$ 9,035	$ 19,994	$ 15,580	$ 38,488
Weighted average common shares outstanding, basic	18,335	18,437	18,497	18,646
Dilutive effect of stock options and restricted shares	501	1,167	572	1,176
Weighted average common shares outstanding, diluted	18,836	19,604	19,069	19,822
Earnings per share:				
Basic	$ 0.49	$ 1.08	$ 0.84	$ 2.06
Diluted	$ 0.48	$ 1.02	$ 0.82	$ 1.94

For the six months ended June 30, 2017 and 2016, 0.4 million options and 0.4 million options, respectively, that were anti-dilutive have been excluded from the computation of diluted EPS (0.4 million options and 0.4 million options for the second quarter of 2017 and 2016, respectively). These options were anti-dilutive and excluded from the computation of diluted EPS because their exercise price was greater than the average market price of our common stock. Also excluded from the computation of diluted EPS are 0.3 million options and restricted shares and 0.4 million options for the six months ended June 30, 2017 and 2016, respectively (0.3 million options and restricted shares and 0.4 million options for the second quarter of 2017 and 2016, respectively), 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.

NOTE 20 — COMMITMENTS, CONTINGENCIES AND REGULATORY MATTERS

Litigation

From time to time, we are involved in legal and administrative proceedings arising in the course of our business. We record a liability for these matters 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.

On September 8, 2014, the West Palm Beach Firefighters' Pension Fund filed a putative securities class action suit against Altisource Portfolio Solutions S.A. and certain of its current or former officers and directors in the United States District Court for the Southern District of Florida alleging violations of the Securities Exchange Act of 1934 and Rule 10b-5 with regard to disclosures concerning pricing and transactions with related parties that allegedly inflated Altisource Portfolio Solutions S.A. share prices. The Court subsequently appointed the Pension Fund for the International Union of Painters and Allied Trades District Council 35 and the Annuity Fund for the International Union of Painters and Allied Trades District Council 35 as Lead Plaintiffs. On January 30, 2015, Lead Plaintiffs filed an amended class action complaint which added Ocwen Financial Corporation as a defendant, and seeks a determination that the action may be maintained as a class action on behalf of purchasers of Altisource Portfolio Solutions S.A. securities between April 25, 2013 and December 21, 2014 and an unspecified amount of damages. Altisource Portfolio Solutions S.A. moved to dismiss the suit on March 23, 2015. On September 4, 2015, the Court granted the defendants' motion to dismiss, finding that the Lead Plaintiffs' amended complaint failed to state a claim as to any of the defendants, but permitting the Lead Plaintiffs to file another amended complaint. Lead Plaintiffs subsequently filed second and third amended complaints with substantially similar claims and theories. Altisource Portfolio Solutions S.A. moved to dismiss the third amended complaint on October 22, 2015. On December 22, 2015, the Court issued an order dismissing with prejudice all claims against Ocwen Financial Corporation and certain claims against Altisource Portfolio Solutions S.A. and the officer and director defendants, but denying the motion to dismiss as to other claims. On December 19, 2016, the Court granted Lead Plaintiffs leave to file the fourth amended complaint, and Lead Plaintiffs filed the fourth amended complaint on December 28, 2016. On January 6, 2017, Defendants filed a motion to strike certain matters from the fourth amended complaint and a motion to dismiss certain claims pled in the fourth amended complaint. Before the Court ruled on Defendants' motions, the parties notified the Court on January 19, 2017 of their agreement to settle the action, subject to Court approval and other customary terms and conditions described in the settlement stipulation filed with the Court, including rights of the parties to terminate the settlement under certain conditions. On February 10, 2017, the Court entered an order preliminarily approving the settlement, certifying a settlement class, approving the form and content of notice of the settlement to class members, establishing procedures for shareholders to request exclusion from the class or object to the settlement, and setting a hearing for May 30, 2017 to determine whether the settlement should be approved and the case dismissed with prejudice. Following the May 30, 2017 hearing, the Court entered an Order and Final Judgment dated May 30, 2017, approving the settlement and dismissing the case with prejudice. Under the settlement, Altisource Portfolio Solutions S.A. paid a total of $32 million in cash, $4 million of which was funded by insurance proceeds, to a settlement fund to resolve all claims asserted and which could have been asserted on behalf of investors who purchased or otherwise acquired Altisource Portfolio Solutions S.A. stock between April 25, 2013 and December 21, 2014. The settlement provides that Altisource Portfolio Solutions S.A. and the officer and director defendants deny all claims of wrongdoing or liability.

In addition to the matter referenced above, we are 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.

As previously disclosed, Altisource received a Notice and Opportunity to Respond and Advise ("NORA") letter on November 10, 2016 from the Consumer Financial Protection Bureau ("CFPB") indicating that the CFPB is considering a potential enforcement action against Altisource relating to an alleged violation of federal law that primarily concerns certain technology services provided to Ocwen. The NORA letter provides the recipient an opportunity to present its positions to the CFPB before an enforcement action is recommended or commenced. On December 5, 2016, we provided a written response to the NORA letter setting forth the legal, policy and factual reasons why we believe an enforcement action is not warranted. We are committed to resolving any potential concerns of the CFPB. If the CFPB were to bring an enforcement action against us, the resolution of such action could have a material adverse impact on our business, reputation, financial condition and results of operations. However, we believe it is premature to predict the potential outcome or to estimate any potential financial impact in connection with any potential CFPB enforcement action.

Ocwen Related Matters

Ocwen is our largest customer and 58% of our revenue for the six months ended June 30, 2017 (58% of our revenue for the second quarter of 2017) was from Ocwen. Additionally, 17% of our revenue for the six months ended June 30, 2017 (16% of our revenue for the second quarter of 2017) was earned on the portfolios serviced by Ocwen, when a party other than Ocwen 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, requests for information and other actions and is subject to pending legal proceedings that have or could result in adverse regulatory or other actions against Ocwen. For example, on April 20, 2017, the CFPB and the State of Florida filed separate complaints in the United States District Court for the Southern District of Florida against Ocwen alleging violations of Federal consumer financial law and, in the case of Florida, Florida statutes. As another example, on April 28, 2017, the Commonwealth of Massachusetts filed a lawsuit against Ocwen in the Superior Court for the Commonwealth of Massachusetts alleging violations of state consumer financial laws relating to Ocwen's servicing business, including lender-placed insurance and property preservation fees. The complaints seek to obtain permanent injunctive relief, consumer redress, refunds, restitution, disgorgement, damages, civil penalties, costs and fees and other relief. In addition, a number of states publicly announced or otherwise undertook various administrative actions against Ocwen related to alleged violations of applicable laws and regulations related to servicing residential mortgages. Certain of the allegations in the complaints and certain of the state administrative actions assert that Ocwen's use of certain Altisource services was a contributing factor to Ocwen's purported violations. The state administrative actions announced or undertaken purportedly seek sanctions and various injunctive reliefs which may include restrictions on Ocwen obtaining additional mortgage servicing rights, continuing mortgage servicing or debt collection activities, originating or funding loans, initiating foreclosures or other limitations or restrictions on Ocwen's business operations or licenses in certain of these states. All of the forgoing matters could result in adverse regulatory or other actions against Ocwen. While not all inclusive, other regulatory actions to date have included subjecting Ocwen to independent oversight of its operations and placing certain restrictions on its ability to acquire servicing rights. Ocwen may become subject to future federal and state regulatory investigations, inquiries, requests for information and legal proceedings, any of which could also result in adverse regulatory or other actions against Ocwen.

As of June 30, 2017, New Residential Investment Corp. (together with its subsidiaries, "NRZ") owned the rights to approximately 78% of Ocwen's non-government-sponsored enterprise ("non-GSE") mortgage servicing rights (the "Subject MSRs"). Under agreements between NRZ and Ocwen (the "Existing Agreements"), NRZ has the right (not necessarily the obligation or ability) to transfer servicing away from Ocwen if Ocwen does not maintain certain minimum servicer ratings.

Ocwen has disclosed that, on July 23, 2017, it entered into a master agreement and a transfer agreement with NRZ to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's remaining interests in the Subject MSRs. These actions include the parties cooperating to obtain any third party consents required to transfer the Subject MSRs to NRZ and, upon obtaining the required third party consents and the transfer of the applicable Subject MSRs to NRZ, NRZ will pay a lump sum restructuring fee to Ocwen in exchange for Ocwen forgoing payments under NRZ's Existing Agreements with Ocwen. These lump sum restructuring fees may total up to approximately $400 million in the aggregate if all of the Subject MSRs are transferred to NRZ. In the event the required third party consents are not obtained by July 23, 2018 or an earlier date agreed to by Ocwen and NRZ, the applicable Subject MSRs may (i) become subject to a new agreement to be negotiated between Ocwen and NRZ, (ii) be acquired by Ocwen, or, if Ocwen does not desire or is otherwise unable to purchase, sold to one or more third parties, or (iii) remain subject to the Existing Agreements. Additionally, NRZ agreed to a standstill through January 23, 2019, subject to limited exceptions, on exercising certain of its rights under the Existing Agreements to replace Ocwen as servicer of certain Subject MSRs in the event of a termination event resulting from a servicer rating downgrade.

Ocwen also disclosed that it entered into a five year subservicing agreement with NRZ pursuant to which Ocwen will subservice the mortgage loans related to the Subject MSRs that are transferred to NRZ. In addition, Ocwen disclosed that during the five year subservicing agreement term, NRZ may terminate the subservicing agreement for convenience, subject to Ocwen's right to receive a termination fee and proper notice.

The foregoing 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 (including information technology and software 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 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.

If any of the following events occurred, Altisource's revenue would be significantly lower 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 a significant reduction in the volume of services they purchase from us
- Ocwen loses, sells or transfers a significant portion or all of its non-GSE servicing rights or subservicing arrangements and Altisource fails to be retained as a service provider
- Ocwen loses state servicing licenses in states with a significant number of loans in Ocwen's servicing portfolio
- Altisource fails to be retained as a service provider
- 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

Additionally, Ocwen has stated that it plans to transition from REALServicing to another mortgage servicing software platform. We anticipate that such a transition would be a multi-year project and Altisource would support Ocwen through such a transition. We do not anticipate that a servicing technology transition would impact the other services we provide to Ocwen. For the six months ended June 30, 2017 and 2016, service revenue from REALServicing was $13.4 million and $17.5 million, respectively ($6.3 million and $7.6 million for the second quarter of 2017 and 2016, respectively). We estimate that income before income tax from the REALServicing business currently operates at approximately break-even.

Management cannot predict the outcome of these matters or the impact they may have on Altisource. However, in the event these matters 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. Furthermore, in the event of a significant reduction in the volume of services purchased or loans serviced by Ocwen, we believe the impact to Altisource could occur over an extended period of time.

In this regard, we have a plan that we believe would allow us to efficiently execute on this realignment. We believe that transfers of Ocwen's servicing rights to a successor servicer(s) would take an extended period of time because of the approval required from many parties, including regulators, rating agencies, residential mortgage-backed securities trustees, lenders and others. During this period of time, we believe we would continue to generate revenue from the services we provide to the to be transferred portfolio. Additionally, we have several strategic initiatives that focus on diversifying and growing our revenue and customer base. Our major strategic initiatives include growing our:

- Servicer Solutions business
- Origination Solutions business
- Consumer Real Estate Solutions business
- Real Estate Investor Solutions business

We have a sales and marketing strategy to support these initiatives.

Management believes our plans, together with current liquidity and cash flows from operations would be sufficient to meet our working capital, capital expenditures, debt service and other cash needs. However, there can be no assurance that our plans will be successful or our operations will be profitable.

Escrow and Trust Balances

We hold customers' assets in escrow and trust accounts at various financial institutions pending completion of certain real estate activities. We also hold cash in trust accounts at various financial institutions where contractual obligations mandate maintaining dedicated bank accounts for our collections business. These amounts are held in escrow and trust accounts for limited periods of time and are not included in the condensed consolidated balance sheets. Amounts held in escrow and trust accounts were $39.1 million and $64.1 million at June 30, 2017 and December 31, 2016, respectively.

NOTE 21 — SEGMENT REPORTING

Our business segments are based upon our organizational structure, which focuses primarily on the services offered, and are consistent with the internal reporting used by our Chief Executive Officer (our Chief Operating Decision Maker) to evaluate operating performance and to assess the allocation of our resources.

Effective January 1, 2017, our reportable segments changed as a result of changes in our internal organization, which changed the way our chief operating decision maker manages our businesses, allocates resources and evaluates performance. We now report our operations through two new reportable segments: *Mortgage Market* and *Real Estate Market*. In addition, we report *Other Businesses, Corporate and Eliminations* separately. Prior to the January 1, 2017 change in reportable segments, our reportable segments were *Mortgage Services*, *Financial Services* and *Technology Services*. The former *Mortgage Services* segment was separated into the *Mortgage Market* and *Real Estate Market* segments (as described below). Furthermore, certain of the software services business units that were formerly in the *Technology Services* segment and the mortgage charge-off collections business that was formerly in the *Financial Services* segment are now included in the *Mortgage Market*. *Other Businesses, Corporate and Eliminations* includes the other business that were formerly in the *Financial Services* segment as well as IT infrastructure management services formerly in the *Technology Services* segment. Prior year comparable period segment disclosures have been restated to conform to the current year presentation.

The *Mortgage Market* segment provides loan servicers and originators with marketplaces and services and a portfolio of software, data analytics and information technologies that span the mortgage lifecycle. The *Real Estate Market* segment provides rental property investors and real estate consumers with marketplaces, products and services that span the real estate lifecycle. In addition, the *Other Businesses, Corporate and Eliminations* segment includes businesses that provide asset recovery management collection services primarily to debt originators (e.g., credit card, auto lending and retail credit), customer relationship management services primarily to the utility, insurance and hotel industries and IT infrastructure management services. *Other Businesses, Corporate and Eliminations* also includes interest expense and costs related to corporate support functions including executive, finance, law, compliance, human resources, vendor management, facilities, risk management, and sales and marketing costs not allocated to the business units as well as eliminations between the reportable segments.

