

## Press Release

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### **NYDFS ANNOUNCES OCWEN CHAIRMAN TO RESIGN FROM FIRM AND RELATED COMPANIES; OCWEN TO PROVIDE DIRECT HOMEOWNER RELIEF AND UNDERTAKE SIGNIFICANT OPERATIONAL REFORMS**

#### **\$150 Million in 'Hard-dollar' Assistance to New Yorkers**

#### **NYDFS Will Have Independent Monitor at Ocwen for up to Additional Three Years**

Benjamin M. Lawskey, Superintendent of Financial Services, announced today that — to address serious conflict of interest issues uncovered during a New York State Department of Financial Services (NYDFS) investigation — William C. Erbey will step down from his position as Executive Chairman of Ocwen Financial Corporation (OCN) and from his positions as Chairman of the Board of Directors of each of four related companies: Altisource Portfolio Solutions S.A. (ASPS), Altisource Residential Corporation (RESI), Altisource Asset Management Corporation (AAMC), and Home Loan Servicing Solutions, Ltd. (HLSS). As of these resignations, Mr. Erbey will have no directorial, management, oversight, consulting, or any other role at Ocwen or any related party, or at any of Ocwen's or the related parties' affiliates or subsidiaries.

Additionally, Ocwen — the fourth-largest mortgage servicer in the country and largest subprime mortgage servicer in the United States — will undertake significant operational reforms to address serious servicing misconduct and conflict of interest issues at the company; have an NYDFS-selected, independent monitor on site for up to an additional three years; and provide "hard-dollar" assistance to New Yorkers totaling \$150 million.

Superintendent Lawskey said: "Today's agreement will deliver significant assistance to Ocwen homeowners in New York and provide a new path for the company to clean up its operations. We will continue to closely monitor Ocwen to ensure that it lives up to its obligations under this agreement, and treats struggling homeowners with the respect and dignity they deserve."

That \$150 million in hard-dollar assistance Ocwen will pay includes:

- \$50 million in direct, hard-dollar restitution payments to former and current Ocwen homeowners in New York. Ocwen homeowners in New York who lost their homes to foreclosure will receive a payment of \$10,000 each. After the payments are made to foreclosed homeowners, the balance of the funds will be distributed equally to current and former Ocwen homeowners (up to \$1,000 each) who have had foreclosure proceedings initiated against them but have not yet lost their homes to foreclosure, and those current Ocwen homeowners will also have the opportunity to be reviewed for a mortgage modification or other alternative to foreclosure.
- \$100 million for housing, foreclosure relief, and community redevelopment programs supporting New York's housing recovery.

Ocwen may not use so-called "soft-dollar" mortgage modifications of loans it does not own to satisfy any of this \$150 million penalty. As a servicer, Ocwen is already under a legal obligation to make such modifications if they are in the best interest of homeowners and investors. As such, soft dollar settlements do not represent either a punitive penalty to Ocwen for its misconduct or provide significant additional relief to consumers. Moreover, Ocwen shall not seek or accept,

directly or indirectly, reimbursement or indemnification with regard to any or all of the amounts payable under today's agreement; nor will it claim a U.S. tax deduction or tax credit for those payments.

Ocwen will continue to not be permitted to acquire additional mortgage servicing rights (MSRs). Ocwen may not begin to acquire additional MSRs until and unless it receives prior approval from NYDFS, and meets benchmarks developed by the independent monitor concerning the adequacy of Ocwen's onboarding process for newly acquired MSRs and its ability to adequately service both those newly acquired MSRs and its existing loan portfolio.

### **NYDFS' Investigation of Ocwen's Misconduct**

Ocwen is currently the fourth largest mortgage loan servicer and the largest servicer of subprime loans in the United States, servicing an unpaid principal balance ("UPB") of approximately \$430 billion.

Ocwen has grown more than ten-fold in the last several years. Beginning in 2009, Ocwen significantly expanded its servicing operations through the acquisition of several major servicers of home loans, as well as the acquisition of mortgage servicing rights (MSRs) for hundreds of billions of dollars in UPB.

In 2010 and 2011, NYDFS participated in a multistate examination of Ocwen, as well as entities ultimately acquired by Ocwen. The examination of Ocwen identified, among other things, deficiencies in Ocwen's servicing platform and loss mitigation infrastructure, including (a) robo-signing, (b) inaccurate affidavits and failure to properly validate document execution processes, (c) missing documentation, (d) wrongful foreclosure, (e) failure to properly maintain books and records, and (f) initiation of foreclosure actions without proper legal standing.

