

**IN THE MATTER OF:**

**OCWEN FINANCIAL CORPORATION**

**OCWEN MORTGAGE SERVICING INC.,  
NMLS # 1089752,**

**OCWEN LOAN SERVICING, LLC,  
NMLS # 1852,**

**OCWEN FINANCIAL SOLUTIONS  
PRIVATE LIMITED,  
NMLS # 15877,**

**OCWEN BUSINESS SOLUTIONS, INC.,  
NMLS # 1283393,**

**HOMEWARD RESIDENTIAL, INC.,  
NMLS # 3984, and**

**LIBERTY HOME EQUITY SOLUTIONS,  
INC.,  
NMLS # 3313,**

Respondents.

**BEFORE THE MARYLAND**

**COMMISSIONER OF**

**FINANCIAL REGULATION**

Case No.: CFR-FY2017-13

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**SUMMARY ORDER TO CEASE AND DESIST AND  
PARTIAL SUMMARY SUSPENSION OF RESPONDENTS'  
MARYLAND MORTGAGE LENDER LICENSES**

**WHEREAS**, pursuant to the Annotated Code of Maryland, Financial Institutions Article (“FI”), § 11-501 *et seq.* (the “Maryland Mortgage Lender Law”, or “MMLL”), the Maryland Commissioner of Financial Regulation (the “Commissioner”) is responsible for licensing and regulating, *inter alia*, the activities of mortgage lenders and mortgage servicers with regard to consumer loans secured by residential real property located in the State of Maryland (the “State”); and

**WHEREAS**, Ocwen Mortgage Servicing Inc. (“OMSI”), Ocwen Loan Servicing, LLC (“OLS”), Ocwen Financial Solutions Private Limited (“OFSP”), Ocwen Business Solutions, Inc. (“OBSI”), Homeward Residential, Inc. (“Homeward”), and Liberty Home Equity Solutions, Inc. (“Liberty”) are licensed by the Commissioner pursuant to the MMLL and Ocwen Financial Corporation (“OFC”) is the parent company of these licensed entities (collectively referred to herein as “Ocwen” or “Respondents”); and

**WHEREAS**, the Commissioner, in conjunction with the Multi-State Mortgage Committee (“MMC”), a committee of state mortgage regulators who have agreed to address supervisory concerns with Ocwen in a collective and coordinated manner, undertook a multi-state examination of OLS in order to investigate Ocwen’s compliance with applicable federal and state laws and regulations, Ocwen’s financial condition, and Ocwen’s control and supervision of its licensed mortgage servicing operations; and

**WHEREAS**, the Commissioner finds grounds to allege that the Respondents have engaged in, or are engaging in, or are about to engage in, acts or practices constituting violations of the MMLL, associated regulations, and other laws regulating mortgage loan lending in the State, and the Commissioner finds that action under FI §§ 2-115 and 11-517 and Annotated Code of Maryland, and State Government Article (“SG”), § 10-226(c)(2), is appropriate.

**NOW, THEREFORE**, the Commissioner has determined, for the reasons set forth below, that the public welfare imperatively requires that Respondents’ respective Maryland Mortgage Lender Licenses be immediately and partially suspended; and that it is in the public interest that Respondents immediately cease and desist and be prohibited from acquiring additional mortgage servicing rights for Maryland mortgage loans, entering into

additional agreements to subservice any Maryland mortgage loans in the State, and retaining servicing rights on any newly originated Maryland mortgage loans, until the Commissioner determines that Ocwen is in compliance with the requirements of this Summary Order to Cease and Desist and Partial Summary Suspension of Respondents' Maryland Mortgage Lender Licenses ("Order") and otherwise concludes that Ocwen will conduct its business honestly, fairly, equitably, and efficiently and in a manner that does not jeopardize the welfare of consumers in the State:

### **JURISDICTION AND PARTIES**

1. FI § 2-115(a) and (b) set forth the Commissioner's general authority to issue summary cease and desist orders, and to take additional actions for violations of laws, regulations, rules, and orders over which the Commissioner has jurisdiction (in addition to taking any other action permitted by law, and subject to a hearing or waiver of hearing), providing as follows:

(a) *Summary cease and desist orders.*— When the Commissioner determines that a person has engaged in an act or practice constituting a violation of a law, regulation, rule or order over which the Commissioner has jurisdiction, and that immediate action against the person is in the public interest, the Commissioner may in the Commissioner's discretion issue, without a prior hearing, a summary order directing the person to cease and desist from engaging in the activity, provided that the summary cease and desist order gives the person:

(1) Notice of the opportunity for a hearing before the Commissioner to determine whether the summary cease and desist order should be vacated, modified, or entered as final; and

(2) Notice that the summary cease and desist order will be entered as final if the person does not request a hearing within 15 days of receipt of the summary cease and desist order.

(b) *Other authorized actions for violations.*— When the Commissioner determines after notice and a hearing, unless the right to notice and a hearing is waived, that a person has engaged in an act or practice constituting a violation of a law, regulation, rule or order over which the Commissioner has jurisdiction, the Commissioner may in the

Commissioner's discretion and in addition to taking any other action authorized by law:

- (1) Issue a final cease and desist order against the person;
- (2) Suspend or revoke the license of the person;
- (3) Issue a penalty order against the person imposing a civil penalty up to the maximum amount of \$1,000 for a first violation and a maximum amount of \$5,000 for each subsequent violation; or
- (4) Take any combination of the actions specified in this subsection.

2. FI § 2-114(a) and (b) set forth the Commissioner's general authority to order the production of information, as well as documents and records, while investigating potential violations of laws, regulations, rules, and orders over which the Commissioner has jurisdiction (which is in addition to the Commissioner's specific investigatory authority set forth in various other Maryland statutes and regulations). FI § 2-114(a)(2) provides that the Commissioner may "[r]equire ... a person to file a statement in writing, under oath or otherwise as the Commissioner determines, as to all the facts and circumstances concerning the matter to be investigated." Further, pursuant to FI § 2-114(b), "the Commissioner or an officer designated by the Commissioner may," among other things, "take evidence, and require the production of books, papers, correspondence, memoranda, and agreements, or other documents".

3. FI § 11-501, provides the following definition for "mortgage lender" and "mortgage servicer":

(j) *Mortgage lender.* –

- (1) "Mortgage lender" means any person who:
  - (i) Is a mortgage broker;
  - (ii) Makes a mortgage loan to any person; or
  - (iii) Is a mortgage servicer.

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(n) *Mortgage servicer.* – "Mortgage servicer" means a person who:

- (1) Engages in whole or in part in the business of servicing mortgage loans for others; or

(2) Collects or otherwise receives payments on mortgage loans directly from borrowers for distribution to any other person.

4. Pursuant to FI § 11-504, a person may not act as a mortgage lender unless the person is a licensee or a person exempted from licensing under the MMLL.

5. FI § 11-505 describes the scope of authority conferred upon an MMLL licensee, providing, in pertinent part, as follows:

(a) A license issued under this subtitle authorizes the licensee to act as a mortgage lender under the license at the licensed place of business.

(b) Only 1 place of business may be maintained under any 1 license.

(c) A mortgage lender may maintain more than 1 license under this subtitle provided that a separate application for each license is made pursuant to § 11-507 of this subtitle and the Commissioner approves such application.

(d)(1) The Commissioner shall include on each license:

(i) The name of the licensee; and

(ii) The address at which the business is to be conducted.

(2) A person may not conduct any mortgage loan business at any location or under any name different from the address and name that appears on the person's license.

6. FI § 11-513 sets forth an MMLL licensee's obligations with respect to record keeping, providing, in pertinent part, as follows:

(a) Each licensee shall keep and make available to the Commissioner at the licensee's place of business any books and records that the Commissioner, by rule or regulation, requires to enable the Commissioner to enforce:

(1) This subtitle;

(2) Any rule or regulation adopted under this subtitle; and

(3) Any other provision regulating the application, making, brokering, or servicing of mortgage loans under Titles 12 through 14 of the Commercial Law Article.

7. Pursuant to FI § 11-515(c), the Commissioner may require a per-day fee for each employee engaged in an examination or investigation under the MMLL.