Financial information for our segments is as follows:

	Three months ended June 30, 2017			
(in thousands)	**Mortgage Market**	**Real Estate Market**	**Other Businesses, Corporate and Eliminations**	**Consolidated Altisource**
Revenue	$ 210,195	$ 25,130	$ 15,360	$ 250,685
Cost of revenue	144,326	26,844	14,223	185,393
Gross profit (loss)	65,869	(1,714)	1,137	65,292
Selling, general and administrative expenses	29,805	5,551	17,114	52,470
Income (loss) from operations	36,064	(7,265)	(15,977)	12,822
Total other income (expense), net	102	—	(764)	(662)
Income (loss) before income taxes and non-controlling interests	$ 36,166	$ (7,265)	$ (16,741)	$ 12,160

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements (*Continued*)

	Three months ended June 30, 2016			
(in thousands)	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue	$ 211,300	$ 24,804	$ 19,695	$ 255,799
Cost of revenue	135,723	16,854	21,794	174,371
Gross profit (loss)	75,577	7,950	(2,099)	81,428
Selling, general and administrative expenses	31,141	5,620	17,446	54,207
Income (loss) from operations	44,436	2,330	(19,545)	27,221
Total other income (expense), net	74	4	(3,322)	(3,244)
Income (loss) before income taxes and non-controlling interests	$ 44,510	$ 2,334	$ (22,867)	$ 23,977

	Six months ended June 30, 2017			
(in thousands)	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue	$ 414,918	$ 45,193	$ 31,057	$ 491,168
Cost of revenue	284,476	48,987	29,883	363,346
Gross profit (loss)	130,442	(3,794)	1,174	127,822
Selling, general and administrative expenses	58,487	9,876	31,808	100,171
Income (loss) from operations	71,955	(13,670)	(30,634)	27,651
Total other income (expense), net	112	—	(5,857)	(5,745)
Income (loss) before income taxes and non-controlling interests	$ 72,067	$ (13,670)	$ (36,491)	$ 21,906

	Six months ended June 30, 2016			
(in thousands)	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue	$ 414,701	$ 48,713	$ 42,517	$ 505,931
Cost of revenue	269,766	31,312	42,156	343,234
Gross profit	144,935	17,401	361	162,697
Selling, general and administrative expenses	60,595	11,794	35,434	107,823
Income (loss) from operations	84,340	5,607	(35,073)	54,874
Total other income (expense), net	134	—	(9,946)	(9,812)
Income (loss) before income taxes and non-controlling interests	$ 84,474	$ 5,607	$ (45,019)	$ 45,062

(in thousands)	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Total assets:				
June 30, 2017	$ 308,501	$ 43,370	$ 264,757	$ 616,628
December 31, 2016	347,067	47,863	294,282	689,212

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Condensed Consolidated Financial Statements (*Continued*)

Our services are provided to customers primarily located in the United States. Premises and equipment, net consist of the following, by country:

(in thousands)	June 30, 2017	December 31, 2016
United States	$ 57,030	$ 71,418
India	10,743	14,006
Luxembourg	16,793	14,791
Philippines	2,299	3,027
Uruguay	195	231
Total	$ 87,060	$ 103,473

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, 2016 filed with the Securities and Exchange Commission ("SEC") on February 16, 2017.

FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-Q regarding anticipated financial outcomes, business and market conditions, outlook and other similar statements related to Altisource's future financial and operational performance are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by the use of terminology 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. 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 the 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;
- assumptions regarding the impact of seasonality;
- 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" section of our Form 10-K for the year ended December 31, 2016 and include the following:

- if, as a result of difficulties faced by Ocwen Financial Corporation ("Ocwen"), we were to lose Ocwen as a customer or there is a significant reduction in the volume of services they purchase from us;
- our ability to execute on our strategic initiatives;
- our ability to retain our existing customers, expand relationships and attract new customers;
- the level of loan delinquencies and charge-offs;
- the level of origination volume;
- technology failures;
- the outsourcing trends;
- our ability to raise debt;
- our ability to retain our directors, executive officers and key personnel;
- our ability to integrate acquired businesses;
- our ability to comply with, and burdens imposed by, governmental regulations and policies and any changes in such regulations and policies; and
- significant changes in the Luxembourg tax regime or interpretations of the Luxembourg tax regime.

We caution you 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 market.

Effective January 1, 2017, our reportable segments changed as a result of changes in our internal organization, which changed the way our chief operating decision maker manages our businesses, allocates resources and evaluates performance. We now report our operations through two new reportable segments: *Mortgage Market* and *Real Estate Market*. In addition, we report *Other Businesses, Corporate and Eliminations* separately. Prior to the January 1, 2017 change in reportable segments, our reportable segments were *Mortgage Services, Financial Services* and *Technology Services*. Prior year comparable period segment disclosures have been restated to conform to the current year presentation.

Mortgage Market: Provides loan servicers and originators with marketplaces, services and technologies that span the mortgage lifecycle. Within the Mortgage Market segment, we provide:

Servicer Solutions - the solutions, services and technologies typically used or licensed primarily by residential loan servicers.

- Property preservation and inspection services
- Real estate brokerage and auction services
- Title insurance (agent and related services) and settlement services
- Appraisal management services and broker and non-broker valuation services
- Foreclosure trustee services
- Non-legal processing and related services for and under the supervision of foreclosure, bankruptcy and eviction attorneys
- Residential and commercial loan servicing technologies
- Vendor management, marketplace transaction management and payment management platforms
- Document management platform
- Default services (real estate owned ("REO"), foreclosure, bankruptcy, eviction) technologies
- Mortgage charge-off collections
- Residential and commercial loan disbursement processing, risk mitigation and construction inspection services

Origination Solutions - the solutions, services and technologies typically used or licensed by loan originators (or other similar mortgage market participants) in originating and buying residential mortgages.

- Title insurance (agent and related services) and settlement services
- Appraisal management services and broker and non-broker valuation services
- Fulfillment services
- Loan origination system and document management platform
- Certified loan insurance and certification
- Vendor management platform
- Mortgage banker cooperative, Best Partners Mortgage Cooperative, Inc., doing business as Lenders One® ("Lenders One")
- Mortgage trading platform

Real Estate Market: Provides real estate consumers and rental property investors with marketplaces and services that span the real estate lifecycle. Within the Real Estate Market segment, we provide:

Consumer Real Estate Solutions - the solutions, services and technologies typically used by home buyers and sellers to handle key aspects of buying and selling a home.

- Real estate brokerage
- Title insurance (agent and related services) and settlement services
- Mortgage brokerage

Real Estate Investor Solutions - the solutions, services and technologies used by buyers and sellers of single family investment homes.

- Property preservation and inspection services
- Real estate brokerage and auction services
- Data solutions
- Title insurance (agent and related services) and settlement services
- Buy-renovate-sell
- Renovation services
- Property management services
- Appraisal management services and broker and non-broker valuation services

Other Businesses, Corporate and Eliminations: Our *Other Businesses, Corporate and Eliminations* segment includes certain non-core businesses, interest expense and costs related to corporate support functions. The businesses in this segment include post-charge-off consumer debt collection services, customer relationship management services and information technology ("IT") infrastructure management services. Interest expense relates to the Company's senior secured term loan and corporate support functions include executive, finance, law, compliance, human resources, vendor management, facilities, risk management and sales and marketing costs not allocated to the business units. This segment also includes eliminations of transactions between the reportable segments.

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 not owned by Altisource and is included in revenue and reduced from net income to arrive at net income attributable to Altisource.

Share Repurchase Program

On May 17, 2017, our shareholders approved the renewal of the share repurchase program originally approved by the shareholders on May 18, 2016, which replaced the previous share repurchase program. Under the program, we are authorized to purchase up to 4.6 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. Under the existing and prior programs, we purchased 0.8 million shares of common stock at an average price of $22.15 per share during the six months ended June 30, 2017 and 0.8 million shares at an average price of $25.79 per share during the six months ended June 30, 2016 (0.4 million shares at an average price of $19.17 per share for the second quarter of 2017 and 0.3 million shares at an average price of $26.74 per share for the second quarter of 2016). As of June 30, 2017, approximately 4.2 million shares of common stock remain available for repurchase under the program. Our senior secured term loan limits the amount we can spend on share repurchases, which was approximately $347 million as of June 30, 2017, and may prevent repurchases in certain circumstances.

Strategy and Growth Initiatives

Altisource provides a suite of mortgage, real estate and consumer debt services. Altisource is focused on becoming one of the premier providers of mortgage and real estate marketplaces and related services to a broad and diversified customer base. Within the mortgage and real estate market segments, we facilitate transactions and provide products, solutions and services related to home sales, home purchases, home rentals, home maintenance, mortgage origination and mortgage servicing.

Strategically, we are focused on our four business initiatives discussed below and continuing to strengthen our compliance management system.

Each of our business initiatives provides Altisource the potential to grow and diversify our customer and revenue base. We believe these initiatives address very large markets and directly leverage our core competencies and distinct competitive advantages. Our four strategic initiatives and a brief description of each follow.

Servicer Solutions:

Through this initiative, we provide a full suite of services and technologies to meet the evolving and growing needs of loan servicers. We are focused on growing referrals from our existing customer base, expanding the service and proprietary technology offerings to our customer base, and attracting new customers to our offerings. We have a customer base that includes Ocwen, a government-sponsored enterprise ("GSE"), several top ten bank servicers and non-bank servicers and asset managers. Even as loan delinquencies return to historical norms, we believe there is a very large addressable market for our offerings. We believe we are one of only a few providers with a broad suite of servicer solutions, nationwide coverage and demonstrated scalability. Further, we believe we are well positioned to gain market share as existing customers and prospects consolidate to larger, full-service providers and outsource services that have historically been performed in-house.

Origination Solutions:

Through this initiative, we provide a full suite of services and technologies to meet the evolving and growing needs of loan originators and correspondents. We are focused on growing referrals from our existing customer base, expanding the service and proprietary technology offerings to our customer base, and attracting new customers to our offerings. We have a customer base that includes the Lenders One cooperative mortgage bankers, the Mortgage Builder loan origination system customers and mid-size and larger bank and non-bank loan originators. We believe our suite of services and technologies positions 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 attract new customers as prospects consolidate to larger, full-service providers and outsource services that have historically been performed in-house.

Consumer Real Estate Solutions:

Through this initiative, we provide a technology enabled real estate brokerage and related services that handle key aspects of buying and selling a home. We are focused on developing this initiative by capitalizing on our core competencies in realty services and online real estate marketing and offering consumers right-sized commission structures, smart digital tools and personalized service from local real estate agents.

Real Estate Investor Solutions:

Through this initiative, we provide a full suite of services and technologies to support buyers and sellers of single family investment homes. We are focused on growing referrals from our existing customer base, expanding the service and proprietary technology offerings to our customer base, and attracting new customers to our offerings. We have a customer base that includes Altisource Residential Corporation (“Residential”) and other institutional and smaller single family rental investors. The single family rental market is large, geographically distributed and has fragmented ownership. We believe our nationwide acquisition, renovation, property management, leasing and disposition platform provides a strong value proposition for institutional and retail investors and positions us well for growth.

There can be no assurance that growth from our strategic initiatives will be successful or our operations will be profitable.

Ocwen Related Matters

Revenue from Ocwen represented 58% of our revenue for the six months ended June 30, 2017 (58% of our revenue for the second quarter of 2017). Additionally, 17% of our revenue for the six months ended June 30, 2017 (16% of our revenue for the second quarter of 2017) was earned on the portfolios serviced by Ocwen, when a party other than Ocwen 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, requests for information and other actions and is subject to pending legal proceedings that have or could result in adverse regulatory or other actions against Ocwen. For example, on April 20, 2017, the Consumer Financial Protection Bureau (“CFPB”) and the State of Florida filed separate complaints in the United States District Court for the Southern District of Florida against Ocwen alleging violations of Federal consumer financial law and, in the case of Florida, Florida statutes. As another example, on April 28, 2017, the Commonwealth of Massachusetts filed a lawsuit against Ocwen in the Superior Court for the Commonwealth of Massachusetts alleging violations of state consumer financial laws relating to Ocwen’s servicing business, including lender-placed insurance and property preservation fees. The complaints seek to obtain permanent injunctive relief, consumer redress, refunds, restitution, disgorgement, damages, civil penalties, costs and fees and other relief. In addition, a number of states publicly announced or otherwise undertook various administrative actions against Ocwen related to alleged violations of applicable laws and regulations related to servicing residential mortgages. Certain of the allegations in the complaints and certain of the state administrative actions assert that Ocwen’s use of certain Altisource services was a contributing factor to Ocwen’s purported violations. The state administrative actions announced or undertaken purportedly seek sanctions and various injunctive reliefs which may include restrictions on Ocwen obtaining additional mortgage servicing rights, continuing mortgage servicing or debt collection activities, originating or funding loans, initiating foreclosures or other limitations or restrictions on Ocwen’s business operations or licenses in certain of these states. All of the forgoing matters could result in adverse regulatory or other actions against Ocwen. While not all inclusive, other regulatory actions to date have included subjecting Ocwen to independent oversight of its operations and placing certain restrictions on its ability to acquire servicing rights. Ocwen may become subject to future federal and state regulatory investigations, inquiries, requests for information and legal proceedings, any of which could also result in adverse regulatory or other actions against Ocwen.

As of June 30, 2017, New Residential Investment Corp. (together with its subsidiaries, “NRZ”) owned the rights to approximately 78% of Ocwen’s non-GSE mortgage servicing rights (the “Subject MSRs”). Under agreements between NRZ and Ocwen (the “Existing Agreements”), NRZ has the right (not necessarily the obligation or ability) to transfer servicing away from Ocwen if Ocwen does not maintain certain minimum servicer ratings.