Accordingly, Ocwen and NYDFS entered into an Agreement on Mortgage Servicing Practices on September 1, 2011. In June 2012, the Department conducted a surprise examination of Ocwen to assess its compliance with the 2011 Agreement, and uncovered significant violations. Consequently, on December 5, 2012, Ocwen entered into a Consent Order with NYDFS, which required Ocwen to retain an independent compliance monitor for two years.

During the course of the Monitor's review, it identified numerous and significant additional violations of the 2011 Agreement, as well as New York State laws and regulations. For example, a limited review by the Monitor of 478 New York loans that Ocwen had foreclosed upon revealed 1,358 violations of Ocwen's legal obligations, or about three violations per foreclosed loan. These violations included:

- failing to confirm that it had the right to foreclose before initiating foreclosure proceedings;
- failing to ensure that its statements to the court in foreclosure proceedings were correct;
- pursuing foreclosure even while modification applications were pending ("dual tracking");
- failing to maintain records confirming that it is not pursuing foreclosure of servicemembers on active duty; and failing to assign a designated customer care representative.

The Department and the Monitor also identified, among other issues, (a) inadequate and ineffective information technology systems and personnel, and (b) widespread conflicts of interest with related parties.

In the course of its review, the Monitor determined that Ocwen's information technology systems are a patchwork of legacy systems and systems inherited from acquired companies, many of

which are incompatible. A frequent occurrence is that a fix to one system creates unintended consequences in other systems. As a result, Ocwen regularly gives borrowers incorrect or outdated information, sends borrowers backdated letters, unreliably tracks data for investors, and maintains inaccurate records.

Ocwen's core servicing functions rely on its inadequate systems. Specifically, Ocwen uses comment codes entered either manually or automatically to service its portfolio; each code initiates a process, such as sending a delinquency letter to a borrower, or referring a loan to foreclosure counsel. With Ocwen's rapid growth and acquisitions of other servicers, the number of Ocwen's comment codes has ballooned to more than 8,400 such codes. Often, due to insufficient integration following acquisitions of other servicers, there are duplicate codes that perform the same function.

Despite these issues, Ocwen continues to rely on those systems to service its portfolio of distressed loans. Ocwen's reliance on technology has led it to employ fewer trained personnel than its competitors. For example, Ocwen's Chief Financial Officer recently acknowledged, in reference to its offshore customer care personnel, that Ocwen is simply "training people to read the scripts and the dialogue engines with feeling." Ocwen's policy is to require customer support staff to follow the scripts closely, and Ocwen penalizes and has terminated customer support staff who fail to follow the scripts that appear on their computer screens. In some cases, this policy has frustrated struggling borrowers who have complex issues that exceed the bounds of a script and have issues speaking with representatives at Ocwen capable of addressing their concerns. Moreover, Ocwen's customer care representatives in many cases provide conflicting responses to a borrower's question. Representatives have also failed in many cases to record in Ocwen's servicing system the nature of the concerns that a borrower has expressed, leading to inaccurate records of the issues raised by the borrower.

The Department's review of Ocwen's mortgage servicing practices also uncovered a number of conflicts of interest between Ocwen and four other public companies (the aforementioned "related companies"), all of which are chaired by Mr. Erbey, who is also the largest individual shareholder of each and the Executive Chairman of Ocwen.

Despite Mr. Erbey's holdings in these companies, Mr. Erbey has not in fact recused himself from approvals of several transactions with the related parties. Mr. Erbey, who owns approximately 15 percent of Ocwen's stock, and nearly double that percentage of the stock of Altisource Portfolio, has participated in the approval of a number of transactions between the two companies or from which Altisource received some benefit, including the renewal of Ocwen's forced placed insurance program in early 2014.

Ocwen's close business relationship with related companies is particularly evident in its relationship with Altisource Portfolio, which has dozens of subsidiaries that perform fee-based services for Ocwen. In one example, Altisource Portfolio subsidiary Hubzu, an online auction site, hosts nearly all Ocwen auctions. In certain circumstances, Hubzu has charged more for its services to Ocwen than to other customers — charges which are then passed on to borrowers and investors. Moreover, Ocwen engages Altisource Portfolio subsidiary REALHome Services and Solutions, Inc. as its default real estate agency for short sales and investor-owned properties, even though this agency principally employs out-of-state agents who do not perform the onsite work that local agents perform, at the same cost to borrowers and investors.