8. Pursuant to FI § 11-517(a), the Commissioner may suspend or revoke the license of any licensee if the licensee or any owner, director, officer, member, partner, stockholder, employee, or agent of the licensee:

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(3) In connection with any mortgage loan or loan application transaction:

(i) Commits any fraud;

(ii) Engages in any illegal or dishonest activities; or

(iii) Misrepresents or fails to disclose any material facts to anyone entitled to that information;

(4) Violates any provision of this subtitle or any rule or regulation adopted under it or any other law regulating mortgage loan lending in the State; or

(5) Otherwise demonstrates unworthiness, bad faith, dishonesty, or any other quality that indicates that the business of the licensee has not been or will not be conducted honestly, fairly, equitably, and efficiently.

9. Pursuant to SG § 10-226(c)(2), the Commissioner may enter an order summarily suspending a license if the Commissioner:

(i) finds that the public health, safety, or welfare imperatively requires emergency action; and

(ii) promptly gives the licensee:

1. written notice of the suspension, the finding, and the reasons that support the finding; and
2. an opportunity to be heard.

10. OFC is a Florida corporation with headquarters in West Palm Beach, Florida. OFC acts as a holding company and engages in servicing, in part, through the other named Respondents. Respondent OMSI is a U.S. Virgin Islands corporation with headquarters in St. Croix, US Virgin Islands and has an assigned NMLS identifier number of 1089752. Respondent OLS is a Delaware limited liability company with headquarters located in West Palm Beach, Florida and has an assigned NMLS identifier number of 1852. OLS at all relevant times herein was a wholly-owned subsidiary of OMSI, which was a wholly-owned

subsidiary of OFC. Respondents OFSPL, OBSI, Homeward, and Liberty are wholly-owned subsidiaries of OFC based in India, the Philippines, Texas, and California, respectively, and have NMLS identifier numbers of 15877, 1283393, 3984, and 3313, respectively.

### **MMC EXAMINATION OF OLS**

11. To meet supervisory mandates and objectives for regulating mortgage loan servicers, the Commissioner is a member of the MMC, which is the state representative body responsible for coordinating and overseeing multi-state examinations of mortgage loan servicers.

12. The MMC conducted a multi-state examination (“MMC Examination”) of OLS in order to determine Ocwen’s compliance with applicable state and federal laws and regulations.

13. The MMC examination covered the period of January 1, 2013, to February 28, 2015, and consisted of participating state mortgage regulators from the States of Florida, Maryland, Massachusetts, Mississippi, Montana, and Washington. Florida served as the lead state. The MMC examination was conducted pursuant to the participating States’ respective statutory authorities and in accordance with the Conference of State Bank Supervisors/American Association of Residential Mortgage Regulators Nationwide Cooperative Protocol for Mortgage Supervision as well as the Nationwide Cooperative Agreement for Mortgage Supervision.

14. During the MMC Examination, the participating States identified violations of both state and federal laws, a deteriorating financial condition, and systemic operational limitations which resulted in substantial harm to consumers and pose on going risks to Maryland consumers.

15. In December 2015, the MMC issued to OLS the written Report of Examination (“RoE”). In January 2016, OLS submitted a written response to the RoE.

16. Based on the findings in the RoE, the MMC and State Mortgage Regulators, as part of the multi-state examination resolution process, engaged in regular discussions with the Board of Directors of Ocwen (the “Board”) and Ocwen management to identify steps the company must take to stabilize its financial condition, systemically improve compliance, manage risk, and otherwise ensure safe and sound operations. As part of the ongoing examination process, the MMC has engaged in the regular collection of additional information from Ocwen. The following sets forth specific facts as determined by the MMC examination and supplemental collection of information from Respondents.

**FAILURE TO COOPERATE WITH MMC EXAMINERS**

17. During the MMC Examination, Ocwen management consistently failed to provide MMC examiners with timely access to books and records and failed to provide comprehensive records of all documents requested.

18. The books and records requirement is a fundamental component of the MMLL’s regulatory framework and is intended to allow the Commissioner to adequately fulfill his supervisory and enforcement obligations under the MMLL, including determining whether a licensee continues to meet the qualifications for licensure. For example, FI § 11-513 generally requires each MMLL licensee to keep and make available to the Commissioner at the licensee’s place of business the books and records specified in Code of Maryland Regulations 09.03.06.04B. MMLL licensees are permitted to store books and records at a location other than the licensee’s place of business, so long as the licensee



makes the books and records available to the Commissioner at the licensee's place of business within five (5) business days of the Commissioner's official request.

19. Ocwen's responses during the MMC Examination to information requests were often slow, and/or, non-responsive requiring numerous follow-up requests for additional information. Ocwen paid a fine of \$2.5 million as part of a settlement with the California Department of Business Oversight ("CA DBO") during the MMC Examination review period that was based, in part, on concerns over responsiveness to regulatory information requests.

20. Ocwen's failure to provide the requested books and records severely hampered the MMC Examination team's ability to conduct a comprehensive evaluation of Ocwen's operations, and indicates that Ocwen's business has not been or will not be conducted honestly, fairly, equitably and efficiently in the State.

21. On or about February 28, 2015, the MMC Examination team notified Ocwen that it would be conducting a review of Ocwen's books and records to ensure compliance with each participating state's statutes and regulations.

22. Ocwen was notified that the MMC Examination would commence on or about April 6, 2015. Ocwen's management was notified through an initial information request sent to OLS on or about March 27, 2015, that the MMC Examination would include, at a minimum, a review of OLS's failure to timely pay escrow items.

23. Although Ocwen was made aware of the MMC Examination team's concerns during the onsite portion of the MMC Examination, Ocwen's management failed to prepare any responses about the scope and root causes of OLS's failure to timely pay consumer

escrow funds and furthermore, management failed to notify the MMC Examination team of any remedial action taken to ensure that consumer escrow funds were safeguarded.

24. During the MMC Examination, several requests for information were made regarding the status of the failure to timely pay escrow items and meetings were held with Ocwen's management to underscore to management that a thorough response about OLS's failure to appropriately manage consumer escrow funds would be required.

25. On August 19, 2015, as a result of Ocwen's pattern of failing to produce requested information, the MMC held a meeting with the Board. During the August 19, 2015, meeting, the Board committed to resolve ongoing deficiencies surrounding MMC Examination requests for information that had been, in part, outstanding since the commencement of the MMC Examination.

26. Although Ocwen management appeared to have improved its responsiveness to requests for information after the meeting with the Board, the MMC Examination team later learned that Ocwen management continued its pattern of withholding requested information as evidenced by its failure to produce information concerning internal deliberations over the need for licensure of OBSI. The failure to provide requested information relating to Ocwen's deliberations regarding the licensing status of OBSI led to a second meeting between the Board and the MMC.

### **OVERALL CONDITION**

27. The MMC Examination found that Ocwen's overall condition is deficient due to the failure to identify, measure, monitor, and control risk associated with rapid growth. Beginning in late 2012, Ocwen began making large acquisitions of mortgage servicing rights ("MSRs"). Over a nine-month period from December 2012 through August

2013, Ocwen acquired the MSRs to over 2.6 million consumer mortgage loans with over \$347 billion in unpaid principal balance (UPB). MSR purchases from 2012 through year-end 2014 more than doubled the size of Ocwen's servicing portfolio from \$204 billion to \$465 billion.

28. The MMC Examination found that the effectiveness of Ocwen's Management Control Systems ("MCSs") failed to keep pace with growth leading to a material increase in operational deficiencies including the failure to timely date borrower correspondence, the failure to timely pay borrower escrow items, the failure to ensure the accuracy of escrow statements, the failure to timely reconcile consumer custodial accounts and the failure to ensure licensure of an affiliate that services loans. The MMC Examination review of these operational deficiencies revealed that as Ocwen attempted to assimilate MSR purchases, deficient MCSs caused consumer harm, led to violations of federal and state regulations and resulted in non-compliance with servicing standards required by the 2014 National Mortgage Settlement ("NMS"). These same deficiencies demonstrate that Ocwen has not been conducting its business honestly, fairly, equitably, and efficiently in the State.