Ocwen has disclosed that, on July 23, 2017, it entered into a master agreement and a transfer agreement with NRZ to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen’s remaining interests in the Subject MSRs. These actions include the parties cooperating to obtain any third party consents required to transfer the Subject MSRs to NRZ and, upon obtaining the required third party consents and the transfer of the applicable Subject MSRs to NRZ, NRZ will pay a lump sum restructuring fee to Ocwen in exchange for Ocwen forgoing payments under NRZ’s Existing Agreements with Ocwen. These lump sum restructuring fees may total up to approximately $400 million in the aggregate if all of the Subject MSRs are transferred to NRZ. In the event the required third party consents are not obtained by July 23, 2018 or an earlier date agreed to by Ocwen and NRZ, the applicable Subject MSRs may (i) become subject to a new agreement to be negotiated between Ocwen and NRZ, (ii) be acquired by Ocwen, or, if Ocwen does not desire or is otherwise unable to purchase, sold to one or more third parties, or (iii) remain subject to the Existing Agreements. Additionally, NRZ agreed to a standstill through January 23, 2019, subject to limited exceptions, on exercising certain of its rights under the Existing Agreements to replace Ocwen as servicer of certain Subject MSRs in the event of a termination event resulting from a servicer rating downgrade.

Ocwen also disclosed that it entered into a five year subservicing agreement with NRZ pursuant to which Ocwen will subservice the mortgage loans related to the Subject MSRs that are transferred to NRZ. In addition, Ocwen disclosed that during the five year subservicing agreement term, NRZ may terminate the subservicing agreement for convenience, subject to Ocwen’s right to receive a termination fee and proper notice.

The foregoing 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 (including information technology and software 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 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.

If any of the following events occurred, Altisource’s revenue would be significantly lower 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 a significant reduction in the volume of services they purchase from us
- Ocwen loses, sells or transfers a significant portion or all of its non-GSE servicing rights or subservicing arrangements and Altisource fails to be retained as a service provider
- Ocwen loses state servicing licenses in states with a significant number of loans in Ocwen’s servicing portfolio
- Altisource fails to be retained as a service provider
- 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

Additionally, Ocwen has stated that it plans to transition from REALServicing to another mortgage servicing software platform. We anticipate that such a transition would be a multi-year project and Altisource would support Ocwen through such a transition. We do not anticipate that a servicing technology transition would impact the other services we provide to Ocwen. For the six months ended June 30, 2017 and 2016, service revenue from REALServicing was $13.4 million and $17.5 million, respectively ($6.3 million and $7.6 million for the second quarter of 2017 and 2016, respectively). We estimate that income before income tax from the REALServicing business currently operates at approximately break-even.

Management cannot predict the outcome of these matters or the impact they may have on Altisource. However, in the event these matters 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. Furthermore, in the event of a significant reduction in the volume of services purchased or loans serviced by Ocwen, we believe the impact to Altisource could occur over an extended period of time.

In this regard, we have a plan that we believe would allow us to efficiently execute on this realignment. We believe that transfers of Ocwen's servicing rights to a successor servicer(s) would take an extended period of time because of the approval required from many parties, including regulators, rating agencies, residential mortgage-backed securities trustees, lenders and others. During this period of time, we believe we would continue to generate revenue from the services we provide to the to be transferred portfolio. Additionally, we have several strategic initiatives that focus on diversifying and growing our revenue and customer base. Our major strategic initiatives are described in the Strategy and Growth Initiatives section above. We have a sales and marketing strategy to support these initiatives.

Management believes our plans, together with current liquidity and cash flows from operations would be sufficient to meet our working capital, capital expenditures, debt service and other cash needs. However, there can be no assurance that our plans will be successful or our operations will be profitable.

Factors Affecting Comparability

The following items may impact the comparability of our results:

- The average number of loans serviced by Ocwen on REALServicing® was 1.3 million for the six months ended June 30, 2017 compared to 1.5 million for the six months ended June 30, 2016, a decrease of 13% (1.3 million for the second quarter of 2017 and 1.5 million for the second quarter of 2016, a decrease of 13%). The average number of delinquent non-GSE loans serviced by Ocwen on REALServicing was 184 thousand for the six months ended June 30, 2017 compared to 230 thousand for the six months ended June 30, 2016, a decrease of 20% (177 thousand for the second quarter of 2017 and 222 thousand for the second quarter of 2016, a decrease of 20%);
- In the second quarter of 2017, we repurchased portions of our senior secured term loan with an aggregate par value of $26.0 million at a weighted average discount of 16.5%, recognizing a net gain of $3.9 million on the early extinguishment of debt (same amounts for the six months ended June 30, 2017). In the second quarter of 2016, we repurchased portions of our senior secured term loan with an aggregate par value of $51.0 million at a weighted average discount of 13.2%, recognizing a net gain of $5.5 million on the early extinguishment of debt (same amounts for the six months ended June 30, 2016);
- During the six months ended June 30, 2016, we purchased 4.1 million shares of Residential common stock for $48.2 million (no comparative amounts in 2017). During the six months ended June 30, 2017 and 2016, we earned dividends of $1.2 million and $1.0 million, respectively ($0.6 million and $1.0 million for the second quarter of 2017 and 2016, respectively) related to this investment. In addition, in the second quarter of 2016, we incurred expenses of $3.4 million related to this investment (no comparative amounts in 2017);
- On July 29, 2016, we acquired certain assets and assumed certain liabilities of Granite Loan Management of Delaware, LLC ("Granite") for $9.5 million; and
- The effective income tax rate increased to 22.9% for the six months ended June 30, 2017 from 12.2% for the six months ended June 30, 2016 (20.0% and 13.7% for the second quarter of 2017 and 2016, respectively). The effective tax rate increases were primarily due to changes in the expected mix of taxable income across the jurisdictions in which we operate.

CONSOLIDATED RESULTS OF OPERATIONS

Summary Consolidated Results

The following is a discussion of our consolidated results of operations for the periods indicated. For a more detailed discussion of the factors that affected the results of our business segments in these periods, see "*Segment Results of Operations*" below.

The following table sets forth information regarding our results of operations:

(in thousands, except per share data)	Three months ended June 30, 2017	Three months ended June 30, 2016	% Increase (decrease)	Six months ended June 30, 2017	Six months ended June 30, 2016	% Increase (decrease)
Service revenue						
Mortgage Market	$ 198,414	$ 197,479	—	$ 393,387	$ 385,564	2
Real Estate Market	24,347	24,173	1	43,536	47,574	(8)
Other Businesses, Corporate and Eliminations	15,346	19,672	(22)	31,023	42,466	(27)
Total service revenue	238,107	241,324	(1)	467,946	475,604	(2)
Reimbursable expenses	11,891	13,783	(14)	21,920	29,237	(25)
Non-controlling interests	687	692	(1)	1,302	1,090	19
Total revenue	250,685	255,799	(2)	491,168	505,931	(3)
Cost of revenue	185,393	174,371	6	363,346	343,234	6
Gross profit	65,292	81,428	(20)	127,822	162,697	(21)
Selling, general and administrative expenses	52,470	54,207	(3)	100,171	107,823	(7)
Income from operations	12,822	27,221	(53)	27,651	54,874	(50)
Other income (expense), net:						
Interest expense	(5,465)	(5,988)	(9)	(11,263)	(12,529)	(10)
Other income (expense), net	4,803	2,744	75	5,518	2,717	103
Total other income (expense), net	(662)	(3,244)	(80)	(5,745)	(9,812)	(41)
Income before income taxes and non-controlling interests	12,160	23,977	(49)	21,906	45,062	(51)
Income tax provision	(2,438)	(3,291)	(26)	(5,024)	(5,484)	(8)
Net income	9,722	20,686	(53)	16,882	39,578	(57)
Net income attributable to non-controlling interests	(687)	(692)	(1)	(1,302)	(1,090)	19
Net income attributable to Altisource	$ 9,035	$ 19,994	(55)	$ 15,580	$ 38,488	(60)
Margins:						
Gross profit/service revenue	27%	34%		27%	34%	
Income from operations/service revenue	5%	11%		6%	12%	
Earnings per share:						
Basic	$ 0.49	$ 1.08	(55)	$ 0.84	$ 2.06	(59)
Diluted	$ 0.48	$ 1.02	(53)	$ 0.82	$ 1.94	(58)

Revenue

We recognized service revenue of $467.9 million for the six months ended June 30, 2017, a 2% decrease compared to the six months ended June 30, 2016 ($238.1 million for the second quarter of 2017, a 1% decrease compared to the second quarter of 2016). The decreases in service revenue for the six months ended June 30, 2017 and the second quarter of 2017 were primarily from the normal runoff of Ocwen's portfolio in the Mortgage Market, Residential's smaller portfolio of non-performing loans and REO in the Real Estate Market and lower service revenue in our customer relationship management and IT infrastructure services businesses in the Other Businesses, Corporate and Eliminations segment. Customer relationship management revenue declined because, during 2016, we severed relationships with certain clients that were not profitable to us and we experienced a reduction in volume from the transition of services from one customer to another. IT infrastructure services revenue declined from the transition of resources supporting Ocwen's technology infrastructure to Ocwen. These decreases were largely offset by growth in referrals of certain higher fee property preservation services and growth in home sales revenue in the buy-renovate-sell business, which began operations in the second half of 2016. Reimbursable expenses revenue declined from a 2015 change in the pricing and billing model for preservation services on new Ocwen REO referrals that resulted in certain services that were historically reimbursable expenses revenue becoming service revenue. In addition, the six months ended June 30, 2017 reflects lower professional services revenues in our Servicer Solutions technologies businesses.

Certain of our revenues are impacted by seasonality. More specifically, revenues from property sales, loan originations and certain property preservation services tend to be at their lowest level during the fall and winter months and at their highest level during the spring and summer months. In addition, the asset recovery management business tends to be higher in the first quarter, as borrowers may utilize tax refunds and bonuses to pay debts, and generally declines throughout the rest of the year.

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 and the cost of sales of short-term investments in real estate, reimbursable expenses, technology and telecommunications costs, and depreciation and amortization of operating assets.

Cost of revenue consisted of the following:

	Three months ended June 30,			Six months ended June 30,		
(in thousands)	2017	2016	% Increase (decrease)	2017	2016	% Increase (decrease)
Compensation and benefits	$ 62,666	$ 69,773	(10)	$ 125,758	$ 134,836	(7)
Outside fees and services	93,369	73,326	27	179,263	145,129	24
Reimbursable expenses	11,891	13,783	(14)	21,920	29,237	(25)
Technology and telecommunications	10,941	10,703	2	22,292	20,643	8
Depreciation and amortization	6,526	6,786	(4)	14,113	13,389	5
Cost of revenue	$ 185,393	$ 174,371	6	$ 363,346	$ 343,234	6

Cost of revenue for the six months ended June 30, 2017 of $363.3 million increased 6% compared to the six months ended June 30, 2016 ($185.4 million for the second quarter of 2017, a 6% increase compared to the second quarter of 2016). The increases in cost of revenue were primarily driven by higher outside fees and services, partially offset by decreases in compensation and benefits costs and reimbursable expenses in the Mortgage Market and increased outside fees and services and compensation and benefits costs in the Real Estate Market. These increases were partially offset by lower compensation and benefits costs in the Other Businesses, Corporate and Eliminations segment.

In the Mortgage Market, outside fees and services increased due to growth in referrals of certain higher cost property preservation services in the Servicer Solutions business, consistent with the growth in service revenue discussed in the revenue section above. Compensation and benefits costs decreased in the Servicer Solutions business from lower headcount levels driven by lower customer volumes in certain business units. Reimbursable expenses declined primarily as a result of the change in the pricing and billing model discussed in the revenue section above.

In the Real Estate Market, outside fees and services increased from the cost of the real estate sold in connection with our buy-renovate-sell program, partially offset by lower property preservation referrals driven by Residential's smaller portfolio of non-performing loans and REO in the Real Estate Investor Solutions business. In addition, compensation and benefits costs increased in the Consumer Real Estate Solutions business to support growth of this initiative.

The increases in cost of revenue in the Mortgage Market and Real Estate Market segments were partially offset by lower cost of revenue in the Other Businesses, Corporate and Eliminations segment, primarily due to a decrease in compensation and benefits costs associated with the transition of resources supporting Ocwen's technology infrastructure to Ocwen and reduced headcount levels in our customer relationship management business from a decrease in client relationships, as discussed in the revenue section above.

Gross profit decreased to $127.8 million, representing 27% of service revenue, for the six months ended June 30, 2017 compared to $162.7 million, representing 34% of service revenue, for the six months ended June 30, 2016 (decreased to $65.3 million, representing 27% of service revenue, for the second quarter of 2017 compared to $81.4 million, representing 34% of service revenue, for the second quarter of 2016). Gross profit as a percentage of service revenue decreased primarily due to revenue mix and investments in our growth initiatives. Revenue mix changed from growth in the lower margin property preservation and buy-renovate-sell businesses and declines in other higher margin businesses.

Selling, General and Administrative Expenses

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

SG&A expense consisted of the following:

	Three months ended June 30,			Six months ended June 30,		
(in thousands)	2017	2016	% Increase (decrease)	2017	2016	% Increase (decrease)
Compensation and benefits	$ 15,541	$ 14,324	8	$ 28,047	$ 28,315	(1)
Occupancy related costs	9,538	8,799	8	19,811	17,882	11
Amortization of intangible assets	9,393	12,756	(26)	18,539	24,967	(26)
Professional services	4,367	6,696	(35)	8,097	13,436	(40)
Marketing costs	3,697	5,671	(35)	7,966	12,163	(35)
Depreciation and amortization	2,361	2,352	—	4,782	4,957	(4)
Other	7,573	3,609	110	12,929	6,103	112
Selling, general and administrative expenses	$ 52,470	$ 54,207	(3)	$ 100,171	$ 107,823	(7)

SG&A for the six months ended June 30, 2017 of $100.2 million decreased 7% compared to the six months ended June 30, 2016 ($52.5 million for the second quarter of 2017, a 3% decrease compared to the second quarter of 2016). The decreases in SG&A were primarily due to lower amortization of intangible assets, driven by an increase in total projected revenue to be generated by the Homeward Residential, Inc. ("Homeward") and Residential Capital, LLC ("ResCap") portfolios over the lives of these portfolios (revenue-based amortization), lower professional services related to legal costs in connection with litigation and regulatory matters and lower marketing costs, driven by initial non-recurring Owners.com market launch costs incurred during the six months ended June 30, 2016. The decreases in SG&A were partially offset by unfavorable loss accrual adjustments of $2.7 million relating to facility closures and litigation related costs in other SG&A in the second quarter of 2017. In addition, the decreases in SG&A for the six months ended June 30, 2017 were partially offset by a $3.0 million favorable loss accrual adjustment in other SG&A in the six months ended June 30, 2016.

