

CFPB, State Authorities Order Ocwen to Provide \$2 Billion in Relief to Homeowners for Servicing Wrongs

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Largest Nonbank Servicer Will Also Refund \$125 Million to Foreclosure Victims and Adhere to Significant New Homeowner Protections

WASHINGTON, D.C. — Today, the Consumer Financial Protection Bureau (CFPB), authorities in 49 states, and the District of Columbia filed a proposed court order requiring the country's largest nonbank mortgage loan servicer, Ocwen Financial Corporation, and its subsidiary, Ocwen Loan Servicing, to provide \$2 billion in principal reduction to underwater borrowers. The consent order addresses Ocwen's systemic misconduct at every stage of the mortgage servicing process. Ocwen must also refund \$125 million to the nearly 185,000 borrowers who have already been foreclosed upon and it must adhere to significant new homeowner protections.

"Deceptions and shortcuts in mortgage servicing will not be tolerated," said CFPB Director Richard Cordray. "Ocwen took advantage of borrowers at every stage of the process. Today's action sends a clear message that we will be vigilant about making sure that consumers are treated with the respect, dignity, and fairness they deserve."

Ocwen, a publicly traded Florida corporation headquartered in Atlanta, Ga., is the largest nonbank mortgage servicer and the fourth-largest servicer overall in the United States. As a mortgage servicer, it is responsible for collecting payments from the mortgage borrower and forwarding those payments to the owner of the loan. It handles customer service, collections, loan modifications, and foreclosures.

Ocwen specializes in servicing subprime or delinquent loans and places a major emphasis on resolving delinquency through loss mitigation or foreclosure. In recent years, it has acquired competitors – including Homeward Residential Holdings LLC (formerly American Home Mortgage Servicing Inc.) and Litton Loan Servicing LP. It has also acquired the mortgage servicing rights from the portfolios of some of the country's largest banks.

The CFPB is charged with enforcing the Dodd-Frank Wall Street Reform and Consumer Protection Act which protects consumers from unfair, deceptive, or abusive acts or practices by mortgage servicers – whether they are a bank or nonbank. State financial regulators, state attorneys general, and the CFPB uncovered substantial evidence that Ocwen violated state laws and the Dodd-Frank Act.

In early 2012, examinations by the Multistate Mortgage Committee, which is comprised of state financial regulators, identified potential violations at Ocwen. In addition, the Federal Trade Commission referred its investigation of Ocwen to the CFPB after the

Bureau opened in July 2011. The Bureau then teamed with state attorneys general and state regulators to investigate and resolve the issues identified. Today's settlement is a multi-jurisdictional collaborative effort.

Borrowers Pushed into Foreclosure by Servicing Errors

The CFPB and its partner states believe that Ocwen was engaged in significant and systemic misconduct that occurred at every stage of the mortgage servicing process. According to the complaint filed in the federal district court in the District of Columbia, Ocwen's violations of consumer financial protections put thousands of people across the country at risk of losing their homes. Specifically, the complaint says that Ocwen:

- **Took advantage of homeowners with servicing shortcuts and unauthorized fees:** Customers relied on Ocwen to, among other things, treat them fairly, give them accurate information, and appropriately charge for services. According to the complaint, Ocwen violated the law in a number of ways, including:
 - Failing to timely and accurately apply payments made by borrowers and failing to maintain accurate account statements;
 - Charging borrowers unauthorized fees for default-related services;
 - Imposing force-placed insurance on consumers when Ocwen knew or should have known that they already had adequate home-insurance coverage; and
 - Providing false or misleading information in response to consumer complaints.
- **Deceived consumers about foreclosure alternatives and improperly denied loan modifications:** Struggling homeowners generally turn to mortgage servicers, the link to the owners of the loans, as their only means of developing a plan for payment. Ocwen failed to effectively assist, and in fact impeded, struggling homeowners trying to save their homes. This included:
 - Failing to provide accurate information about loan modifications and other loss mitigation services;
 - Failing to properly process borrowers' applications and calculate their eligibility for loan modifications;
 - Providing false or misleading reasons for denying loan modifications;
 - Failing to honor previously agreed upon trial modifications with prior servicers; and
 - Deceptively seeking to collect payments under the mortgage's original unmodified terms after the consumer had already begun a loan modification with the prior servicer.
- **Engaged in illegal foreclosure practices:** One of the most important jobs of a mortgage servicer is managing the foreclosure process. But Ocwen mishandled

foreclosures and provided consumers with false information. Specifically, Ocwen is accused of:

- Providing false or misleading information to consumers about the status of foreclosure proceedings where the borrower was in good faith actively pursuing a loss mitigation alternative also offered by Ocwen; and
- Robo-signing foreclosure documents, including preparing, executing, notarizing, and filing affidavits in foreclosure proceedings with courts and government agencies without verifying the information.