### **FINANCIAL CONDITION**

29. Ocwen lost \$472 million in 2014, \$247 million in 2015, and \$200 million in 2016. Ocwen's losses stem from declines in loan servicing income and continue high operating costs. In 2015, Ocwen sold the servicing rights to loans totaling approximately \$88 billion. Although the sale provided significant liquidity that Ocwen primarily used to reduce debt, the sale significantly reduced income and contributed to ongoing losses that have eroded capital. Ocwen's operating costs have been high due to the costs of operating

deficiencies related to servicing acquisition integrations, regulatory fines, industry litigation, and ongoing monitoring required by regulatory settlements. Ocwen's liquidity remains less than satisfactory due to uncertainty surrounding Ocwen's ability to maintain and refinance borrowing facilities at competitive rates in light of Ocwen's deteriorating financial condition. Since 2014, Ocwen has lost a total of \$919 million and when combined with \$320 million in stock repurchases, capital has been reduced by \$1.15 billion, or 63 percent. Additionally, Ocwen's stock value has declined from a high of \$59.97 on October 25, 2013 to a range of \$1.50 to \$7 dollars per share in 2016, which has impeded Ocwen's ability to raise additional capital.

#### **UNLICENSED SERVICING ACTIVITY**

30. As noted above, under the MMLL, a person may not act as a mortgage servicer unless the person is licensed. In addition to the MMLL enforcement provisions and penalties set forth in FI § 11-517, there is an enhanced penalty for willful violations set forth in FI § 11-523(a) which states "[a]ny person who willfully violates any provision of this subtitle or any rule or regulation adopted under it is guilty of a felony and on conviction is subject to a fine not exceeding \$50,000 or imprisonment not exceeding 10 years or both."

31. OBSI is a Philippines business entity with headquarters in Pasay City, Philippines and has an assigned NMLS identifier number of 1283393. OBSI is a wholly-owned subsidiary of OFC that services loans from the Philippines as part of Ocwen's strategy to reduce servicing costs and minimize taxes.

32. During the MMC Examination, the MMC examiners became aware that OLS utilized OBSI for collecting payments, negotiating loan modifications, and providing other servicing activities.

33. The MMC Examination revealed that OBSI was not properly licensed in all jurisdictions in which it has been operating.

34. In addition, the MMC Examination found that the Board was not involved in approving the use of OBSI for servicing and that Ocwen's management team had failed to discuss the need for licensure with the Board even though Ocwen management knew OBSI was not properly licensed. From discussions with Ocwen management, the MMC Examination team learned that the Philippines location for OBSI was originally intended to be a branch location of OLS. OBSI, however, was ultimately formed as an independent, wholly-owned subsidiary of OFC for tax purposes.

35. Information received during the MMC Examination indicates that OBSI began servicing consumer accounts in late 2012. The MMC Examination team's review of the Master Agreement for Services (Master Agreement) between OLS and OBSI revealed that, although the Master Agreement was signed in December 2014, OLS and OBSI attempted to apply it retroactively by making its effective date, January 1, 2014. A further review of the Company's books and records revealed that OBSI billed OLS over \$10 million for servicing activities in 2014 in the absence of both a written agreement and a statement of work. Ocwen's management also informed the MMC Examination team that there are no written policies and procedures for reviewing any charges imposed by OBSI for reasonableness.

36. The MMC Examination revealed that OBSI collected and processed consumer loan payments in excess of \$445 million since 2013.

37. Between August 26, 2013 and September 1, 2015, OBSI, while unlicensed in the State, collected or otherwise received at least 11,020 payments directly from borrowers on “mortgage loans” as that term is defined at FI § 11-501(l).

38. Information was requested during the MMC Examination about Ocwen’s internal deliberations over the need for state licensure of OBSI. Ocwen management indicated that no such information existed. The MMC, however, obtained information after the RoE was issued that contradicted management’s assertion that no such information existed. Internal electronic communications obtained by the MMC revealed that management were fully aware that OBSI lacked proper licensure when it began operations, but felt that the risk was “minimal”.

39. The MMC met with the Board on July 12, 2016 and presented the e-mails as evidence that Ocwen management knew that OBSI was not properly licensed and that it continued to be non-responsive to requests for information made during the MMC Examination. After the Board meeting with the MMC, Ocwen produced a large amount of internal deliberations regarding OBSI licensure that had not been produced when originally requested.

40. On or about August 14, 2015, OBSI applied for a Maryland collection agency license pursuant to the Maryland Collection Agency Licensing Act, Maryland Code Annotated, Business Regulation Article, § 7-101 *et seq.*

41. By email dated August 20, 2015, the Commissioner asked the following question, “Has [OBSI] ever conducted any business in the State of Maryland? If so, what type of business was conducted?” OBSI, through legal counsel, responded by letter dated September 10, 2015 as follows: “Please be advised that OBS has never had any offices

located in Maryland and has never collected money directly from Maryland consumers.” This response is contradicted by the evidence obtained during the MMC Examination. Shortly after receipt of the September 10<sup>th</sup> letter, the Commissioner granted a collection agency license to OBSI, which is still active.

42. On or about April 11, 2016, the Commissioner granted an MMLL license to OBSI. OBSI did not indicate that it had previously collected payments on Maryland loans in its MMLL application. Therefore, the Commissioner was not aware of the prior unlicensed activity in Maryland at the time of approving the MMLL license.

43. The MMC Examination team was unable to gather comprehensive information regarding OBSI’s business activities as Ocwen’s management failed to respond to requests for information in a timely manner as previously discussed. As of the date of this Order, Ocwen is still in the process of applying for all of the required licenses for OBSI in other States.

44. The use of unlicensed affiliate OBSI for servicing related activities was cited as a violation of Washington State law in the MMC Examination and resulted in the imposition of a \$900,000 fine by the Washington Department of Financial Institutions (“WA DFI”).

#### **CONFLICTS OF INTEREST AND RELATED-PARTY TRANSACTIONS**

45. In December 2014 former Chairman of the Board, William Erbey, resigned his position at Ocwen and four other Ocwen-related entities as part of a settlement with the New York Department of Financial Services (“NY DFS”), in part, over allegations of conflicts of interest regarding Ocwen-related entities.

46. At the time of the NY DFS settlement, Mr. Erbey served as chairman of the Board of OFC and four other public companies: Altisource Portfolio Solutions, S.A. (“Altisource Portfolio”), Altisource Residential Corporation, Altisource Asset Management Corporation, and Home Loan Servicing Solutions Ltd (“HLSS”). Mr. Erbey’s holdings in OFC and these four companies totaled more than \$1 billion. Mr. Erbey was the largest single shareholder of each company. Other Ocwen directors and executives also owned significant investments in both Ocwen and the related parties.

47. NY DFS found that Mr. Erbey had failed to recuse himself from approvals of several transactions with the related parties.

48. Ocwen’s entanglement with related companies is best exhibited by its relationship with Altisource Portfolio, which has dozens of subsidiaries that perform fee-based services for Ocwen. In 2009, Ocwen spun off its internal technology department to form Altisource Portfolio. As a result of this spin off, Altisource Portfolio owned and maintained the REALServicing platform that Ocwen uses to service loans. In 2009, Ocwen also entered into an agreement with Altisource Portfolio whereby Altisource Portfolio would provide, among other services, technology services to Ocwen until 2017 (“Technology Agreement”). Ocwen and Altisource Portfolio later amended the Technology Agreement to remain in effect until 2025.

49. The specific manner in which conflicts of interest and related-party transactions have contributed to Ocwen’s operational deficiencies and violations of applicable law is described in further detail below.



### REALServicing

50. Pursuant to the MMLL, the primary function of a mortgage servicer is to collect or otherwise receive, and apply, borrower payments. Servicers input loan and borrower information into electronic databases known as its systems of record. Ocwen's utilization of REALServicing as its system of record has led to numerous problems, including but not limited to accounting-related problems, which have resulted in borrower harm.

51. Similar to the failure to cooperate with MMC examiners and the unlicensed activity described above, the various problems attributable to REALServicing demonstrate that Ocwen has not conducted, or will not conduct, its business honestly, fairly, equitably and efficiently. In numerous situations, REALServicing has been identified as a root cause of Ocwen's problems, including, *inter alia*, the following: letter-dating issues, escrow accounting problems, property inspection fee overcharges, and mismanagement of custodial account reconciliations. Despite ample evidence regarding the inadequacy of REALServicing, Ocwen has declined to transition to a new system of record.

52. As an example of the problems associated with REALServicing, the 2014 NY DFS settlement provided the following: "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. The

result is an unnecessarily complex system of comment codes, including, for example, 50 different codes for the single function of assigning a struggling borrower a designated customer care representative.”