Income from Operations

Income from operations decreased to $27.7 million, representing 6% of service revenue, for the six months ended June 30, 2017 compared to $54.9 million, representing 12% of service revenue, for the six months ended June 30, 2016 (decreased to $12.8 million, representing 5% of service revenue, for the second quarter of 2017 compared to $27.2 million, representing 11% of service revenue, for the second quarter of 2016). The decrease in operating income as a percentage of service revenue was the result of the decrease in gross profit margin, partially offset by lower SG&A expenses, as discussed above.

Other Income (Expense), net

Other income (expense), net principally includes interest expense and other non-operating gains and losses. Interest expense was $11.3 million for the six months ended June 30, 2017, a decrease of $1.3 million compared to the six months ended June 30, 2016($5.5 million for the second quarter of 2017, a decrease of $0.5 million compared to the second quarter of 2016), primarily from the 2017 and 2016 repurchases of portions of our senior secured term loan with an aggregate par value of $77.0 million. Other non-operating gains and losses primarily represent gains on the early extinguishment of debt and income and expenses related to our investment in Residential common stock.

In the second quarter of 2017, we repurchased portions of our senior secured term loan with an aggregate par value of $26.0 million at a weighted average discount of 16.5%, recognizing a net gain of $3.9 million on the early extinguishment of debt. In the second quarter of 2016, we repurchased portions of our senior secured term loan with an aggregate par value of $51.0 million at a weighted average discount of 13.2%, recognizing a net gain of $5.5 million on the early extinguishment of debt.

During the six months ended June 30, 2016, we incurred expenses of $3.4 million and earned dividends of $1.0 million related to our investment in Residential common stock. During the six months ended June 30, 2017 and second quarter of 2017, we earned dividends of $1.2 million and $0.6 million, respectively, related to this investment.

Income Tax Provision

We recognized an income tax provision of $5.0 million for the six months ended June 30, 2017 compared to $5.5 million for the six months ended June 30, 2016 ($2.4 million and $3.3 million for the second quarter of 2017 and 2016, respectively). Our effective tax rate was 22.9% and 12.2% for the six months ended June 30, 2017 and June 30, 2016, respectively (20.0% and 13.7% for the second quarter of 2017 and 2016, respectively). Our effective tax rates differ from the Luxembourg statutory tax rate of 27.1% and 29.2% in 2017 and 2016, respectively, primarily due to the effect of certain deductions in Luxembourg and the mix of income and losses with varying tax rates in multiple taxing jurisdictions. The higher effective income tax rates for the six months ended June 30, 2017 and second quarter of 2017 were primarily the result of lower pretax income, which changed the mix of taxable income across the jurisdictions in which we operate.

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SEGMENT RESULTS OF OPERATIONS

Effective January 1, 2017, our reportable segments changed as a result of changes in our internal organization, which changed the way our chief operating decision maker manages our businesses, allocates resources and evaluates performance. We now report our operations through two new reportable segments: *Mortgage Market* and *Real Estate Market*. In addition, we report *Other Businesses, Corporate and Eliminations* separately. Prior to the January 1, 2017 change in reportable segments, our reportable segments were *Mortgage Services*, *Financial Services* and *Technology Services*. The former *Mortgage Services* segment was separated into the *Mortgage Market* and *Real Estate Market* segments (see Overview - Our Business). Furthermore, certain of the software services business units that were formerly in the *Technology Services* segment and the mortgage charge-off collections business that was formerly in the *Financial Services* segment are now included in the *Mortgage Market*. *Other Businesses, Corporate and Eliminations* includes the asset recovery management services and customer relationship management services that were formerly in the *Financial Services* segment as well as IT infrastructure management services formerly in the *Technology Services* segment (see Overview - Our Business). Prior year comparable period segment disclosures have been restated to conform to the current year presentation.

The following section provides a discussion of pretax results of operations of our business segments. Transactions between segments are accounted for as third party arrangements for purposes of presenting segment results of operations and eliminated in consolidation.

Financial information for our segments was as follows:

	Three months ended June 30, 2017			
(in thousands)	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	$ 198,414	$ 24,347	$ 15,346	$ 238,107
Reimbursable expenses	11,094	783	14	11,891
Non-controlling interests	687	—	—	687
	210,195	25,130	15,360	250,685
Cost of revenue	144,326	26,844	14,223	185,393
Gross profit (loss)	65,869	(1,714)	1,137	65,292
Selling, general and administrative expenses	29,805	5,551	17,114	52,470
Income (loss) from operations	36,064	(7,265)	(15,977)	12,822
Total other income (expense), net	102	—	(764)	(662)
Income (loss) before income taxes and non-controlling interests	$ 36,166	$ (7,265)	$ (16,741)	$ 12,160
Margins:				
Gross profit (loss)/service revenue	33%	(7)%	7 %	27%
Income (loss) from operations/service revenue	18%	(30)%	(104)%	5%

	Three months ended June 30, 2016			
(in thousands)	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	$ 197,479	$ 24,173	$ 19,672	$ 241,324
Reimbursable expenses	13,129	631	23	13,783
Non-controlling interests	692	—	—	692
	211,300	24,804	19,695	255,799
Cost of revenue	135,723	16,854	21,794	174,371
Gross profit (loss)	75,577	7,950	(2,099)	81,428
Selling, general and administrative expenses	31,141	5,620	17,446	54,207
Income (loss) from operations	44,436	2,330	(19,545)	27,221
Total other income (expense), net	74	4	(3,322)	(3,244)
Income (loss) before income taxes and non-controlling interests	$ 44,510	$ 2,334	$ (22,867)	$ 23,977
Margins:				
Gross profit (loss)/service revenue	38%	33%	(11)%	34%
Income (loss) from operations/service revenue	23%	10%	(99)%	11%

(in thousands)	Six months ended June 30, 2017 Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	$ 393,387	$ 43,536	$ 31,023	$ 467,946
Reimbursable expenses	20,229	1,657	34	21,920
Non-controlling interests	1,302	—	—	1,302
	414,918	45,193	31,057	491,168
Cost of revenue	284,476	48,987	29,883	363,346
Gross profit (loss)	130,442	(3,794)	1,174	127,822
Selling, general and administrative expenses	58,487	9,876	31,808	100,171
Income (loss) from operations	71,955	(13,670)	(30,634)	27,651
Total other income (expense), net	112	—	(5,857)	(5,745)
Income (loss) before income taxes and non-controlling interests	$ 72,067	$ (13,670)	$ (36,491)	$ 21,906
Margins:				
Gross profit (loss)/service revenue	33%	(9)%	4 %	27%
Income (loss) from operations/service revenue	18%	(31)%	(99)%	6%

(in thousands)	Six months ended June 30, 2016 Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	$ 385,564	$ 47,574	$ 42,466	$ 475,604
Reimbursable expenses	28,047	1,139	51	29,237
Non-controlling interests	1,090	—	—	1,090
	414,701	48,713	42,517	505,931
Cost of revenue	269,766	31,312	42,156	343,234
Gross profit	144,935	17,401	361	162,697
Selling, general and administrative expenses	60,595	11,794	35,434	107,823
Income (loss) from operations	84,340	5,607	(35,073)	54,874
Total other income (expense), net	134	—	(9,946)	(9,812)
Income (loss) before income taxes and non-controlling interests	$ 84,474	$ 5,607	$ (45,019)	$ 45,062
Margins:				
Gross profit/service revenue	38%	37%	1 %	34%
Income (loss) from operations/service revenue	22%	12%	(83)%	12%

Mortgage Market

Revenue

Revenue by business unit was as follows:

	Three months ended June 30,			Six months ended June 30,		
(in thousands)	2017	2016	% Increase (decrease)	2017	2016	% Increase (decrease)
Service revenue:						
Servicer Solutions	$ 185,756	$ 185,086	—	$ 369,189	$ 362,932	2
Origination Solutions	12,658	12,393	2	24,198	22,632	7
Total service revenue	198,414	197,479	—	393,387	385,564	2
Reimbursable expenses:						
Servicer Solutions	11,015	13,074	(16)	20,051	27,948	(28)
Origination Solutions	79	55	44	178	99	80
Total reimbursable expenses	11,094	13,129	(16)	20,229	28,047	(28)
Non-controlling interests	687	692	(1)	1,302	1,090	19
Total revenue	$ 210,195	$ 211,300	(1)	$ 414,918	$ 414,701	—

We recognized service revenue of $393.4 million for the six months ended June 30, 2017, a 2% increase compared to the six months ended June 30, 2016 ($198.4 million for the second quarter of 2017, a less than 1% increase compared to the second quarter of 2016). The increases in service revenue for the six months ended June 30, 2017 and the second quarter of 2017 were primarily due to growth in referrals of certain higher fee property preservation services in the Servicer Solutions business, a change in 2015 in the pricing and billing model for preservation services on new Ocwen REO referrals that resulted in certain services that were historically reimbursable expenses revenue becoming service revenue in the Servicer Solutions business, the acquisition of Granite in July 2016 and growth in non-Ocwen service revenues from new business and the expansion of existing business in the Servicer Solutions and Origination Solutions businesses. These increases were partially offset by a decrease in referrals in the other Servicer Solutions businesses, driven by the decline in the number of loans on REALServicing, largely as a result of the normal run-off of Ocwen's loan portfolio. The decrease in reimbursable expenses revenue was primarily due to the change in 2015 in the pricing and billing model for preservation services on new Ocwen REO referrals described above. The increases for the six months ended June 30, 2017 were partially offset by lower professional services revenues in our Servicer Solutions technologies businesses.

Certain of our Mortgage Market businesses are impacted by seasonality. Revenues from property sales, loan originations and certain property preservation services are generally lowest during the fall and winter months and highest during the spring and summer months.

Cost of Revenue and Gross Profit

Cost of revenue consisted of the following:

	Three months ended June 30,			Six months ended June 30,		
(in thousands)	2017	2016	% Increase (decrease)	2017	2016	% Increase (decrease)
Compensation and benefits	$ 41,923	$ 45,846	(9)	$ 84,678	$ 89,817	(6)
Outside fees and services	78,710	65,499	20	154,080	129,231	19
Reimbursable expenses	11,094	13,129	(16)	20,229	28,047	(28)
Technology and telecommunications	7,709	7,232	7	15,881	14,423	10
Depreciation and amortization	4,890	4,017	22	9,608	8,248	16
Cost of revenue	$ 144,326	$ 135,723	6	$ 284,476	$ 269,766	5

Cost of revenue for the six months ended June 30, 2017 of $284.5 million increased by 5% compared to the six months ended June 30, 2016 ($144.3 million for the second quarter of 2017, a 6% increase compared to the second quarter of 2016). The increases in cost of revenue were primarily driven by higher outside fees and services, partially offset by decreases in reimbursable expenses and compensation and benefits costs. Outside fees and services increased due to growth in referrals of certain higher cost property preservation services in the Servicer Solutions business, consistent with the growth in service revenue discussed in the revenue section above. Reimbursable expenses declined primarily as a result of the change in billing discussed in the revenue section above. Compensation and benefits costs declined in the Servicer Solutions business from lower headcount levels driven by lower customer referrals in certain business units.

Gross profit decreased to $130.4 million, representing 33% of service revenue, for the six months ended June 30, 2017 compared to $144.9 million, representing 38% of service revenue, for the six months ended June 30, 2016 (decreased to $65.9 million, representing 33% of service revenue for the second quarter of 2017, compared to $75.6 million, representing 38% of service revenue for the second quarter of 2016). Gross profit as a percentage of service revenue declined primarily due to revenue mix from growth in the lower margin property preservation services and declines in other higher margin businesses.

Our margins can vary substantially depending upon service revenue mix.

Selling, General and Administrative Expenses and Income from Operations

SG&A expenses consisted of the following:

	Three months ended June 30,			Six months ended June 30,		
(in thousands)	2017	2016	% Increase (decrease)	2017	2016	% Increase (decrease)
Compensation and benefits	$ 5,947	$ 5,456	9	$ 11,101	$ 10,876	2
Professional services	2,469	3,119	(21)	4,699	7,128	(34)
Occupancy related costs	6,823	4,808	42	12,039	10,190	18
Amortization of intangible assets	8,709	12,024	(28)	17,144	23,418	(27)
Depreciation and amortization	1,006	984	2	1,869	1,911	(2)
Marketing costs	1,763	2,446	(28)	4,235	4,416	(4)
Other	3,088	2,304	34	7,400	2,656	179
Selling, general and administrative expenses	$ 29,805	$ 31,141	(4)	$ 58,487	$ 60,595	(3)

SG&A for the six months ended June 30, 2017 of $58.5 million decreased by 3% compared to the six months ended June 30, 2016 ($29.8 million for the second quarter of 2017, a 4% decrease compared to the second quarter of 2016). The decreases in SG&A were primarily driven by lower amortization of intangible assets, driven by an increase in total projected revenue to be generated by the Homeward and ResCap portfolios over the lives of these portfolios (revenue-based amortization), and reduced professional services related to legal costs in connection with litigation and regulatory matters. The decreases in SG&A for the six months ended June 30, 2017 were partially offset by a $3.0 million favorable loss accrual adjustment in other SG&A in the six months ended June 30, 2016.