Conflicts of interest are also evident at other levels of the Ocwen organization. For example, during its review, the Monitor discovered that Ocwen's Chief Risk Officer concurrently served as the Chief Risk Officer of Altisource Portfolio. The Chief Risk Officer reported directly to Mr. Erbey in both capacities. This individual seemed not to appreciate the potential conflicts of interest posed by this dual role, which was of particular concern given his role as Chief Risk Officer.

## **Homeowner Relief**

In addition to the direct payments to Ocwen homeowners in New York, the company will also provide the following relief:

- Ocwen will provide upon request by a New York borrower that borrower's complete loan file, which includes all information from all systems, including comment codes, at no cost to the borrower, regardless of whether such borrower's loan is still serviced by Ocwen.
- Ocwen will provide every New York borrower who is denied a modification, short sale, or deed-in-lieu of foreclosure, a detailed explanation of the reasons for denial.
- For all New York borrowers who have been reported negatively by Ocwen to credit agencies since January 1, 2010, Ocwen will provide upon request at no cost a copy of such borrower's credit report (including credit scores), regardless of whether such borrower's loan is still serviced by Ocwen.
- Nothing in today's agreement shall excuse Ocwen from paying additional required restitution to any borrowers harmed by its improper or illegal conduct, including the backdating of letters to borrowers.

## **Additional Board Members, Monitor, and Significant Operational Reforms**

Under today's agreement, to help address conflict of interest issues, Ocwen will expand its Board of Directors by two independent board members in consultation with the Monitor. These additional directors will not own equity in any related party company. Moreover, Ocwen's Board will contain no more than two executive directors at any time.

The Monitor will also review the adequacy and effectiveness of Ocwen's operations, and assess Ocwen's progress in complying with recommended corrective measures. Such an assessment will include but is not limited to the following areas:

- Information technology systems and personnel, including with respect to record keeping and borrower communications;
- Number of personnel and the training and expertise of its personnel in all servicing operations;
- Onboarding process for newly acquired mortgage servicing rights, including Ocwen's ability to onboard newly acquired MSR's without interruption to servicing newly acquired loans or its existing loan portfolio;
- Controls in identifying and correcting errors made by Ocwen's personnel or systems;
- Risk management functions;
- Contracts or proposed contracts with third parties, including but not limited to related parties;
- Fees charged by Ocwen to borrowers or mortgage investors; and
- The Ocwen borrower experience.

The Monitor will review and assess Ocwen's current committees of the Board of Directors. The Ocwen Board will consult with the Monitor concerning, among other things, the structure, composition, and reporting lines of such committees, and whether certain committees should be either disbanded or created. The Board will consult with the Monitor to determine which decisions should be committed to the specific oversight of the Board's independent directors, or a committee comprised of such independent directors, including, but not limited to:

- Approval of transactions with related parties;
- Approval of transactions to acquire mortgage servicing rights, sub-servicing rights, or otherwise to increase the number of loans serviced by Ocwen;

- Approval of new relationships with third-party vendors;
- Determinations as to whether Ocwen's servicing, compliance, and information technology functions are adequately staffed;
- Determinations as to whether Ocwen's servicing, compliance, and information technology personnel are adequately trained;
- Determinations as to whether Ocwen's information technology infrastructure and ongoing investment in information technology systems are adequate;
- Determinations as to whether Ocwen is adequately addressing the issues identified by the Operations Monitor and the Compliance Monitor; and
- Determinations as to whether Ocwen is treating borrowers fairly and is communicating with borrowers appropriately.

The Monitor will semi-annually review and approve Ocwen's benchmark pricing and performance studies with respect to all fees or expenses charged to New York borrowers by any related party.

The Board will also consult with the Monitor to determine whether any additional members of senior management should be terminated or whether additional officers should be retained to achieve the goals of complying with today's agreement — and all other applicable laws, regulations, and agreements — as well as creating a corporate culture of ethics, integrity, compliance, and responsiveness to borrowers.

To view a copy of today's consent order between NYDFS and Ocwen, please visit, [link](#).

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