53. The dates on Ocwen’s letters to borrowers are automatically inserted onto the letterhead based on events in REALServicing. Ocwen relies on third-party vendors to actually print and mail the letters. Going as far back as 2012, large-scale delays occurred between the time of the event that triggered the need for a letter versus the time the letters were actually mailed by the vendors. The dates on many letters were often several days or even weeks before the letters were actually mailed. For example, borrowers received letters providing for 30 days to appeal the denial of a loan modification, but the 30-day appeal period had already lapsed.

54. When an Ocwen employee first brought the problem to the attention of Ocwen management, Ocwen ignored the problem for another 5 months before even starting corrective measures.

55. In April 2015, Ocwen submitted a Global Corrective Action Plan (CAP) to the Monitor for the NMS to address letter-dating deficiencies. The Global CAP encompassed 7 different types of letters that were part of the letter dating problem. The Monitor has required that the metric testing under the Global CAP be extended for a year beyond the termination date of the NMS to February 2018.

56. An external review of Ocwen’s letter dating deficiencies concluded that Ocwen was aware of the deficiencies from at least 2012. The external review also concluded that, the problems were prevalent in all correspondence platforms, the

deficiencies were technology related and Ocwen's systems and processes did not evolve with growth and Ocwen's regulatory responsibilities.

### HUBZU

57. Code of Maryland Regulations (COMAR) 09.03.06.20 imposes a duty of good faith and fair dealing requirement on mortgage servicers licensed under the MMLL, including the duty when servicing mortgage loans to make borrowers in default aware of loss mitigation options and services offered by the licensee and the duty to pursue loss mitigation when possible.

58. Ocwen requires certain borrowers that are interested in a short sale to list their property at the Hubzu.com website, an online marketing, sales and auction site for real-estate owned properties and short sales. Hubzu is the registered name of Altisource Online Auction, Inc., a Delaware corporation owned by Altisource, which is a publicly traded company based in Luxembourg and a subsidiary of Altisource Portfolio.

59. In 2012, Altisource and Ocwen amended their 2009 servicing agreement to include a section covering "Assisted Short Sale Services." Under the 2012 amended agreement, Ocwen agreed to retain Altisource to oversee pending borrower requests for short sale approvals. Ocwen maintains that the Hubzu requirement is designed to meet the following objectives:

- (a) Increase the pool of interested and relevant buyers of a short sale property,
- (b) Increase the likelihood that the borrower and investor receive a market price for the short sale,
- (c) Increase the speed at which a successful short sale can be completed, and
- (d) Decrease the likelihood of fraud against any stakeholder in the transaction.

60. As part of the MMC Examination, and in response to complaints received regarding Hubzu, the Maryland examiner participating on the MMC Examination team conducted an in-depth investigation of Hubzu. The examiner's analysis of data for loans that have been listed on the Hubzu website supports the conclusion that the Hubzu short sale program increases fees for a once-affiliated company with common ownership ties to Ocwen and has resulted in diminished benefits for the borrowers or increased the likelihood of harm to borrowers seeking short sale approval from Ocwen.

61. The service agreement provides that Ocwen agrees to pay Altisource on a fee-for-service basis as set forth on a fee schedule. The buyer's premium is 3.5% of the purchase price, and the technology fee is \$299. The buyer's premium and technology fee are not charged to the buyer if the offer accepted by Ocwen is the same offer amount by the same buyer as originally brought to Ocwen by the listing agent. If the offer accepted by Ocwen is lower than the original offer, but is made by the original buyer, then the buyer's premium and technology fee are charged to the original buyer. The buyer's premium and technology fee are paid to Altisource in all other circumstances, including where the winning offer is from someone other than the original bidder and the sales price is the same as or lower than the original offer. The buyer's premium for short sale properties has been increased to 4.5% in an amendment to the service agreement dated June 2015.

62. The Maryland examiner's review of the Hubzu data showed that listing properties on the Hubzu website did not increase the pool of interested buyers (e.g., 33 out of 71 loan files or 47 percent showed that borrowers received zero bids when they listed their properties on Hubzu). The review of the Hubzu data also showed that properties listed on Hubzu did not increase the amount of the purchase price of the home (e.g. only five out

of 71 loan files resulted in a consummated short sale with a higher purchase price than the original, pre-Hubzu, offer).

63. Additionally, the Maryland examiner found that listing properties on the Hubzu website did not increase the speed for short sale approvals (e.g. prior to June 2015, Altisource retained the discretion to list the property for an unlimited number of auction cycles up to 30 calendar days prior to a scheduled foreclosure). While the file remained with Altisource, the borrower was precluded from pursuing other loss mitigation options such as a Home Affordable Foreclosure Alternatives short sale or deed in lieu of foreclosure.

64. The MMC Examination also revealed that there was a lack of transparency regarding program requirements for Ocwen borrowers who were required to utilize Hubzu. For example, the Ocwen website does not inform borrowers that before they will be approved for a short sale, they will be required to list their property at Hubzu.com, the types of loans that are required to be listed at Hubzu, or the maximum number of auction cycles.

65. The MMC Examination further revealed that Ocwen's requirement that borrowers list their properties on the Hubzu website left consumers at risk for higher deficiency debts after the sale of the property because the Hubzu listing requirement reduced the amount of money paid to mortgage holders and investors. Of the consummated short sales through Hubzu, almost twice as many loans closed with the same or a lower purchase price than the original offer. The deficiency amount was also greater for borrowers that fell out of the Hubzu program and were subsequently offered a traditional short sale.

66. In response to the MMC Examination findings related to Hubzu, Ocwen informed the Commissioner that it would cease requiring Maryland borrowers to utilize the Hubzu website prior to approval of a short sale.

**SEC SETTLEMENT RELATED TO HLSS**

67. On January 20, 2016, the Securities and Exchange Commission (SEC) entered a cease and desist order against OFC in which OFC agreed to pay a \$2 million penalty to settle charges that it misstated financial results by using a flawed, undisclosed methodology to value complex mortgage assets.

68. Ocwen's filings led investors to believe the company was valuing complex mortgage assets using U.S. Generally Accepted Accounting Principles ("GAAP") when, in fact, it had relied on an accounting methodology used by related party HLSS that later proved to be flawed. The SEC investigation found that OFC inaccurately disclosed to investors that it independently valued the mortgage assets at fair value under GAAP. In fact, Ocwen merely used the valuation performed by related party HLSS to which it sold the rights to service certain mortgages that remained a financing liability in Ocwen's accounting.

69. The SEC found that Ocwen's internal controls also failed to prevent conflicts of interest involving Ocwen's executive chairman, Mr. Erbey, who played a dual role in many related-party transactions involving Ocwen and HLSS. Ocwen disclosed to investors that its executive chairman was required to recuse himself from transactions with related companies where he also served in a leadership position; however, Ocwen did not have any written policies or procedures on recusals for related-party transactions, and, according to the SEC investigation, the company's recusal practice that existed was flawed, inconsistent,

and ad hoc. Because of the lack of internal controls and oversight, Ocwen's executive chairman was able to approve transactions from both sides, including a \$75 million bridge loan to Ocwen from a company where he also served as chairman of the board.

70. Ocwen's audit committee failed to review the methodology with company management or its outside auditor, and the related party's valuation deviated from fair value measures. As a result, Ocwen misstated its net income for the last three quarters of 2013 and the first quarter of 2014.

**SWITCH IN LENDER-PLACED INSURANCE VENDORS AND FAILURE TO  
DISBURSE PAYMENTS FROM ESCROW**

71. Ocwen and Southwest Business Corporation (SWBC) entered into a 5-year agreement on June 1, 2014 to replace Assurant<sup>1</sup> in providing monitoring and tracking services of hazard insurance information and to obtain, review, and pay hazard insurance policies as necessary. Soon after this transition, which took place around September 2014, several defects were identified for the timely processing of insurance disbursements on escrowed loans.

72. The MMC Examination found that the switch in insurance vendors was a root cause of OLS's failure to timely pay borrower escrow insurance items leading to instances of consumer harm through increased borrower premiums and heightened borrower confusion.

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<sup>1</sup> Assurant, Inc., American Security Insurance Company, Standard Guaranty Insurance Company, Voyager Indemnity Insurance Company, and American Bankers Insurance Company of Florida (collectively "Assurant").