Income from operations decreased to $72.0 million, representing 18% of service revenue, for the six months ended June 30, 2017 compared to $84.3 million, representing 22% of service revenue, for the six months ended June 30, 2016 (decreased to $36.1 million, representing 18% of service revenue for the second quarter of 2017, compared to $44.4 million, representing 23% of service revenue for the second quarter of 2016). The decreases in operating income as a percentage of service revenue were primarily the result of lower gross profit margins from the change in the revenue mix, partially offset by lower SG&A, as discussed above.

Real Estate Market

Revenue

Revenue by business unit was as follows:

(in thousands)	Three months ended June 30, 2017	Three months ended June 30, 2016	% Increase (decrease)	Six months ended June 30, 2017	Six months ended June 30, 2016	% Increase (decrease)
Service revenue:						
Consumer Real Estate Solutions	$ 1,290	$ 275	N/M	$ 1,999	$ 519	285
Real Estate Investor Solutions	23,057	23,898	(4)	41,537	47,055	(12)
Total service revenue	24,347	24,173	1	43,536	47,574	(8)
Reimbursable expenses:						
Real Estate Investor Solutions	783	631	24	1,657	1,139	45
Total reimbursable expenses	783	631	24	1,657	1,139	45
Total revenue	$ 25,130	$ 24,804	1	$ 45,193	$ 48,713	(7)

N/M — not meaningful.

We recognized service revenue of $43.5 million for the six months ended June 30, 2017, an 8% decrease compared to the six months ended June 30, 2016 ($24.3 million for the second quarter of 2017, a 1% increase compared to the second quarter of 2016). The decrease in service revenue for the six months ended June 30, 2017 was primarily due to lower property preservation referrals and brokerage commissions from REO sales in the Real Estate Investor Solutions business from lower inventories of REO homes for sale by Residential, partially offset by growth in home sales revenue in our buy-renovate-sell program in the Real Estate Investor Solutions business, which began operations in the second half of 2016, and growth in the Consumer Real Estate Solutions business from higher volumes. The increase in service revenue for the second quarter of 2017 was primarily due to growth in home sales revenue in our buy-renovate-sell program in the Real Estate Investor Solutions business, partially offset by lower property preservation referrals and brokerage commissions from REO sales in the Real Estate Investor Solutions business from lower inventories of REO homes for sale by Residential.

Cost of Revenue and Gross Profit (Loss)

Cost of revenue consisted of the following:

(in thousands)	Three months ended June 30, 2017	Three months ended June 30, 2016	% Increase (decrease)	Six months ended June 30, 2017	Six months ended June 30, 2016	% Increase (decrease)
Compensation and benefits	$ 10,148	$ 7,644	33	$ 19,390	$ 13,162	47
Outside fees and services	13,783	7,102	94	23,434	14,522	61
Reimbursable expenses	783	631	24	1,657	1,139	45
Technology and telecommunications	1,734	1,267	37	3,456	2,108	64
Depreciation and amortization	396	210	89	1,050	381	176
Cost of revenue	$ 26,844	$ 16,854	59	$ 48,987	$ 31,312	56

Cost of revenue for the six months ended June 30, 2017 of $49.0 million increased by 56% compared to the six months ended June 30, 2016 ($26.8 million for the second quarter of 2017, a 59% increase compared to the second quarter of 2016). The increases in cost of revenue were primarily due to increased outside fees and services in the Real Estate Investor Solutions business from the cost of the real estate sold in connection with our buy-renovate-sell program, partially offset by lower property preservation referrals. In addition, compensation and benefits costs increased in the Consumer Real Estate Solutions business to support growth of this initiative.

Gross profit decreased to a loss of $3.8 million, representing (9)% of service revenue, for the six months ended June 30, 2017, compared to gross profit of $17.4 million, representing 37% of service revenue, for the six months ended June 30, 2016 (decreased to a loss of $1.7 million, representing (7)% of service revenue for the second quarter of 2017, compared to gross profit of $8.0

million, representing 33% of service revenue for the second quarter of 2016). Gross profit as a percentage of service revenue declined primarily as a result of growth of the lower margin buy-renovate-sell program, lower brokerage commissions from REO sales and higher compensation and benefits costs to support growth of the Consumer Real Estate Solutions business.

Selling, General and Administrative Expenses and Income (Loss) from Operations

SG&A expenses consisted of the following:

	Three months ended June 30,			Six months ended June 30,		
(in thousands)	2017	2016	% Increase (decrease)	2017	2016	% Increase (decrease)
Compensation and benefits	$ 1,138	$ 379	200	$ 1,737	$ 910	91
Professional services	312	212	47	635	604	5
Occupancy related costs	1,050	646	63	1,722	1,066	62
Amortization of intangible assets	211	232	(9)	422	548	(23)
Depreciation and amortization	225	158	42	381	250	52
Marketing costs	1,880	3,443	(45)	3,604	7,480	(52)
Other	735	550	34	1,375	936	47
Selling, general and administrative expenses	$ 5,551	$ 5,620	(1)	$ 9,876	$ 11,794	(16)

SG&A for the six months ended June 30, 2017 of $9.9 million decreased by 16% compared to the six months ended June 30, 2016 ($5.6 million for the second quarter of 2017, a 1% decrease compared to the second quarter of 2016). The decrease in SG&A for the six months ended June 30, 2017 was primarily the result of lower marketing costs as a result of initial non-recurring Owners.com market launch costs incurred in 2016, partially offset by higher compensation and benefits costs in the Consumer Real Estate Solutions business to support the growth of this initiative.

Income from operations decreased to a loss from operations of $13.7 million, representing (31)% of service revenue, for the six months ended June 30, 2017 compared to income from operations of $5.6 million, representing 12% of service revenue, for the six months ended June 30, 2016 (decreased to a loss from operations of $7.3 million, representing (30)% of service revenue for the second quarter of 2017, compared to income from operations of $2.3 million, representing 10% of service revenue for the second quarter of 2016). The decrease in operating income as a percentage of service revenue was primarily the result of lower gross profit margins, as discussed above.

Other Businesses, Corporate and Eliminations

Revenue

Revenue by business unit was as follows:

	Three months ended June 30,			Six months ended June 30,		
(in thousands)	2017	2016	% Increase (decrease)	2017	2016	% Increase (decrease)
Service revenue:						
Customer relationship management	$ 7,503	$ 9,374	(20)	$ 14,860	$ 20,275	(27)
Asset recovery management	6,120	6,478	(6)	12,197	12,760	(4)
IT infrastructure services	1,723	3,820	(55)	3,966	9,431	(58)
Total service revenue	15,346	19,672	(22)	31,023	42,466	(27)
Reimbursable expenses:						
Asset recovery management	14	23	(39)	34	51	(33)
Total reimbursable expenses	14	23	(39)	34	51	(33)
Total revenue	$ 15,360	$ 19,695	(22)	$ 31,057	$ 42,517	(27)

We recognized service revenue of $31.0 million for the six months ended June 30, 2017, a 27% decrease compared to the six months ended June 30, 2016 ($15.3 million for the second quarter of 2017, a 22% decrease compared to the second quarter of 2016). The decreases were primarily due to lower customer relationship management business as we have severed relationships with certain clients that were not profitable to us and we experienced a reduction in volume from the transition of services from one customer to another. In addition, IT infrastructure services, which are typically billed on a cost plus basis, declined due to the transition of resources supporting Ocwen's technology infrastructure to Ocwen.

Certain of our other businesses are impacted by seasonality. Revenue in the asset recovery management business tends to be higher in the first quarter, as borrowers may utilize tax refunds and bonuses to pay debts, and generally declines throughout the remainder of the year.

Cost of Revenue and Gross Profit

Cost of revenue consisted of the following:

	Three months ended June 30,			Six months ended June 30,		
(in thousands)	2017	2016	% Increase (decrease)	2017	2016	% Increase (decrease)

Compensation and benefits	$	10,595	$	16,283	(35)	$	21,690	$	31,857	(32)
Outside fees and services		876		725	21		1,749		1,376	27
Reimbursable expenses		14		23	(39)		34		51	(33)
Technology and telecommunications		1,498		2,204	(32)		2,955		4,112	(28)
Depreciation and amortization		1,240		2,559	(52)		3,455		4,760	(27)
Cost of revenue	$	14,223	$	21,794	(35)	$	29,883	$	42,156	(29)

Cost of revenue for the six months ended June 30, 2017 of $29.9 million decreased by 29% compared to the six months ended June 30, 2016 ($14.2 million for the second quarter of 2017, a 35% decrease compared to the second quarter of 2016). The decrease in cost of revenue was primarily due to a decrease in compensation and benefits costs associated with the transition of resources supporting Ocwen's technology infrastructure to Ocwen and reduced headcount levels in our customer relationship management business from a decrease in client relationships, as discussed in the revenue section above.

Gross profit increased to $1.2 million, representing 4% of service revenue, for the six months ended June 30, 2017 compared to $0.4 million, representing 1% of service revenue, for the six months ended June 30, 2016 (increased to gross profit of $1.1 million, representing 7% of service revenue for the second quarter of 2017, compared to a gross loss of $2.1 million, representing (11)% of service revenue for the second quarter of 2016). Gross profit as a percentage of service revenue increased as the decrease in customer relationship management and IT infrastructure revenue was more than offset by the reduction in expenses.

Selling, General and Administrative Expenses, Loss from Operations and Other Expenses, net.

SG&A in Other Businesses, Corporate and Eliminations include SG&A expenses of the customer relationship management, asset recovery management and IT infrastructure services business. It also includes costs related to corporate support functions not allocated to the Mortgage Market and Real Estate Market segments.

Other income (expense), net includes interest expense and non-operating gains and losses.

Other Businesses, Corporate and Eliminations also includes eliminations of transactions between the reportable segments.

SG&A expenses consisted of the following:

	Three months ended June 30,					Six months ended June 30,				
(in thousands)		2017		2016	% Increase (decrease)		2017		2016	% Increase (decrease)
Compensation and benefits	$	8,456	$	8,489	—	$	15,209	$	16,529	(8)
Professional services		1,586		3,365	(53)		2,763		5,704	(52)
Occupancy related costs		1,665		3,345	(50)		6,050		6,626	(9)
Amortization of intangible assets		473		500	(5)		973		1,001	(3)
Depreciation and amortization		1,130		1,210	(7)		2,532		2,796	(9)
Marketing costs		54		(218)	(125)		127		267	(52)
Other		3,750		755	N/M		4,154		2,511	65
Selling, general and administrative expenses		17,114		17,446	(2)		31,808		35,434	(10)
Other expenses, net		764		3,322	(77)		5,857		9,946	(41)
Total corporate costs	$	17,878	$	20,768	(14)	$	37,665	$	45,380	(17)

N/M — not meaningful.

SG&A for the six months ended June 30, 2017 of $31.8 million decreased by 10% compared to the six months ended June 30, 2016 ($17.1 million for the second quarter of 2017, a 2% decrease compared to the second quarter of 2016). The decrease in SG&A for the six months ended June 30, 2017 was primarily due to lower legal and regulatory costs, partially offset by unfavorable loss accrual adjustments of $2.7 million related to facility closures and litigation related costs in other SG&A in the second quarter of 2017. The increase in SG&A in the second quarter of 2017 was primarily due to unfavorable loss accrual adjustments of $2.7 million in other SG&A, partially offset by professional services related to legal costs in connection with litigation and regulatory matters.

Loss from operations decreased to $30.6 million for the six months ended June 30, 2017 compared to a loss of $35.1 million for the six months ended June 30, 2016 (decreased to $16.0 million for the second quarter of 2017 compared to a loss of $19.5 million for the second quarter of 2016). The decreases in loss from operations were primarily driven by the increases in gross profit and lower SG&A for the six months ended June 30, 2017, as discussed above.

Other expenses, net principally includes interest expense and other non-operating gains and losses. For the six months ended June 30, 2017, other expenses, net of $5.9 million decreased by 41% compared to the six months ended June 30, 2016 ($0.8 million for the second quarter of 2017, decreased by 77% compared to the second quarter of 2016) from lower interest expense and non-recurring expenses incurred in the second quarter of 2016 relating to our investment in Residential. These reductions were partially offset by lower gains on the early extinguishment of debt in the second quarter of 2017.

Interest expense was $11.3 million for the six months ended June 30, 2017, a decrease of $1.3 million compared to the six months ended June 30, 2016 ($5.5 million for the second quarter of 2017, a decrease of $0.5 million compared to the second quarter of 2016), primarily from the 2017 and 2016 repurchases of portions of our senior secured term loan with an aggregate par value of $77.0 million.

In the second quarter of 2017, we repurchased portions of our senior secured term loan with an aggregate par value of $26.0 million at a weighted average discount of 16.5%, recognizing a net gain of $3.9 million on the early extinguishment of debt. In the second quarter of 2016, we repurchased portions of our senior secured term loan with an aggregate par value of $51.0 million at a weighted average discount of 13.2%, recognizing a net gain of $5.5 million on the early extinguishment of debt.

During the six months ended June 30, 2016, we incurred expenses of $3.4 million and earned dividends of $1.0 million related to our investment in Residential common stock. During the six months ended June 30, 2017 and the second quarter of 2017, we earned dividends of $1.2 million and $0.6 million, respectively, related to this investment.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary source of liquidity is cash flows from operations. 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 scheduled repayments of our senior secured term loan and seek to use cash from time to time to repurchase shares of our common stock and repurchase our senior secured term loan. In addition, we consider and evaluate business acquisitions that may arise from time to time that are aligned with our strategy.

For the six months ended June 30, 2017, we used $24.8 million to repay and repurchase portions of the senior secured term loan ($23.3 million for the second quarter of 2017) and $18.6 million to repurchase shares of our common stock ($8.0 million for the second quarter of 2017).