Remedies: Consumer Protections

Today's proposed court order will bar Ocwen from committing such violations in the future. It requires Ocwen to provide \$125 million in refunds to foreclosed-upon consumers and \$2 billion in loan modification relief to its customers through principal reduction. The refunds and relief also apply to consumers whose loans were previously serviced by Homeward Residential Holdings and Litton Loan Servicing. According to the proposed order, Ocwen must:

- **Provide \$2 billion in relief to underwater borrowers:** Over a three-year period, Ocwen must complete sustainable loan modifications that result in principal reductions totaling \$2 billion. For loan modification options, eligible borrowers may be contacted directly by Ocwen. Or borrowers may contact Ocwen to obtain more information about specific loan modification programs and to find out whether they may be impacted by this settlement. Ocwen can be reached at 1-800-337-6695 or ConsumerRelief@Ocwen.com. If Ocwen fails to meet this commitment, it must pay a cash penalty in the amount of any shortfall to the CFPB and the states.
- **Provide \$125 million in refunds to foreclosure victims:** Ocwen must refund \$125 million to consumers whose loans were being serviced by Ocwen, Homeward Residential Holdings, or Litton Loan Servicing, and who lost their homes to foreclosure between Jan. 1, 2009 and Dec. 31, 2012. All eligible consumers who submit valid claims will receive an equal share of the \$125 million. Borrowers who receive payments will not have to release any claims and will be free to seek additional relief in the courts. Ocwen will also pay \$2.3 million to administer the refund process. Eligible consumers can expect to hear from the settlement administrator about potential payments.
- **Stop robo-signing official documents:** Ocwen must ensure that facts asserted in its documents about borrowers' loans used in foreclosure and bankruptcy proceedings are accurate and supported by reliable evidence. Affidavits and sworn statements must be based on personal knowledge.
- **Adhere to significant new homeowner protections:** Ocwen must change the way it services mortgages to ensure that borrowers are protected from the illegal

behavior that puts them in danger of losing their homes. To ensure this, the CFPB and the states are proposing that Ocwen follow the servicing standards set up by the 2012 National Mortgage Settlement with the five largest banks. Because of Ocwen's track record of problems handling the large volume of mortgage servicing rights it has quickly acquired in recent years, Ocwen is also being ordered to adhere to additional consumer protections, including how it manages transferred loans. Among other things, Ocwen must:

- **Properly process pending requests:** For loans that are transferred to Ocwen, the company must determine the status of in-process loss mitigation requests pending within 60 days of transfer. Until then, Ocwen cannot start, refer to, or proceed with foreclosure.
- **Honor previous loan modification agreements:** If the borrower has a loan modification agreement, Ocwen must honor it under the terms of the company that transferred the loan.
- **Ensure continuity of contact for consumers:** Ocwen will have to ensure that consumers get regular and dependable assistance when they call for help. This includes requiring more than just a single point of contact assigned to each borrower, but also that other Ocwen employees with access to the borrower's information be available if the borrower wants to speak to someone immediately.
- **Restrict servicing fees:** All servicing fees must be reasonable, bona fide, and disclosed in detail to borrowers. For example, Ocwen cannot collect any late fees if a loan modification application is under review or if the borrower is making timely trial modification payments.
- **Notify consumers of loss mitigation options and restrict dual tracking:** Ocwen generally cannot refer a borrower's account to foreclosure while the borrower's application for a loan modification is still pending. If the loan-modification request is denied, the borrower can appeal that decision and Ocwen cannot proceed to foreclosure until that appeal has been resolved.

In January 2013, the CFPB released new rules on mortgage servicing that will apply to every mortgage servicer. The standards that Ocwen must adhere to according to this court order are in addition to the protections offered to consumers under the new rules that take effect on Jan. 10, 2014. More information about the CFPB's new mortgage rules can be found at: consumerfinance.gov/mortgage.

The complaint is not a finding or ruling that the defendants have actually violated the law. The proposed federal court order will have the full force of law only when signed by the presiding judge.