73. The MMC Examination confirmed that it was not the Board, but the former Chairman of the Board, William Erbey, and two members of the Board's Credit Committee, who approved the plan to switch Ocwen's insurance vendor.

74. 12 Code of Federal Regulations (CFR) 1024.17(k) requires servicers to make disbursements from escrow accounts to the taxing authorities and insurance companies in a timely manner, defined as "on or before the deadline to avoid a penalty".

75. The MMC Examination showed that Ocwen failed to make timely disbursements from escrow accounts on 28 loans. This violation occurred on a substantial scale, as it was found by 5 out of the 6 participating exam States. Ocwen later identified over 6,500 borrowers in the 6 participating exam states that were impacted by various escrow-related errors. The total number of affected borrowers in Maryland is estimated to be more than 4,300.

76. The MMC Examination showed other errors related to consumer escrow accounts, including examples of checks being sent to incorrect payees or addresses.

77. 12 CFR 1024.17(i) generally requires servicers to do, *inter alia*, the following for escrow accounts that they establish in connection with a federally related mortgage loan: (1) perform an annual escrow analysis to determine the monthly escrow amount; and (2) provide an annual statement reflecting the activity in the escrow account during the escrow account computation year and a projection of the activity in the account for the next year.

78. The MMC Examination revealed that Ocwen routinely sent borrowers inaccurate escrow statements as a result of entries made to Ocwen's escrow accounting system to effectuate Ocwen's proprietary Shared Appreciation Modification (SAM). One



escrow statement reviewed listed approximately 60 actual escrow payments when in fact they were non-cash items used to account for the SAM. Ocwen later identified over 7,200 borrowers who received escrow statements containing SAM accounting entries listed as actual escrow payments. The MMC Examination found that Ocwen's inability to accurately monitor the Ocwen SAM program caused Ocwen to send confusing and misleading escrow statements to consumers. The MMC Examination findings support the conclusion that Ocwen did not have any procedures in place to detect escrow statements that contained SAM accounting entries.

### **PROPERTY INSPECTION FEES**

79. Maryland Code Annotated, Commercial Law Article (CL), §§ 12-121, 12-1027 prohibit the imposition of a lender's inspection fee in connection with a loan made to a consumer borrower that is secured by residential real property.

80. The MMC examination discovered that borrowers were overcharged \$6.2 million in 2014 for property inspections carried out by vendor Altisource Portfolio when it mistakenly increased inspection fees to the maximum amount allowed by the GSEs.

81. Ocwen has represented that 33,856 Maryland borrowers were overcharged a total of \$269,436 as a result of Altisource Portfolio's error cited in the MMC examination.

82. Ocwen's representation that Maryland borrowers were overcharged indicates that Ocwen has imposed and/or is imposing inspection fees on Maryland borrowers in violation of CL §§ 12-121 and 12-1027.

83. According to Ocwen's management, the root cause of the overcharges was that Altisource Portfolio's REALServicing "Loan Resolution Module" had difficulties interfacing with the GSEs' systems.

## **MISMANAGEMENT OF INVESTORS' CUSTODIAL ACCOUNTS**

84. Ocwen internal audits identified several high-priority findings that revealed significant deficiencies related to the failure to timely reconcile custodial accounts held for the benefit of investors of mortgage debt. Similarly, a Fannie Mae review in late 2014 resulted in a corrective action plan to address concerns over Ocwen's failure to timely reconcile these custodial accounts.

85. The MMC Examination identified further instances of Ocwen's failure to timely reconcile consumer custodial accounts of which management was unaware in spite of Ocwen's own internal audits and the Fannie Mae review. Ocwen engaged in a pattern and practice of failing to timely reconcile aged custodial account items. The MMC Examination revealed that four of the seven custodial accounts reviewed had not been timely reconciled.

86. At the end of 2014, Ocwen had 64,139 unreconciled aged items totaling \$83 million. Further, the MMC Examination revealed that Ocwen was forced to create a special team to handle the high number of unreconciled items, and that it was subject to the mandates of a Fannie Mae action plan to increase reconciliation timeliness.

87. The MMC examiners' review of custodial account reconciliations discovered that an error in REALServicing's custodial account software had caused the untimely reconciliation of custodial account items.

88. Ocwen did not realize that accounts were not being reconciled in a timely manner, and that the accounting software system was not functioning properly until MMC examiners brought the matter to Ocwen's attention.

89. Ocwen has represented that it has made improvements related to its processes for completing custodial account reconciliations.

## LOAN TRANSFERS

90. 12 CFR 1024.33(b)(3) requires transferor servicers to send a notice to borrowers at least 15 days prior to any transfer.

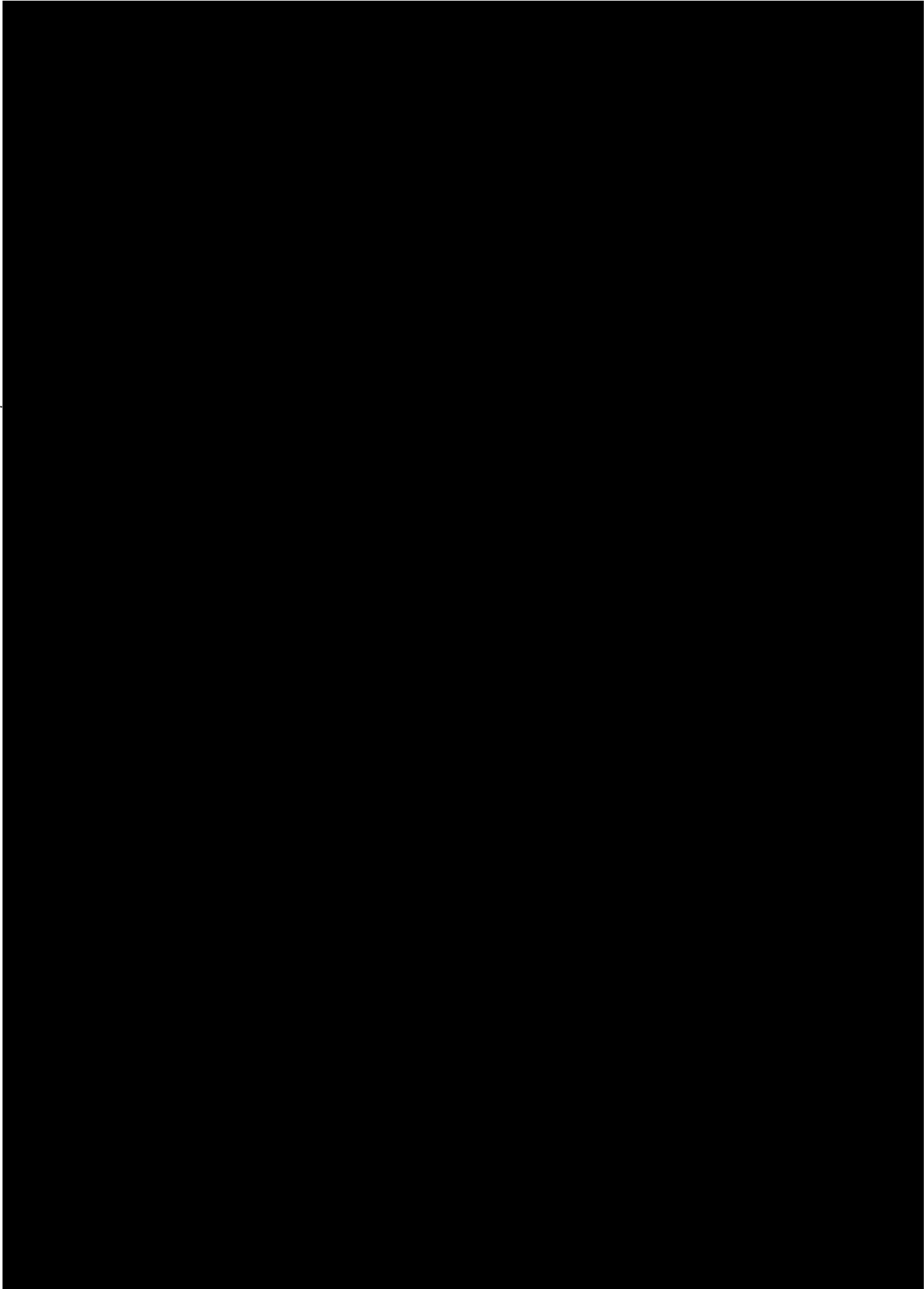
91. Ocwen transferred a pool of loans on April 15, 2015. Ocwen used a third-party vendor to process the notices. However, Ocwen failed to provide the vendor usable data to process the notices until April 1, 2015, and the vendor took two or more days to complete the generation of the notices. As a result, the notices were not actually sent to the borrowers until April 2, 2015, or later. These notices were sent in less than 15 days before the bulk transfer and were therefore in violation of federal law. Moreover, the examiners determined that the face of the notices were deceptively back-dated to reflect a date of March 27, 2015. This violation occurred on a substantial scale. Ocwen has represented that it has made changes to its transfer process to ensure that notices are sent timely.