Senior Secured Term Loan

On November 27, 2012, Altisource Solutions S.à r.l., a wholly-owned subsidiary of Altisource Portfolio Solutions S.A., entered into a senior secured term loan agreement with Bank of America, N.A., as administrative agent, and certain lenders. Altisource Portfolio Solutions S.A. and certain subsidiaries are guarantors of the term loan. We subsequently entered into three amendments to the senior secured term loan agreement to increase the principal amount of the senior secured term loan and, among other changes, re-establish the $200.0 million incremental term loan facility accordion, lower the interest rate, extend the maturity date by approximately one year and increase the maximum amount of Restricted Junior Payments (as defined in the senior secured term loan agreement; other capitalized terms, unless defined herein, are defined in the senior secured term loan agreement). The lenders of the senior secured term loan, as amended, have no obligation to provide any such additional debt under the accordion provision. As of June 30, 2017, $450.6 million was outstanding under the senior secured term loan agreement, as amended, compared to $479.7 million as of December 31, 2016.

After giving effect to the third amendment entered into on August 1, 2014, the term loan must be repaid in equal consecutive quarterly principal installments of $1.5 million, with the balance due at maturity. All amounts outstanding under the senior secured term loan agreement will become due on the earlier of (i) December 9, 2020 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 or as otherwise provided in the senior secured term loan agreement upon the occurrence of any event of default under the senior secured term loan agreement. However, if the leverage ratio exceeds 3.00 to 1.00, as calculated in accordance with the provisions of the senior secured term loan agreement, a percentage of cash flows must be used to repay principal (the percentage increases if the leverage ratio exceeds 3.50 to 1.00). No mandatory prepayments were required for the six months ended June 30, 2017. The interest rate as of June 30, 2017 was 4.72%.

In the second quarter of 2017, we repurchased portions of our senior secured term loan with an aggregate par value of $26.0 million at a weighted average discount of 16.5%, recognizing a net gain of $3.9 million on the early extinguishment of debt. In the second quarter of 2016, we repurchased portions of our senior secured term loan with an aggregate par value of $51.0 million at a weighted average discount of 13.2%, recognizing a net gain of $5.5 million on the early extinguishment of debt.

The debt covenants in the senior secured term loan agreement limit, among other things, our ability 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 senior secured term loan.

Cash Flows

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

(in thousands)	2017	2016	% Increase (decrease)
Net income adjusted for non-cash items	$ 58,530	$ 83,015	(29)
Changes in operating assets and liabilities	(46,013)	(13,610)	(238)
Net cash provided by operating activities	12,517	69,405	(82)
Net cash used in investing activities	(5,929)	(60,670)	90
Net cash used in financing activities	(41,677)	(67,576)	38
Net decrease in cash and cash equivalents	(35,089)	(58,841)	40
Cash and cash equivalents at the beginning of the period	149,294	179,327	(17)
Cash and cash equivalents at the end of the period	$ 114,205	$ 120,486	(5)

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, 2017, cash flows provided by operating activities were $12.5 million, or $0.03

for every dollar of service revenue ($0.13 for every dollar of service revenue for the second quarter of 2017) compared to cash flows generated from operating activities of $69.4 million, or $0.15 for every dollar of service revenue for the six months ended June 30, 2016 ($0.17 for every dollar of service revenue for the second quarter of 2016). The decrease in cash flows from operations for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 was principally driven by the $28.0 million net payment for the previously accrued litigation settlement combined with lower net income, partially offset by higher collections of accounts receivable, primarily driven by timing.

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. In addition, annual incentive compensation bonuses are paid during the first quarter of each year. Consequently, our cash flows from operations may be negatively impacted when comparing one interim period to another.

Cash Flows from Investing Activities

Cash flows from investing activities for the six months ended June 30, 2017 and 2016 primarily included capital expenditures and purchases and sales of available for sale securities. For the six months ended June 30, 2017 and 2016, we used $5.7 million and $12.4 million, respectively, for capital expenditures primarily related to investments in the development of certain software applications, IT infrastructure and facility build-outs. The decrease in capital expenditures primarily related to the completion of several software development projects and facility build-outs in 2016. In addition, during the six months ended June 30, 2016, we purchased 4.1 million shares of Residential common stock for $48.2 million including brokers' commissions (no comparative amount in 2017).

Cash Flows from Financing Activities

Cash flows from financing activities for the six months ended June 30, 2017 and 2016 primarily included activities associated with share repurchases, debt repayments, stock option exercises and payments to non-controlling interests. During the six months ended June 30, 2017 and 2016, we used $15.5 million and $19.7 million, respectively, to repurchase our common stock. In addition, during the six months ended June 30, 2017 and 2016, we used $24.8 million and $47.8 million, respectively, to repurchase portions of our senior secured term loan and make scheduled repayments of our senior secured term loan. During the six months ended June 30, 2017 and 2016, stock option exercises provided proceeds of $0.8 million and $1.0 million, respectively. During each of the six months ended June 30, 2017 and 2016, we distributed $1.1 million to non-controlling interests. Also during the six months ended June 30, 2017, we made payments of $1.1 million to satisfy employee tax withholding obligations on the issuance of 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 shares to employees.

Liquidity Requirements after June 30, 2017

On September 12, 2014, we acquired certain assets and assumed certain liabilities of Mortgage Builder Software, Inc. ("Mortgage Builder"). The Mortgage Builder purchase agreement provides for the payment of up to $7.0 million in potential additional consideration based on Adjusted Revenue (as defined in the purchase agreement). As of June 30, 2017, we have recorded $0.4 million of potential additional consideration related to the Mortgage Builder acquisition. The amount ultimately paid will depend on Mortgage Builder's Adjusted Revenue in the last of the three consecutive 12-month periods following acquisition.

On July 17, 2015, we acquired CastleLine Holdings, LLC and its subsidiaries. A portion of the purchase consideration totaling $10.5 million is payable to the sellers over four years from the acquisition date, including $3.8 million to be paid to certain of the sellers that is contingent on future employment. As of June 30, 2017, we have paid $4.7 million of the $10.5 million that is payable over four years from the acquisition date and $0 of the $3.8 million purchase consideration that is contingent on future employment.

During the next 12 months, we expect to distribute approximately $2.0 million to the Lenders One members representing non-controlling interest, repay $1.5 million of the senior secured term loan and pay $5.1 million of interest expense under the senior secured term loan agreement.

We believe that we will generate sufficient cash flows from operations to fund capital expenditures and required debt and interest payments for the next 12 months.

Contractual Obligations, Commitments and Contingencies

For the six months ended June 30, 2017, there were no significant changes to our contractual obligations from those identified in our Form 10-K for the fiscal year ended December 31, 2016, other than those that occur in the normal course of business. See Note 20 to the condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND RECENT ACCOUNTING PRONOUNCEMENT

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, 2016 filed with the SEC on February 16, 2017. Those policies have not changed during the six months ended June 30, 2017.

Recently Adopted and Future Adoption of New Accounting Pronouncements

See Note 1 to the condensed consolidated financial statements for a discussion of the future adoption of new accounting pronouncements.

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, 2017, the interest rate charged on the senior secured term loan was 4.72%. 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 3.50%.

Based on the principal amount outstanding at June 30, 2017, a one percentage point increase in the Eurodollar Rate would increase our annual interest expense by approximately $4.5 million, based on the June 30, 2017 Adjusted Eurodollar Rate. There would be a $1.0 million decrease in our annual interest expense if there was a one percentage point decrease in the Eurodollar Rate.

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 during the second quarter of 2017, 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 $1.1 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 Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of June 30, 2017, an evaluation was conducted under the supervision and with the participation of our management, including our 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, 2017.

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, 2017, 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

From time to time, we are involved in legal and administrative proceedings arising in the course of our business. We record a liability for these matters 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.

On September 8, 2014, the West Palm Beach Firefighters' Pension Fund filed a putative securities class action suit against Altisource Portfolio Solutions S.A. and certain of its current or former officers and directors in the United States District Court for the Southern District of Florida alleging violations of the Securities Exchange Act of 1934 and Rule 10b-5 with regard to disclosures concerning pricing and transactions with related parties that allegedly inflated Altisource Portfolio Solutions S.A. share prices. The Court subsequently appointed the Pension Fund for the International Union of Painters and Allied Trades District Council 35 and the Annuity Fund for the International Union of Painters and Allied Trades District Council 35 as Lead Plaintiffs. On January 30, 2015, Lead Plaintiffs filed an amended class action complaint which added Ocwen Financial Corporation as a defendant, and seeks a determination that the action may be maintained as a class action on behalf of purchasers of Altisource Portfolio Solutions S.A. securities between April 25, 2013 and December 21, 2014 and an unspecified amount of damages. Altisource Portfolio Solutions S.A. moved to dismiss the suit on March 23, 2015. On September 4, 2015, the Court granted the defendants' motion to dismiss, finding that the Lead Plaintiffs' amended complaint failed to state a claim as to any of the defendants, but permitting the Lead Plaintiffs to file another amended complaint. Lead Plaintiffs subsequently filed second and third amended complaints with substantially similar claims and theories. Altisource Portfolio Solutions S.A. moved to dismiss the third amended complaint on October 22, 2015. On December 22, 2015, the Court issued an order dismissing with prejudice all claims against Ocwen Financial Corporation and certain claims against Altisource Portfolio Solutions S.A. and the officer and director defendants, but denying the motion to dismiss as to other claims. On December 19, 2016, the Court granted Lead Plaintiffs leave to file the fourth amended complaint, and Lead Plaintiffs filed the fourth amended complaint on December 28, 2016. On January 6, 2017, Defendants filed a motion to strike certain matters from the fourth amended complaint and a motion to dismiss certain claims pled in the fourth amended complaint. Before the Court ruled on Defendants' motions, the parties notified the Court on January 19, 2017 of their agreement to settle the action, subject to Court approval and other customary terms and conditions described in the settlement stipulation filed with the Court, including rights of the parties to terminate the settlement under certain conditions. On February 10, 2017, the Court entered an order preliminarily approving the settlement, certifying a settlement class, approving the form and content of notice of the settlement to class members, establishing procedures for shareholders to request exclusion from the class or object to the settlement, and setting a hearing for May 30, 2017 to determine whether the settlement should be approved and the case dismissed with prejudice. Following the May 30, 2017 hearing, the Court entered an Order and Final Judgment dated May 30, 2017, approving the settlement and dismissing the case with prejudice. Under the settlement, Altisource Portfolio Solutions S.A. paid a total of $32 million in cash, $4 million of which was funded by insurance proceeds, to a settlement fund to resolve all claims asserted and which could have been asserted on behalf of investors who purchased or otherwise acquired Altisource Portfolio Solutions S.A. stock between April 25, 2013 and December 21, 2014. The settlement provides that Altisource Portfolio Solutions S.A. and the officer and director defendants deny all claims of wrongdoing or liability.

In addition to the matter referenced above, we are 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.

As previously disclosed, Altisource received a Notice and Opportunity to Respond and Advise ("NORA") letter on November 10, 2016 from the Consumer Financial Protection Bureau ("CFPB") indicating that the CFPB is considering a potential enforcement action against Altisource relating to an alleged violation of federal law that primarily concerns certain technology services provided to Ocwen. The NORA letter provides the recipient an opportunity to present its positions to the CFPB before an enforcement action is recommended or commenced. On December 5, 2016, we provided a written response to the NORA letter setting forth the legal, policy and factual reasons why we believe an enforcement action is not warranted. We are committed to resolving any potential concerns of the CFPB. If the CFPB were to bring an enforcement action against us, the resolution of such action could have a material adverse impact on our business, reputation, financial condition and results of operations. However, we believe it is premature to predict the potential outcome or to estimate any potential financial impact in connection with any potential CFPB enforcement action.

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, 2016 filed with the SEC on February 16, 2017.

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

The following table presents information related to our repurchases of our equity securities during the three months ended June 30, 2017:

Period	Total number of shares purchased	Weighted average price paid per share	Total number of shares purchased as part of publicly announced plans or programs[(1)]	Maximum number of shares that may yet be purchased under the plans or programs[(1)]
Common stock:				
April 1 – 30, 2017	—	$ —	—	3,460,598
May 1 – 31, 2017	245,663	20.08	245,663	4,390,108
June 1 – 30, 2017	170,443	17.85	170,443	4,219,665
	416,106	$ 19.17	416,106	4,219,665

(1) On May 17, 2017, our shareholders approved the renewal of the share repurchase program originally approved by the shareholders on May 18, 2016, which replaced the previous share repurchase program and authorizes us to purchase up to 4.6 million shares of our common stock in the open market, subject to certain parameters.

Item 6. Exhibits

3.1	*	Amended and Restated Articles of Incorporation of Altisource Portfolio Solutions S.A.
10.1	†	Form of Non-Qualified Stock Option Award Agreement (2017 Performance-Based Stock Options) (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 13, 2017)
10.2	†	Form of Non-Qualified Stock Option Award Agreement (Service Revenue Stock Options) (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on April 13, 2017)
10.3	†	Form of Restricted Stock Award Agreement (2017 Performance-Based Restricted Shares) (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on April 13, 2017)
10.4	†	Form of Restricted Stock Award Agreement (Service-Based Restricted Shares) (incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed on April 13, 2017)
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, 2017 is formatted in XBRL interactive data files: (i) Condensed Consolidated Balance Sheets at June 30, 2017 and December 31, 2016; (ii) Condensed Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2017 and 2016; (iii) Condensed Consolidated Statements of Equity for the six months ended June 30, 2017 and 2016; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016; and (v) Notes to Condensed Consolidated Financial Statements.

† Denotes a management contract or compensatory arrangement

* Filed herewith

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 9, 2017	By:	/s/ Michelle D. Esterman
			Michelle D. Esterman
			Chief Financial Officer
			(On behalf of the Registrant and as its Principal Financial Officer)

« Altisource Portfolio Solutions S.A. »

Société anonyme

Grand-Duché de Luxembourg

R.C.S. Luxembourg: B 72 391

AMENDED AND RESTATED ARTICLES OF INCORPORATION

Chapter I. Form, Corporate Name, Registered Office, Object, Duration

Art. 1. Form, Corporate Name. There is established among the subscriber(s), and all those who may become owners of the shares of the company hereafter issued, a company in the form of a public limited liability company (*société anonyme*) (the "**Company**") which will be governed by the laws of the Grand-Duchy of Luxembourg, in particular the law of 10 August 1915 on commercial companies, as amended (the "**Law**"), Article 1832 of the Luxembourg Civil Code, as amended (the "**Civil Code**"), and by the present articles of incorporation (the "**Articles**").

