

## Prepared Remarks of CFPB Director Richard Cordray on the Ocwen Enforcement Action Press Call

Washington, D.C.

By [Richard Cordray](#) - APR 20, 2017

Today the Consumer Financial Protection Bureau is filing a lawsuit against Ocwen, one of the nation's largest nonbank mortgage servicers. We are seeking relief to compensate consumers for years of systemic and significant errors throughout the mortgage servicing process, which cost some of them their homes. We allege that Ocwen calculated loan balances improperly, misapplied borrower payments, and botched escrow and insurance payments. We believe Ocwen failed to properly investigate and fix these problems when people formally complained, and it illegally foreclosed on borrowers. And we believe Ocwen compounded these failures by selling the servicing rights to these loans without fully disclosing or correcting errors in people's records. We are filing this case at the same time that the Florida Attorney General is filing a similar lawsuit and many state regulators are independently filing cease-and-desist orders over their concerns about Ocwen's business practices.

The mortgage market is the largest consumer financial market in the United States, worth some \$10 trillion in mortgage loans owed by consumers. Mortgage servicers are responsible for managing these loans, and thus play a central role in the lives of homeowners. They are the link between the mortgage borrower and the mortgage owner. They collect and apply payments. They work out modifications of loan terms. And they handle or oversee the often painful process of foreclosure. Notably, consumers are stuck with their mortgage servicer, regardless of how they are treated. In this market, consumers cannot choose simply to take their business elsewhere.

Ocwen is based in West Palm Beach, Florida, and it services almost 1.4 million loans across all 50 states and the District of Columbia. Ocwen specializes in servicing subprime or delinquent loans, and it uses loss mitigation or foreclosure processes to resolve troubled loans.

The Consumer Bureau is authorized by law to protect consumers from unfair, deceptive, or abusive acts or practices by mortgage servicers of all kinds. In addition, to address widespread problems in this industry, the Bureau adopted common-sense rules for the mortgage servicing market that first took effect in January 2014. The rules include strong protections for struggling homeowners, including those facing foreclosure, and are meant to stop problems like those found here. The Consumer Bureau has uncovered substantial evidence that Ocwen engaged in unfair and deceptive practices and also committed numerous violations of the Bureau rules. We allege that these violations of the law were significant and systemic, and that they harmed thousands of consumers.

Ocwen uses a proprietary system called REALServicing to process and apply payments, communicate payment information, and maintain loan balance information. But we believe Ocwen has often loaded inaccurate and incomplete data into this system. Even when the data was correct, we believe that REALServicing has spit out wrong information about borrowers' loans due to system failures and flawed programming, and the system has frequently crashed.

As we state in our complaint, in 2014, Ocwen's own officials reported that some 17,000 work hours were lost because the loss mitigation component of this system was down. This prompted an Ocwen official to note: "It is clear by the issues over the past three months that there are not any controls on data and system quality." Ocwen's head of servicing called the system "ridiculous" and a "train wreck." Because of these problems, Ocwen has used

workarounds involving manual entry of large amounts of data, which we believe have produced more errors.

Yet Ocwen relies on the inaccurate and incomplete information from REALServicing to manage borrowers' loans. Among the infractions we allege in our complaint, Ocwen failed to credit payments made by borrowers and botched basic tasks related to managing escrow accounts. It also enrolled some borrowers in add-on products they did not request and did not want, then charged them anyway. It bungled payment of people's hazard insurance, pushing some into force-placed insurance. And it mishandled borrowers' private mortgage insurance, overcharging them in the process. Further, it has failed to properly handle communications with the heirs of troubled properties, such as widows or children trying to prevent foreclosure on a deceased relative's home. When borrowers made formal complaints, we believe Ocwen's investigations and responses were inadequate.

Ocwen has long touted its ability to help struggling borrowers avoid foreclosure. But according to our complaint, Ocwen failed to give borrowers accurate information and foreclosure protections as required by law. As a result of these and other failures, we allege that Ocwen illegally initiated foreclosure proceedings and wrongfully conducted foreclosure sales, at times before even completing a review of borrowers' applications for help in saving their homes. We further assert that even when some borrowers were meeting their obligations under a loan modification agreement, such as making trial payments, Ocwen unilaterally broke the agreements and filed foreclosures on their homes.

Ocwen was already subject to a 2013 consent order requiring it to fix its mortgage servicing violations. In that action, the CFPB and state authorities ordered Ocwen to provide significant relief for homeowners. But now, more than three years later, we have found and we allege that Ocwen is still failing to comply with the law.

In today's action, the CFPB is asking the court to order Ocwen to follow mortgage servicing law, grant consumers monetary relief, and impose penalties. By bringing this lawsuit, we are seeking to enforce the law and make sure all mortgage servicers recognize that they must treat consumers fairly and with the respect and dignity they deserve.

I want to thank all of our state partners for their roles in today's actions, and we are cooperating closely to address these issues. We aim to bring relief to those who fell prey to Ocwen's illegal practices, and we share the goal of protecting consumers and improving the mortgage servicing industry for all responsible homeowners.

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*The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit [consumerfinance.gov](https://consumerfinance.gov).*

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