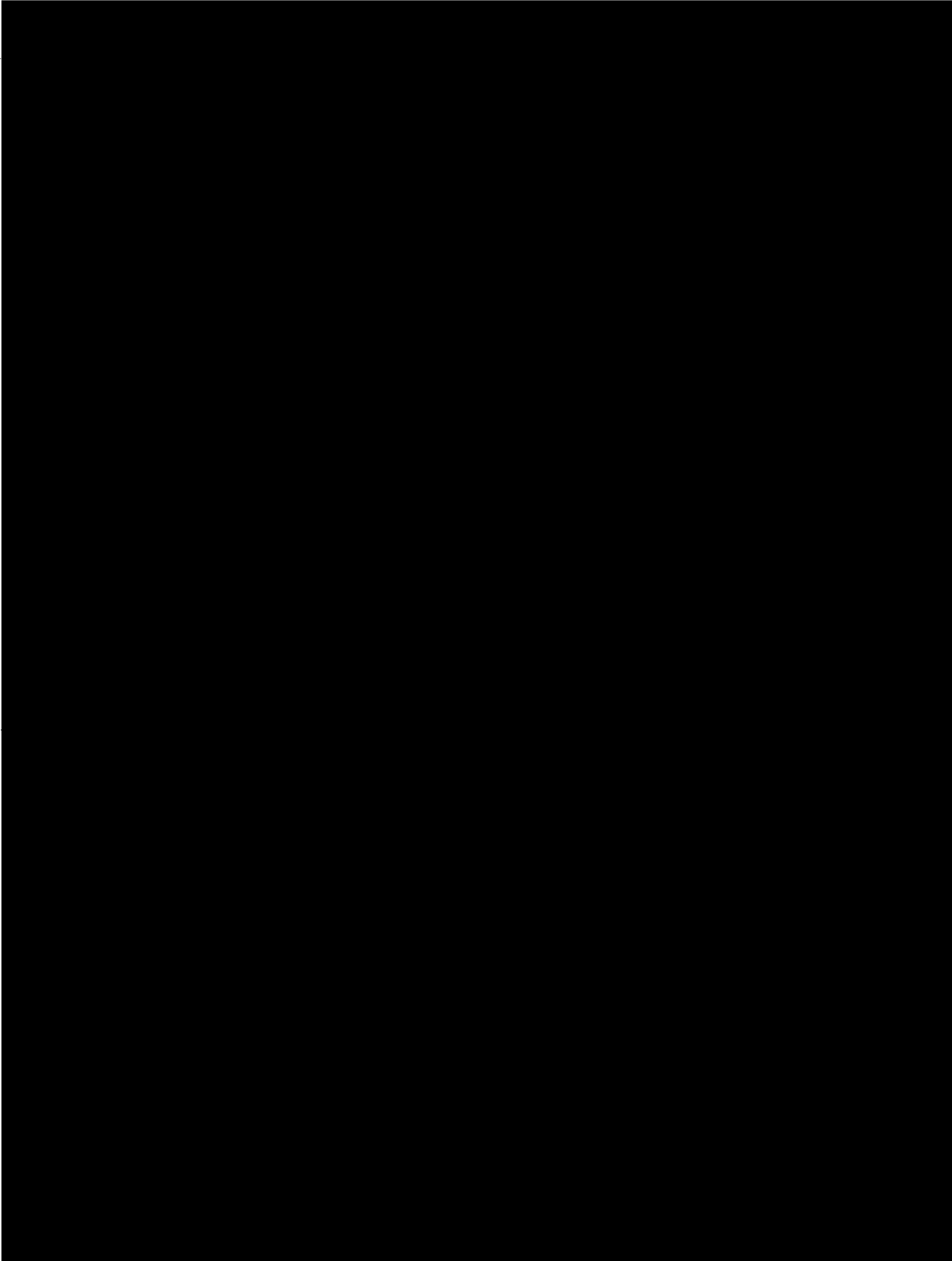
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## STATE ENFORCEMENT ACTIONS

101. On November 23, 2016, the Florida Office of Financial Regulation (“FL OFR”) entered into a settlement with Ocwen regarding unlicensed mortgage lender servicing activity. The FL OFR settlement required Ocwen to pay an administrative fine of \$25,000, the maximum amount allowed under Florida law.

102. On December 22, 2014, as stated above, Ocwen entered into a \$150 million settlement with the NY DFS. The settlement included allegations of inadequate and ineffective information technology systems and personnel, and widespread conflicts of interest with related parties regarding former Chairman Erbey and other members of Ocwen management arising from their ownership interests in, and positions held at related companies. The NY DFS settlement also placed restrictions on MSR growth in New York and required the election of two additional independent directors to the Board. The terms of the NY DFS settlement required Ocwen to pay \$100 million as a civil monetary penalty and \$50 million in borrower restitution.

103. On January 23, 2015, as stated above, Ocwen entered into a settlement with the CA DBO. The settlement included allegations that Ocwen repeatedly failed to timely and fully comply with the CA DBO’s requests for information and documentation. The terms of the settlement prohibited Ocwen from acquiring additional California MSRs until the CA DBO was satisfied that Ocwen could satisfactorily respond to requests for information and documentation made in the course of a regulatory examination. The CA DBO settlement also required Ocwen to engage a third-party auditor who was required to report directly to the CA DBO for 24 months to assess Ocwen’s compliance with state and

federal laws and regulations. The CA DBO settlement required Ocwen to pay a monetary penalty of \$2.5 million.

104. The third-party auditor's review mandated as part of the CA DBO settlement found Ocwen committed hundreds of violations of state and federal laws and regulations, including the California Homeowner Bill of Rights ("HBOR"). Among the auditor's findings: a) Ocwen violated HBOR by failing to provide borrowers all required information in loss mitigation denial notices; wrongly informing borrowers, in loss mitigation denial notices, they were current on their payments, and providing borrowers inaccurate information on notices of default; b) Ocwen violated the federal Servicemembers Civil Relief Act by failing in a timely manner to reduce the monthly interest rate to six percent for California active duty personnel; and c) Ocwen violated other federal laws by collecting borrower-paid mortgage insurance premiums after borrowers were obligated to make such payments, failing to inform borrowers of the timelines to accept or reject loan modification offers, sending inaccurate and untimely notices to borrowers who were more than 45 days delinquent on their payments, or sometimes failing to send such notices at all, and failing to promptly submit corrected information to credit reporting agencies on California borrowers when Ocwen previously had provided erroneous information.

105. On February 17, 2017, Ocwen entered into a second settlement with CA DBO resolving CA DBO's open examination including the third-party audit findings. As part of that settlement, Ocwen agreed to pay to pay \$20 million in cash for borrower restitution and \$5 million for penalties, attorney fees and the costs of an administrator to oversee the restitution payments covered under the settlement. In addition to the restitution

and penalties, the settlement requires Ocwen to provide borrowers \$198 million of debt forgiveness over three years.

106. On August 24, 2016, Ocwen entered into a settlement with the WA DFI. The settlement included allegations that Ocwen engaged the services of two unlicensed Ocwen-affiliated companies, OFSPL, operating out of India, and OBSI, operating out of the Philippines, to engage in the servicing business in Washington State. The WA DFI alleged that OFSPL engaged in unlicensed servicing activities dating back to August 1, 2010 and OBSI's unlicensed activity took place between June 2013 and August 2015. The terms of the settlement prohibited Ocwen from engaging in the servicing business in Washington State from any location and/or by any person that was not appropriately licensed by the State. The WA DFI settlement further noted that Ocwen would be subject to an examination to evaluate the Company's compliance with the provisions of the settlement agreement in 12-18 months. The WA DFI settlement required Ocwen to pay a monetary penalty of \$900,000.