The Company will exist under the name of "**Altisource Portfolio Solutions S.A.**"

Art. 2. Registered Office. The Company has its registered office in the city of Luxembourg. The Board of Directors (as defined in Article 11) is authorized to change the address of the Company's registered office within the Grand-Duchy of Luxembourg and amend these Articles accordingly.

Branches or other offices may be established either in the Grand-Duchy of Luxembourg or abroad by resolution of the Board of Directors. If the Board of Directors determines that extraordinary political, economic or social developments occur or are imminent that would interfere with the normal activities of the Company at its registered office or with the ease of communications with such office or between such office and persons abroad, it may temporarily transfer the registered office abroad, until the complete cessation of these abnormal circumstances. Such temporary measures will have no effect on the nationality of the Company, which, notwithstanding the temporary transfer of the registered office, will remain a company governed by the laws of the Grand-Duchy of Luxembourg. Such temporary measures will be taken and notified to any interested parties by one of the bodies or persons entrusted with the daily management of the Company.

Art. 3. Corporate Object. The object of the Company is the acquisition, the continuing management and the sale of participating interests, in any form whatsoever, in Luxembourg and in foreign undertakings, in particular in the areas of outsourcings, customer relationship management and technology services in the real estate, mortgage and consumer finance industries. The Company may also hold, manage and exploit intellectual property rights and render services to other group companies and third parties.

The Company may (i) invest in and acquire, dispose of, grant or retain, loans, bonds and other debt instruments, shares, warrants and other equity instruments or rights, including, but not limited to, shares of capital stock, limited partnership interests, limited liability company interests, notes, debentures, preferred stock, convertible securities and swaps, and any combination of the foregoing, in each case whether readily marketable or not, and obligations (including but not limited to synthetic securities obligations) in any type of company, entity or other legal person; (ii) engage in such other activities as the Company deems necessary, advisable, convenient, incidental to or not inconsistent with the foregoing; and (iii) grant pledges, guarantees and contracts of indemnity, of any kind, to Luxembourg or foreign entities in respect of its own or any other person's obligations and debts.

The Company may also acquire, hold, manage and sell any movable or immovable assets of any kind or form. In a general fashion the Company may carry out any commercial, industrial or financial operation which it may deem useful in the accomplishment and development of its object.

The Company may also provide any financial assistance to the undertakings in which the Company has a participating interest or which form a part of the group of companies to which the Company belongs, including, but not limited to, the granting of loans and the providing of guarantees or securities in any form. The Company may pledge, transfer, encumber or otherwise create security over some or all of its assets.

In addition, the Company may render on an occasional basis assistance in any form (including, but not limited to, advances, loans, credits, guarantees or grants of security) to third parties other than the group of companies to which the Company belongs, subject to the condition that such assistance falls within the Company's best interest and subject to the condition that such assistance would not trigger any license requirements on the part of the Company. The Company may participate in the creation, development, management and control of any companies or enterprises, either directly or indirectly, which have similar objects or whose objects are closely related to its own.

In a general fashion, the Company may carry out any commercial, industrial or financial operation and engage in such other activities as the Company deems necessary, advisable, convenient, incidental to, or not inconsistent with, the accomplishment and development of the foregoing.

Art. 4. Duration. The Company is formed for an unlimited duration.

Chapter II. Share Capital, Shares

Art. 5. Share Capital. The share capital of the Company is set at thirty million seven hundred eighty four thousand nine hundred and seven United States Dollars (USD 30,784,907.-), divided into thirty million seven hundred eighty four thousand nine hundred and seven (30,784,907) shares of the Company's common stock with a par value of one United States Dollar (USD 1.-) each. As used in the present Articles, "Shares" means shares of the Company's common stock with a par value of one United States Dollar (USD 1.-)

In addition to the share capital, share premium accounts into which any premium paid on any Share in addition to its par value may be transferred and capital contribution accounts (*compte 115, "Apport en capitaux propres non rémunéré par des titres*") may be established. The Board of Directors is authorized to allocate all or part of the share premium accounts and capital contribution accounts paid in on the Shares issued by the Company to one or both of the following from time to time as it deems appropriate:

- a distributable reserve to be used for distributions of any kind to be made by the Company;
- a special reserve as foreseen by Articles 49-5, 49-8 and 72-1 of the Law.

Art. 6. Authorized Share Capital. The authorized share capital is set at one hundred million United States Dollars (USD 100,000,000.-), divided into one hundred million (100,000,000) Shares with a par value of one United States Dollar (USD 1.-) each.

The Board of Directors is authorized, during a period ending five (5) years after the date of publication of this delegation of authority or the renewal of such delegation in the electronic gazette RESA (*Recueil Electronique des Sociétés et Associations*) to:

- Realize any increase of the issued share capital within the limits of the authorized share capital in one or several times, by the issuing of new Shares, grant of options, warrants or other similar instruments exercisable into Shares, rights to subscribe for

Shares against payment in cash or in kind; by conversion of claims; by the increase of the par value of existing Shares; or in any other manner to be decided by the Board of Directors up to an amount of one hundred million United States Dollars (USD 100,000,000.-).

- Determine the terms and conditions of any increase of the issued share capital, including, but not limited to, the place and date of the issue or the successive issues, the issue price, the amount of new Shares to be issued, whether the new Shares are to be issued and subscribed, with or without an issue premium and the terms and conditions of the subscription of and paying up of the new Shares (in cash or in kind or by incorporation of available reserves or funds available on the capital contribution account (*compte 115 "Apport en capitaux propres non rémunéré par des titres"*), share premium account or retained earnings). If the consideration payable to the Company for newly issued Shares exceeds the par value of those Shares, the excess is to be treated as share premium in respect of the Shares in the books of the Company.
- Limit or waive the preferential subscription right reserved to the then existing shareholder(s) in case of issue of Shares against payment in cash, by the issue of Shares up to an amount not to exceed the authorized share capital and by cancelling or limiting the existing shareholders' preferential right to subscribe to such Shares in relation to the employee share option scheme program of the Company.
- Do all things necessary to amend Articles 5 and 6 of the Articles in order to record the change of the issued share capital following any increase pursuant to the present Article. The Board of Directors is empowered to take or authorize the actions required for the execution and publication of such amendment in accordance with the Law. Furthermore, the Board of Directors may delegate to any duly authorized Director (as defined in Article 11) or officer of the Company, to an appointed committee thereof or to any other duly authorized person, the duties of accepting subscriptions and receiving payment for Shares or doing all things necessary to amend Articles 5 and 6 of the present Articles in order to record the change of share capital following any increase pursuant to the present Article.

After each increase of the issued share capital according to the above, the present Articles shall be amended to reflect such increase without requiring further approval from the Company's shareholders.

Art. 7. Shares. The Shares will take the form of registered shares. The shareholders shall not have the right to ask for the conversion of Shares into bearer shares.

A shareholders' register will be available for inspection by the Company’s shareholders at the Company’s registered office subject to the provisions of Article 39 of the Law and upon reasonable notice. Each shareholder shall have the right to consult the register during normal business hours in accordance with the provisions of the Law. Each shareholder will notify the Company of its address and any change thereto by registered letter. The Company will be entitled to rely on the last address thus communicated. Ownership of Shares will result from the recordings in said register.

Any person who is required to report ownership of Shares on Schedule 13D or 13G pursuant to Rule 13d-1 or changes in such ownership pursuant to Rule 13d-2, each as promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, must notify the Company's Board of Directors promptly following any reportable acquisition or disposition, and in no event later than the filing date of such Schedule 13D or 13G, of the proportion of Shares held by the relevant person as a result of the acquisition or disposal.

Any transfer of Shares shall be recorded in the share register in accordance with applicable law. The Board of Directors may delegate its powers with respect to the recording of such transfers in the share register.

Each Share is indivisible. In case of holding of a Share by more than one person, the Company has the right to suspend the rights attaching thereto (except for the information rights provided for by Article 73 of the Law) until one sole person has been designated as being the holder thereof towards the Company.

Where Shares are recorded in the register of shareholders on behalf of one or more persons in the name of a securities settlement system or the operator of such a system or in the name of a professional depository of securities or any other depository (such systems, professionals or other depositories being referred to hereinafter as "**Depositories**" and each a "**Depository**") or of a sub-depository designated by one or more Depositories (the "**Indirect Holders**"), the Company, subject to its having received from the Depository with which those Shares are kept in account a certificate in proper form, will permit the Indirect Holders to exercise the rights attaching to those Shares, including admission to and voting at shareholders' meetings, and shall consider those persons to be the shareholders for the purposes of Article 9. The Board of Directors may determine the formal requirements with which such certificates must comply.

Notwithstanding the foregoing, the Company will make payments, by way of dividends or otherwise, in cash, Shares or other assets only into the hands of the Depository or sub-depository recorded in the share register of the Company or in accordance with their instructions, and that payment shall release the Company from any and all obligations for such payment.

Art. 8. Payment of Shares. Payments on Shares not fully paid up at the time of subscription may be made at the time and upon conditions which the Board of Directors shall from time to time determine subject to the Law. Any amount called up on Shares will be charged equally on all outstanding Shares which are not fully paid up.

Art. 9. Increase and Reduction of the Share Capital. The issued share capital and the authorized share capital of the Company may be increased or reduced once or several times by a resolution of the general meeting of shareholders voting with the quorum and majority rules set out under these Articles or, as the case may be, by the Law for any amendment of these Articles. Unless issued pursuant to a decision of the Board of Directors or any duly authorized representative thereof, further to the powers granted to the Board of Directors, under Articles 5 and 6, the new Shares to be subscribed for by contribution in cash will be offered in preference to the existing shareholders in proportion to the part of the share capital held by these shareholders. The Board of Directors shall determine the period within which the preferred subscription right may be exercised. This period may not be less than thirty (30) days.

Notwithstanding the above, the general meeting, voting with the quorum and majority rules required for any amendment of the Articles, may limit or withdraw the preferential subscription right or authorize the Board of Directors to do so in the case of an increase of share capital within the authorized share capital.

The preferred subscription right may also be waived individually by the shareholders, or by the general meeting, voting with the same conditions of quorum and majority as for amendments of the Articles and provided that the suppression of the preferred subscription right is specifically referred to in the shareholders’ notice to attend.

The preferred subscription right is not applicable when the share capital is increased by means of contributions in kind.

Art. 10. Acquisition or Redemption of Own Shares. The Company may acquire or redeem its own Shares in accordance with the provisions of the Law. It may hold the Shares so acquired or redeemed. As used in this Article 10, “Own Shares” means Shares acquired or redeemed and held by the Company.

The voting rights of Own Shares are suspended and are not taken into account in the determination of the quorum and majority for shareholders' meetings. The Board of Directors is authorized to suspend the dividend rights attached to Own Shares. In such case, the Board of Directors may freely decide on the distributable profits in accordance with Article 49-5 of the Law.

Chapter III. Directors, Board of Directors, Statutory Auditors

Art. 11. Board of Directors. The Company is managed by a board of directors (the "**Board of Directors**") composed of at least three (3) and of maximum seven (7) members (each a “**Director**”) who need not be shareholders.

The Director(s) shall be appointed by the general meeting of shareholders. The general meeting of shareholders will determine their number and the duration of their mandate for a term not exceeding six (6) years, and they will hold office until their successors are elected. Director(s) may be re-elected for successive terms, and may be removed at any time, with or without cause, by a resolution of the general meeting of shareholders.

If a corporate entity is appointed as Director, it shall designate a natural person as its permanent representative, who will represent the corporate entity as a member of the Board of Directors, in accordance with Article 5bis of the Law. In the event of a vacancy on the Board of Directors, if applicable, the remaining Director(s) may meet and may elect a director to fill such vacancy on a provisional basis until the next meeting of shareholders.

Art. 12. Meetings of the Board of Directors. The Board of Directors will appoint from among its members a chairman (the "**Chairman**"). It may also appoint a corporate secretary, who need not be a Director and who will be responsible for keeping the minutes of the meetings of the Board of Directors and of the shareholder(s) (the "**Secretary**"). If the Secretary is not a Director, such person shall observe the confidentiality provisions as set forth in Article 15 under the responsibility of the Board of Directors.

The Board of Directors will meet upon call by the Chairman. A meeting of the Board of Directors must be convened if any two Directors so require.

The Chairman will preside at all meetings of the Board of Directors and of the shareholders, except that in his or her absence the Board of Directors may appoint another

Director and the general meeting of shareholders may appoint any other person as chairman pro tempore by vote of the majority present or represented at such meeting.

Except in cases of urgency or with the prior consent of all those entitled to attend, at least twenty-four (24) hours written notice of board meetings shall be given. Any such notice shall specify the place, the date and time of the meeting as well as the agenda and the nature of the business to be transacted.

The notice may be waived by unanimous written consent given at the meeting by all Directors. No separate notice is required for meetings held at times and places specified in a schedule previously adopted by resolution of the Board of Directors.

Meetings of the Board of Directors shall be held in the location indicated in the notice of meeting.

Any Director may act at any meeting of the Board of Directors by appointing in writing another Director as his or her proxy.

A quorum of the Board of Directors or any of its Committees (as defined in Article 16) shall mean the presence or the representation of at least fifty percent (50%) of the Directors or Committee members, as applicable, holding office (provided that the presence or the representation of at least two (2) members of the Board of Directors or Committee, as applicable, shall be required).

Decisions will be taken by a majority of the votes of the Directors present or represented at such meeting. In case of a voting tie, the Chairman shall have the deciding vote.

One or more Directors may participate in a meeting by means of a conference call, by videoconference or by any similar means of communication enabling several persons participating therein to simultaneously communicate with each other. Such meetings shall be considered equivalent to a meeting held at the registered office of the Company.

Where time is of the essence, a written decision passed by circular means and expressed by cable, facsimile or any other similar means of communication, signed by all the Directors, is proper and valid as though it had been adopted at a meeting of the Board of Directors which was duly convened and held. Such a decision can be documented in a single document or in several separate documents having the same content and each of them signed by one or several Directors.

The Directors assume, pursuant to their mandate, no personal liability for any commitment validly made by them in the name of the Company.

Art. 13. Minutes of Meetings of the Board of Directors. The minutes of any meeting of the Board of Directors shall be signed by all Directors present and able to vote at the meeting. Any proxies will remain attached thereto.

Copies or extracts thereof shall be certified by the Secretary appointed by the Board of Directors.

Art. 14. General Powers of the Board of Directors. The Board of Directors is vested with the broadest powers to act on behalf of the Company and to perform or authorize all acts of an administrative or disposal nature that are necessary or useful for accomplishing the Company's object. All powers not expressly reserved by the Law or by these Articles to the general meeting of shareholders fall within the competence of the Board of Directors.

The Board of Directors may freely decide to reimburse any share premium account or any available reserves or funds available on the capital contribution account (*compte 115, "Apport en capitaux propres non rémunéré par des titres*") of the Company to its shareholders, in accordance with the provisions of the Law.

Art. 15. Confidentiality. Even after the end of their term of office, the Directors shall not disclose information about the Company which could be detrimental to the Company's interests, except when disclosure is required by law, in accordance with and subject to the provisions of Article 66 of the Law.

Art. 16. Committees, Delegation of Powers. The Board of Directors may appoint committees, including, but not limited to, an Executive Committee, an Audit Committee, a Nomination and Governance Committee, a Compliance Committee and a Compensation Committee (each a "Committee" and collectively, the "Committees"). The Board of Directors will determine each such committee's composition and purpose in accordance with applicable law, rules and regulations.

The Board of Directors may delegate its powers to conduct the daily management and affairs of the Company and the representation of the Company for such daily management and affairs to any member or members of the Board of Directors, managers or other officers who need not be shareholders of the Company, including under the form of an Executive Committee, under such terms and with such powers as the Board of Directors shall determine.

The Board of Directors may also delegate its powers to conduct daily management to a management committee or a management director (*directeur général)* in accordance with and subject to the provisions of Article 60-1 of the Law. The Board of Directors is authorized to determine the conditions of their appointment, removal, remuneration (if any), duration of mandate and decision-making process. The Board of Directors shall supervise the management committee, if any, and the management director, if any. The members of the management committee and management director, if any, shall comply with the conflicts of interest procedure provided for by Article 60-2 of the Law as well as with the confidentiality obligations provided for by Article 66 of the Law.

The Board of Directors may also confer certain special powers and duties to any member(s) of the Board of Directors or any other person(s), who need not be a Director or shareholder of the Company, acting alone or jointly, under such terms as the Board shall determine.

If the Board of Directors delegates its powers to conduct daily management as permitted by these Articles, then the Board of Directors must report each year to the annual general meeting on the salary, fees and any advantages granted to the delegate(s).

Art. 17. Representation of the Company. The Company will be bound towards third parties by:

- The joint signature of any two Directors;
- The individual signature of the member(s) of a management committee, if such committee has been formed by the Board of Directors; and
- The signature of a management director, if one has been appointed by the Board of Directors;
- The individual signature of any other person to whom the Board has delegated the daily management of the Company in accordance with this Article, and then only within the scope of the daily management.
- The individual signature of any person(s) to whom signing authority has been delegated by the Board of Directors;

Art. 18. Conflict of Interests. No contract or other transaction between the Company and any other company or firm shall be affected or invalidated by the fact that any one or more of the Directors or officers of the Company have a personal interest in, or are a director, associate, member, officer or employee of such other company or firm. Except as otherwise provided for hereafter, any Director or officer of the Company who serves as a director, associate, member, officer or employee of any company or firm with which the Company shall contract or otherwise engage in business shall not, by reason of such affiliation with such other company or firm, be automatically prevented from considering and voting or acting upon any matters with respect to such contract or other business.

Notwithstanding the above, in the event that any Director or officer of the Company has any personal interest in any transaction of the Company, other than transactions concluded under normal conditions and falling within the scope of the day-to-day management of the Company, he or she shall make known to the Board of Directors (if any) such personal interest and shall not consider or vote on any such transaction, and such transaction and such Director's or officer's interest therein shall be reported to the next general meeting of shareholders.

The Company shall indemnify (or as the case may be advance to) any Director or officer, and his or her heirs, executors and administrators, against expenses and costs (including reasonable lawyers' fees) reasonably incurred by him in connection with any action, suit or proceeding to which he or she may be made a party by reason of his or her being or having been a director or officer of the Company, or, at the request of the Company, of any other company of which the Company is a shareholder or creditor and by which he is not entitled to be indemnified, except in relation to matters as to which he or she shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or wilful misconduct; in the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Company is advised by its legal counsel that the person to be indemnified did not commit such a breach of duty. The foregoing right of indemnification shall not exclude other rights to which he or she may be entitled.

Art. 19. Auditors. The Company’s operations will be overseen by one or more supervisory auditors (*commissaire(s) aux comptes*) and, to the extent required by applicable law, rules and regulations, by one or more independent statutory auditors (*réviseur(s) d'entreprises*).

The auditors will be elected by the general meeting of shareholders by a simple majority of votes present or represented at the meeting, which will determine their number, for a period not exceeding six years. They will hold office until their successors are elected. They shall be eligible for re-election, but they may be removed at any time, with or without cause, by a resolution adopted by a simple majority of votes present or represented at the meeting.

Chapter IV. Meetings of Shareholders

Art. 20. Annual General Meeting. The annual general meeting will be held in accordance with provisions of Article 70 of the Law at the registered office of the Company or at such other place as may be specified in the convening notice and at such time as specified in the convening notice of the meeting.

If such day is a public holiday, the meeting will be held on the next following business day.

Art. 21. Other General Meetings of Shareholders. The Board of Directors may convene other general meetings. Such meetings must be convened if shareholders representing at least ten percent (10%) of the Company's share capital so require in writing with an indication of the agenda of the upcoming meeting. If the general meeting is not held within one month of the scheduled date, it may be convened by an agent designated by the presiding judge of the Tribunal d'Arrondissement dealing with commercial matters and hearing interim relief matters, upon the request of one or more shareholders representing the ten percent (10%) threshold. General meetings of shareholders, including the annual general meeting, may be held abroad if, in the discretion of the Board of Directors, circumstances of force majeure so require.

Art. 22. Powers of the Meeting of Shareholders. Any regularly constituted general meeting of shareholders of the Company represents the entire body of shareholders.

Subject to all the other powers reserved to the Board of Directors or by the Law or the Articles, the general meeting of shareholders has the broadest powers to adopt, carry out or ratify any act relating to the operations of the Company.

The shareholders shall neither participate in nor interfere with the management of the Company.

In accordance with the provisions of Article 67 (8), paragraph 1 of the Law, the Board of Directors shall be authorized to suspend the voting rights of the shareholders who fail to comply with their obligations under these Articles or the provisions of any agreement which may be entered into among the shareholders from time to time.

Art. 23. Procedure, Vote. The general meeting of shareholders will meet upon call by the Board of Directors or the auditor(s) made in compliance with Luxembourg law and the present Articles.

The record date for general meetings shall be set by the Board of Directors before the date of the general meeting (the "**Record Date**").

Shareholders shall notify the Company of their intention to participate in the general meeting in writing by post or electronic means at the postal or electronic address indicated in the convening notice, no later than the day determined by the Board of Directors, which may not be earlier than the Record Date, indicated in the convening notice.

The documents required to be submitted to the shareholders in connection with the general meeting shall be posted on the Company's corporate website or available for inspection at the Company’s registered offices, as may be required by applicable law.

The convening notice sent to the shareholders in accordance with the Law will specify the time and place of the meeting as well as the agenda and the nature of the business to be transacted.

A shareholder may act at any meeting of shareholders by appointing in writing, whether in original or by electronic means (valid under Luxembourg law), as his or her proxy another person who need not be a shareholder and by notifying such appointment by post or by electronic means at the postal or electronic address indicated in the convening notice.

The Board of Directors may determine all other conditions that must be fulfilled in order to take part in a general meeting of shareholders.

Except as otherwise required by the Law or by the present Articles, all other resolutions will be taken by a simple majority of votes irrespective of the number of Shares present or represented at the meeting.

When organizing a general meeting, the Board of Directors may in its sole discretion allow the following forms of participation by electronic means: (i) real time transmission of the general meeting; (ii) real time two-way communication enabling shareholders to address the general meeting from a remote location; or (iii) a mechanism for casting votes, whether before or during the general meeting, without the need to appoint a proxyholder physically present at the meeting.

The Board of Directors may also determine that shareholders may vote from a remote location by correspondence, by completing a voting form provided by the Company which includes the following information:

- The name, address and any other pertinent information concerning the shareholder.
- The number of votes the shareholder wishes to cast, the direction of his or her votes, or his or her abstention.
- The agenda of the meeting including the draft of resolutions.

- The option to vote by proxy for any new resolution or any modification of the resolutions properly submitted to the general meeting between the date the shareholder submits his or her form through the meeting date.
- The signature of the shareholder.

A shareholder using a voting form and who is not directly recorded in the register of shareholders must annex to the voting form a confirmation of his or her shareholding as of the Record Date as provided in these Articles. Once submitted to the Company, voting forms can neither be retrieved nor cancelled, except that if a shareholder has included a proxy to vote in the circumstances contemplated in the fourth bullet point above, then the shareholder may cancel such proxy or give new voting instructions with regard to the relevant items by written notice as described in the convening notice, before the date specified in the voting form.

Any shareholder who participates in a general meeting of the Company by the forgoing means shall be deemed to be present, shall be counted when determining a quorum and shall be entitled to vote on all agenda items of the general meeting.

The Board of Directors may adopt any regulations and rules concerning the participation of shareholders at general meetings in accordance with the Law, including with respect to ensuring the identification of shareholders and proxyholders and the safety of electronic communications.

Any resolution whose purpose is to amend the present Articles, to change the nationality or whose adoption is subject by virtue of these Articles or, as the case may be, the Law to the quorum and majority rules set for the amendment of the Articles will be taken by two-thirds of shareholders representing at least half of the issued share capital of the Company.

The commitments of the shareholders may be increased only with the unanimous consent of the shareholders.

Shareholders representing at least ten percent (10%) of the Company's share capital may request in writing that additional items be included on the agenda of any general meeting. Such request shall be addressed to the registered office of the Company by registered letter at least five (5) days before the date on which the general meeting shall be held.

If all the shareholders are present or represented at a general meeting of shareholders and if they state that they have been informed of the agenda of the meeting, the meeting may be held without prior notice. One vote is attached to each Share.

Copies or extracts of the minutes of the resolutions passed by the general meeting of shareholders shall be certified by the Chairman or by the Secretary.

Chapter V. Financial Year, Distribution of Profits

Art. 24. Financial Year. The Company's financial year begins on the first day of the month of January and ends on the last day of the month of December every year.

Art. 25. Adoption of Financial Statements. At the end of each financial year, the accounts are closed and the Board of Directors draws up an inventory of assets and liabilities, the balance sheet and the profit and loss account, in accordance with the Law.

The balance sheet and the profit and loss account are submitted to the general meeting of shareholders for approval.

Art. 26. Appropriation of Profits. From the annual net profits of the Company, five percent (5%) shall be allocated to the reserve required by the Law. That allocation will cease to be required as soon and as long as such reserve amounts to ten percent (10%) of the issued share capital of the Company.

Upon recommendation of the Board of Directors, the general meeting of shareholders shall determine how the remainder of the annual net profits will be disposed. It may decide to allocate the whole or part of the remainder to a reserve or to a provision reserve, to carry it forward to the next following financial year or to distribute it to the shareholder(s) as dividends.

Subject to the conditions fixed by the Law and these Articles, the Board of Directors may pay interim dividends. The Board of Directors fixes the amount and the date of payment of any such interim dividends. Any share premium, assimilated premiums and other distributable reserves may be freely distributed to the shareholders (also via an interim dividend) by a resolution of the shareholders or the Board of Directors, subject to the provisions of the Law and these Articles.

Chapter VI. Dissolution, Liquidation of the Company

Art. 27. Dissolution, Liquidation. Upon the affirmative proposal of the Board of Directors, the Company may be dissolved by a decision of the general meeting of shareholders voting with the same quorum and majority as for the amendment of these Articles, unless otherwise provided by the Law.

Should the Company be dissolved, the liquidation will be carried out by one or more liquidators (who may be physical persons or legal entities) appointed by the general meeting of shareholders, which will determine their powers and their compensation.

After payment of all the debts of and charges against the Company and of the expenses of liquidation, the net assets shall be distributed equally to the shareholders pro rata to the number of the Shares held by them.

Application for dissolution of the Company for just cause may however be made to the court. Except in the case of dissolution by court order, dissolution of the Company may take place only pursuant to a resolution adopted by the shareholders' meeting in accordance with Articles 22 and 23.

Chapter VII. Applicable Law

Art. 28. Applicable Law. All matters not governed by these Articles shall be determined in accordance with applicable Luxembourg Law.

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, 2017 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 9, 2017

By: /s/ William B. Shepro
William B. Shepro
Director 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, 2017 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 9, 2017

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, 2017

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, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), William B. Shepro, as 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	By:	/s/ Michelle D. Esterman
	William B. Shepro		Michelle D. Esterman
	Director and Chief Executive Officer		Chief Financial Officer
	(Principal Executive Officer)		(Principal Financial Officer and Principal Accounting Officer)
	August 9, 2017		August 9, 2017