#### **MEMORANDUM OF UNDERSTANDING**

107. As part of the MMC Examination resolution process, on December 7, 2016 the Board and Ocwen management executed a Memorandum of Understanding ("MOU") on behalf of Ocwen with the participating states on the MMC Examination<sup>2</sup> and the MMC. The MOU required Ocwen to submit to the MMC, by January 13, 2017, a viable going forward business plan (the "Going Forward Plan"). The Going Forward Plan needed to include, in part, the following:

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<sup>2</sup> WA DFI was not a signatory to the MOU.



- (a) The development of a formal plan to restore and maintain earnings and liquidity to satisfactory levels, and that ensures the maintenance of satisfactory levels of capital and satisfactory Sensitivity to Market Risk measurements;
- (b) A third party management review that ensures that each member of the senior management team shall have the authority, responsibilities, and duties commonly understood for the respective position and in accordance with the expected role of that position given a mortgage company having the size, complexity and overall risk profile of Ocwen;
- (c) A governance structure that has sufficient and defined managerial functions including appropriate Board reporting, strategic planning, operational oversight, regulatory compliance, examination management procedures and oversight, and appropriate executive compensation practices;
- (d) The development of adequate policies and procedures to ensure that all key strategic initiatives are reviewed and approved by the Board within specific timeframes;
- (e) Enhanced Board oversight over Ocwen's Compliance Management Systems ("CMS"), as well as the entire servicing platform, to ensure adequate policies and procedures exist that are commensurate with Ocwen's size, operational complexity and overall risk profile, to ensure compliance with federal and state law.
- (f) A comprehensive action plan to improve the regulatory compliance functions (to include policies, procedures, staffing levels, training, monitoring, management and Board reporting of non-compliance and corrective action plans) within specific timeframes, commensurate with Ocwen's size, complexity and overall risk profile;
- (g) Revision to existing monitoring and corrective action plan procedures to ensure they cover all products and services, including appropriate timeframes and incentives for remediation of issues identified;

- (h) Development and implementation of a comprehensive compliance audit program that ensures the testing of Ocwen's compliance with individual federal and state consumer financial laws, as well as that of Ocwen's vendors and affiliates and that also identifies potential areas of compliance concern that arise through a root cause analysis of complaints filed against Ocwen;
- (i) Enhanced monitoring of regulatory administrative requirements to include, but not be limited to, licensing, the timely reporting of financial information and/or material events; and regulatory examination functions, including timely and accurately responding to requests for information pursuant to a regulatory examination;
- (j) The performance of a comprehensive risk assessment of Ocwen's companywide exposure to risk as well as the development and implementation of a comprehensive Risk Management Program that encompasses all areas of operations and that can effectively identify, measure, monitor and control the risks to which Ocwen is exposed on an ongoing basis;
- (k) Enhanced internal audit authority, scope and schedule to ensure it is commensurate with Ocwen's overall risk profile;
- (l) The development and implementation of a comprehensive vendor and affiliate provider oversight program to ensure that providers comply with individual federal and state laws.
- (m) Adoption of sufficient policies and procedures to ensure the timely dating of borrower correspondence, the timely payment of borrower escrow items, the issuance of accurate borrower escrow statements, the appropriate review and oversight of Ocwen's transfer and onboarding of loans;
- (n) The development of a process for the comprehensive review of its current service agreements and relationship with Altisource, with the goal of evaluating each service provided by Altisource, the benefits to Ocwen, or lack thereof, of each

service arrangement, and the relationship between Altisource and Ocwen given the evolution of the two companies and the association of ownership, with recommendations related to retention of Altisource in whole or in-part based on the evaluations;

- (o) The development of a plan to enhance the IT systems platform, including, but not limited to, the REALServicing platform, which ensures a comprehensive servicing platform that is appropriate for the size, complexity, and scope of Ocwen's servicing portfolio and is sufficient to ensure servicing is handled in compliance with federal and state servicing requirements. Any development of a new platform must be developed and implemented by a firm independent of any affiliated entity of Ocwen; and
- (p) The development and implementation of a plan to audit and reconcile consumer escrow accounts, to be conducted by an independent auditing firm, with quarterly reports to be furnished by the independent auditing firm to Ocwen and the MMC within five business days after the end of each quarter. This audit and reconciliation would cover consumer escrow accounts from January 1, 2013 to present, except for those servicing accounts that have been transferred to another servicer and for which reconciliation was performed at the time of transfer.

108. Ocwen also represented in the MOU that Ocwen would impose a restriction on all stock repurchases during the course of the development of the Going Forward Plan and such restriction will not be removed until, and pursuant to, the terms of what the approved Going Forward Plan permits. Additionally, by January 13, 2017, Ocwen would retain an independent auditing firm to provide a comprehensive audit and reconciliation of all custodial accounts, with a report to be furnished by the auditing firm to Ocwen and the MMC within five business days thereafter.

109. The MMC received the Going Forward Plan in January 2017. Based on a review of the Going Forward Plan by the MMC Examination team, and deficiencies

identified therein, and based on the MMC Examination findings, and the foregoing, it has been determined that the Respondents are in violation of Maryland law, including, but not limited to, the MMLL, and corresponding regulations, and accordingly, administrative action is appropriate.

**WHEREFORE**, having determined that the public welfare imperatively requires emergency action, and pursuant to the aforementioned provisions of the Annotated Code of Maryland and associated regulations, it is, by the Maryland Commissioner of Financial Regulation, **HEREBY**,

**ORDERED** that Ocwen Mortgage Servicing Inc., Ocwen Loan Servicing, LLC, Ocwen Financial Solutions Private Limited, Ocwen Business Solutions, Inc., Homeward Residential, Inc., and Liberty Home Equity Solutions, Inc.'s respective Maryland Mortgage Lender Licenses are partially **SUMMARILY SUSPENDED** effective immediately; and it is

**ORDERED** that the Respondents, and their owners, directors, officers, members, partners, stockholders, employees, and/or agents, shall immediately **SUSPEND** any and all acquisitions of additional mortgage servicing rights for Maryland mortgage loans, any and all new agreements to subservice Maryland mortgage loans, and shall not retain servicing on any newly originated Maryland mortgage loans; and it is

**ORDERED** that Respondents shall immediately **CEASE** and **DESIST** from violating the aforementioned statutory provisions of Maryland law and federal law, including, but not limited to the MMLL and associated regulations; and it is

**ORDERED** that Respondents will immediately **SUSPEND** and/or **CEASE** and **DESIST** from any and all stock repurchases during the course of this administrative action; and it is

**ORDERED** that the Respondents shall take the following actions:

- *Financial Condition* - Ocwen shall provide to the Commissioner a written plan demonstrating how it will remain a going concern for a period of one (1) year from the entry of this Order ("Financial Condition Plan"). The Financial Condition Plan, at a minimum, must take into account all known and reasonably anticipated future liabilities including, but not limited to, costs of necessary audits and anticipated regulatory, law enforcement, or other litigation liabilities or costs exceeding one (1) million dollars arising from any final orders/judgments or settlements and must also demonstrate how Ocwen will comply with all applicable liquidity and capital requirements. Ocwen shall notify the Commissioner if and when any event occurs that could materially impact Ocwen's financial condition, including, but not limited to, any actual or anticipated liabilities or costs exceeding five (5) million dollars, or if Ocwen drops below or projects to drop below any applicable liquidity or capital requirement, within ten (10) business days of the occurrence of any such event(s). Ocwen will further submit the following reporting for monitoring compliance with the Financial Condition Plan, with these reporting requirements to be in effect until further notice:

- i. Monthly financial statements that track actual earnings compared to forecasted earnings during the same time period, to be provided to the Commissioner for each month on or before the last day of the following month;
- ii. A monthly liquidity report that demonstrates daily liquidity tracking with forecasts on liquidity positions over 30, 60, and 90 days, to be provided to the Commissioner on or before the fifteenth (15th) day of each month;

- iii. A monthly report documenting compliance with internal policies and procedures governing limits on exposure to market risk, including, but not limited to, interest rate risk, to be submitted to the Commissioner for each month on or before the last day of the following month; and
  - iv. A quarterly Going Concern Analysis, which shall include covenant and capital reporting that tracks any and all financial or regulatory covenants Ocwen is obligated to comply with and whether Ocwen remains in compliance with those covenants, to be submitted to the Commissioner forty-five (45) days after the end of each calendar quarter, with the exception of the last quarterly report for each calendar year, which shall be submitted ninety (90) days after the end of such quarter.
- *Management* -
    - i. Ocwen shall provide monthly reports on KPMG's Management Assessment Action Plan;
    - ii. Ocwen shall provide a list of management actions taken by the Board of Directors on a rolling basis and no later than ten (10) business days after action is taken; and
    - iii. Ocwen shall, within sixty (60) business days of entry of this Order, develop and implement revised Executive Compensation Practices to better align with performance.
  - *Risk Management* - Ocwen shall conduct an Enterprise-Wide Risk Assessment, which will be provided to the Commissioner within five (5) calendar days of being completed and shall be completed no later than sixty (60) calendar days from the entry of this Order;
  - *Regulatory Compliance* - Ocwen shall provide to the Commissioner:
    - i. A monthly tracking report covering all examination findings;
    - ii. A monthly tracking report of complaint levels; and
    - iii. A monthly tracking report regarding Navigant's Quality Control

reports.

- *Internal Audit Reports* - Ocwen shall provide the Commissioner with a complete and unredacted copy of all new internal audit reports on a rolling basis and no later than ten (10) business days after completion.
- *Altisource* – Ocwen shall provide the Commissioner with a complete and unredacted copy of all past and new Altisource-related reports, including but not limited to audit reports, scorecards, and fee reviews; old reports shall be furnished to the Commissioner within ten (10) business days of the effective date of this Order and new reports shall be furnished no later than ten (10) business days after completion.
- *IT Systems Overhaul* – Ocwen shall immediately begin the process of migrating loans off the REALServicing platform, and shall provide the following to the Commissioner:
  - i. A monthly progress report regarding the migration from REALServicing to a new system of record; and
  - ii. A monthly tracking report showing planned IT projects and expected costs associated with planned IT projects.
- *Custodial Account Reconciliations* – Ocwen shall provide to the Commissioner monthly reports on the level and trend of unreconciled aged items.
- *Escrow Account Audit*: Ocwen shall, within fifteen (15) business days of entry of this Order, develop and begin implementing an acceptable plan to audit and reconcile consumer escrow accounts, which shall, at a minimum:
  - i. Be conducted by an independent auditing firm;
  - ii. Include a statistically relevant sample of consumer escrow accounts from January 1, 2013 to present with acceptable confidence levels, precision, and expected error rate;
  - iii. Include quarterly reports to be furnished by the independent auditing firm to Ocwen and the Commissioner within five (5) business days after the end of each quarter, with the first report due at the end of the

first quarter following the Effective Date of this Order;

- iv. Include a final report furnished by the independent auditing firm to Ocwen and the Commissioner within five (5) business days after the completion of the review detailing any and all findings, including, but not limited to, recommendations, if any, for how Ocwen can improve its consumer escrow practices and any identified consumer harm (which shall include the name of each harmed borrower, the state in which the borrower and collateral are located, the basis for the conclusion of consumer harm, and the amount of any actual monetary harm identified); and
  - v. Include that within thirty (30) days of any final report identifying consumer harm, Ocwen shall submit to the Commissioner a recommended corrective action and remediation plan to correct the identified consumer harm for all affected consumers, not just those identified in the final report, including the restitution of money, if warranted.
- *Wind-Down Plan:* To prepare for possible contingency circumstances should Ocwen fail to be a going concern, Ocwen shall, within fifteen (15) business days of entry of this Order, provide to the Commissioner a comprehensive wind-down plan, with anticipated timelines and benchmarks, that provides at a minimum the following:
    - i. An orderly transfer of Maryland servicing rights and corresponding consumer files. All transfers must ensure that consumer files reflect the exact status of each respective loan being serviced by Ocwen and that all information is complete and accurate as of the date of transfer. All transfers must also honor any loan modifications or modification plans currently in effect;
    - ii. Identifies adequate resources and staff to satisfy the requirements described herein;
    - iii. A meaningful transfer audit function; and



- iv. Identified resources to remediate consumer harm either through successor liability or through an escrow set-aside.

**FURTHERMORE,**

**THE RESPONDENTS ARE HEREBY NOTIFIED** that a hearing in this case will automatically be scheduled and the Respondents will receive a Notice of Hearing under separate cover. If for any reason a hearing is not automatically scheduled, the Respondents may request a hearing by submitting a written request to:

Carmen Flowers, Administrator  
Office of the Commissioner of Financial Regulation  
500 North Calvert Street, Suite 402  
Baltimore, Maryland 21202

And further,

**THE RESPONDENTS ARE HEREBY NOTIFIED** that at the scheduled hearing the Respondents will be afforded the opportunity to defend against the charges set forth herein. The hearing will be conducted pursuant to FI § 11-518, SG § 10-201, *et seq.* (the Administrative Procedure Act), and COMAR 09.01.02 and 03. A copy of the hearing procedure is available to you upon request and without cost to you; and further

**THE RESPONDENTS ARE HEREBY NOTIFIED** that pursuant to SG §§ 9-1607.1 and 10-206.1, and in accordance with SG § 10-207(b)(4), business entities are **ONLY** permitted to appear at such hearing through an attorney authorized to practice law in Maryland at the Respondents' own expense. In any event, no postponement will be granted by reason of the Respondents' failure to obtain counsel. COMAR 09.01.02.10. The Respondents may subpoena and call witnesses. COMAR 09.01.02.12. The Respondents may cross-examine those witnesses called against the Respondents. COMAR 09.01.02.13.

Further, the Respondents are entitled to introduce documentary evidence in their defense. COMAR 09.01.02.14. If the Respondents fails to appear at the scheduled hearing, the hearing may proceed in the Respondents' absence and a determination may be made regarding the validity of the charges. COMAR 09.01.02.09; and further

**THE RESPONDENTS ARE HEREBY NOTIFIED** that a request for a postponement of the scheduled hearing will not be considered unless written notification is given no later than ten (10) days prior to the hearing date, pursuant to COMAR 09.01.02.10. Any questions about hearing procedures, requests for postponement, or requests for subpoenas should be directed to Carmen Flowers, Administrator, at the address set forth above; and further

**THE RESPONDENTS ARE HEREBY NOTIFIED** that any questions regarding the substance of this case or settlement negotiations should be directed to the presenter of evidence assigned to this case:

Brian Patrick Weeks  
Office of the Attorney General  
500 North Calvert Street, 4<sup>th</sup> Floor  
Baltimore, Maryland 21202.

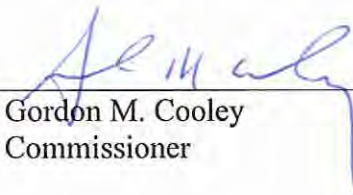
And further,

**THE RESPONDENTS ARE HEREBY NOTIFIED** that, pursuant to FI §§ 11-517 and 2-115(b), as a result of a hearing the Commissioner may, in the Commissioner's discretion, and in addition to taking any other action authorized by law, take the following actions: enter an order suspending or revoking Ocwen Mortgage Servicing Inc., Ocwen Loan Servicing, LLC, Ocwen Financial Solutions Private Limited, Ocwen Business Solutions, Inc., Homeward Residential, Inc., and Liberty Home Equity Solutions, Inc.'s

respective Maryland Mortgage Lender Licenses; enter an order making this Order final; issue an order requiring that the Respondents take affirmative action to correct the above-specified violations including the restitution of money or property to any person aggrieved by the violations; issue a penalty order against the Respondents imposing a civil penalty up to \$5,000 for each violation; issue a penalty order against the Respondents imposing a civil penalty up to \$5,000 for each subsequent violation of these laws; issue an order against Respondents imposing a \$250 per-day examination fee for each employee involved in this matter; or may take any combination of the aforementioned actions against the Respondents. Additionally, pursuant to FI § 11-523, the Commissioner may refer any willful violations of the MMLL or any rule or regulation adopted under it to the appropriate law enforcement agency for criminal prosecution as a felony with the possibility, upon conviction, of a fine not exceeding \$50,000 or imprisonment not exceeding 10 years or both.

**MARYLAND COMMISSIONER OF  
FINANCIAL REGULATION**

4/20/17  
Date

  
By: Gordon M. Cooley  
Commissioner