

STATE OF NEBRASKA
Department of Banking & Finance

IN THE MATTER OF:)	
)	FINDINGS OF FACT
Ocwen Loan Servicing, LLC)	
1661 Worthington Road, Suite 100)	CONCLUSIONS OF LAW
West Palm Beach, Florida)	
)	AND
Ocwen Mortgage Servicing, Inc.)	
William D. Roebuck Industrial Park)	ORDER TO CEASE AND DESIST
Building 1, Estate Negro Bay)	
St. Croix, US Virgin Islands)	

THIS MATTER comes before the Nebraska Department of Banking and Finance (“Department”), by and through its Director, pursuant to its authority under the Residential Mortgage Licensing Act, Neb. Rev. Stat. §§ 45-701 through 45-754 (Reissue 2010, Cum. Supp. 2016) (the “Act”). The Department has investigated the actions of Ocwen Loan Servicing, LLC, 1661 Worthington Road, Suite 100, West Palm Beach, Florida (“Ocwen Loan”), NMLS No. 1852, and Ocwen Mortgage Servicing, Inc., William D. Roebuck Industrial Park, Building 1, Estate Negro Bay, St. Croix, US Virgin Islands (“Ocwen Mortgage”), NMLS No. 1089752. Ocwen Loan Servicing, LLC, at all relevant times herein was a wholly owned subsidiary of Ocwen Mortgage Servicing, Inc., which is a wholly owned subsidiary of Ocwen Financial Corporation (collectively referred to herein as “Ocwen”). Based upon such investigation, the Department finds as follows:

FINDINGS OF FACT

1. On January 2, 2008, the Department joined the Nationwide Mortgage Licensing System and Registry (“NMLS”), a multi-state electronic licensing system. The NMLS uses uniform

licensing forms, including the Form MU1, which is completed by applicants for a mortgage banker license. In addition, the NMLS assigns each entity a unique identifier.

2. The Multi-State Mortgage Committee (“MMC”) is a committee of state mortgage regulators who have agreed to address their enforcement concerns with Ocwen in a collective and coordinated manner. The Department is a member of the MMC pursuant to Neb. Rev. Stat. § 45-741(8) (Cum. Supp. 2016).

3. According to Ocwen Loan’s Form MU1, updated on April 5, 2017, Ocwen Loan conducts first mortgage servicing, master servicing, mortgage loan modifications, subordinate lien mortgage servicing, third party first mortgage servicing, and third party subordinate lien mortgage servicing activities for Nebraska residential property. Ocwen Loan was assigned the unique identifier No. 1852.

4. According to Ocwen Mortgage’s Form MU1, updated on April 10, 2017, Ocwen Mortgage conducts first mortgage servicing, master servicing, mortgage loan modifications, and subordinate lien lending activities for Nebraska residential property. Ocwen Mortgage was assigned the unique identifier No. 1089752.

5. On March 1, 2008, the Department issued a mortgage banker license to Ocwen Loan. Ocwen Loan renewed its mortgage banker license pursuant to Neb. Rev. Stat. § 45-706 (Cum. Supp. 2016) for calendar years 2009 through 2017.

6. On May 1, 2014, the Department issued a mortgage banker license to Ocwen Mortgage. Ocwen Mortgage renewed its mortgage banker license pursuant to Neb. Rev. Stat. § 45-706 (Cum. Supp. 2016) for calendar years 2015 through 2017.

7. On February 28, 2015, the states of Florida, Maryland, Massachusetts, Mississippi, Montana, and Washington (“Examining States”) conducted a Multi-State Examination of Ocwen

in order to determine Ocwen's compliance with applicable federal and state laws and regulations, its financial condition, and its control and supervision of the licensed mortgage servicing operations. The Multi-State Examination of Ocwen covered the period of January 1, 2013 to February 28, 2015.

8. Following the Multi-State Examination of Ocwen, the Department was notified by the examining states of identified compliance violations of law, a deteriorating financial condition, and systemic operational limitations under present management, all of which resulted in substantial harm to consumers and presents grave risk to the overall viability of Ocwen as a going concern.

9. In December 2015, the MMC issued to Ocwen a written Report of Examination. In January 2016, Ocwen submitted a written response to the Report of Examination. Subsequently, the MMC has engaged in the collection of additional information from Ocwen.

10. The Multi-State Examination found Ocwen's overall condition to be deficient due to Ocwen's failure to identify, measure, monitor, and control risk associated with rapid growth.

11. The Multi-State Examination found Ocwen's overall financial condition to be deficient. Some of this deficiency was due to:

- a. An earnings loss of 919 million dollars since 2014.
- b. A capital reduction of 1.15 billion dollars since the beginning of 2014. Ocwen has been impeded from raising new capital due to its stock value dropping from fifty-five dollars and ninety-seven cents, on October 25, 2013, to a range of one dollar and fifty cents to seven dollars per share in 2016.
- c. A less than satisfactory liquidity position due to uncertainty surrounding its ability to maintain and refinance borrowing facilities at competitive rates in light of the deteriorating conditions.

- d. Ocwen's 2014 budget did not account for increasing levels of uncollectable servicing advances which resulted in an increase of 77 million dollars over 2013's reserve for bad debt.
- e. Ocwen's failure to adopt limits on exposure to interest rate risk.
- f. Ocwen's selling mortgage servicing rights to loans totaling approximately 88 billion dollars in 2015 which significantly reduced income and contributed to ongoing losses that have eroded capital.

12. The Multi-State Examination found deficiencies in Ocwen's system of records, known as REALServicing, and letter dating deficiencies where there are large scale delays occurring between the time of an event that triggers the need for a letter versus the time the letters were actually mailed by third party vendors. An external review of letter dating deficiencies concluded Ocwen was aware of the deficiencies from at least 2012; the problems were prevalent in all correspondence platforms; and Ocwen's systems and processes did not evolve with growth and regulatory responsibilities.

13. The Multi-State Examination found that Ocwen has engaged in a pattern and practice of unsafe and unsound loan servicing by manipulating the lender-placed force-placed insurance market. Ocwen has artificially inflated premiums and then passed these amounts onto consumers by using exclusive arrangements with market participants that allowed Ocwen to collect unearned commissions and other benefits that artificially inflated premium rates.

14. The Department has had complaints submitted by consumers regarding Ocwen, which include, but are not limited to, mortgage servicing and escrow account matters. The Multi-State Examination found that Ocwen has been unable to accurately reconcile many of the consumer escrow accounts in its portfolio. The Multi-State Examination further found that Ocwen failed to

make timely disbursements to pay for taxes and insurance from escrow accounts on numerous loans. The Multi-State Examination also found that Ocwen routinely sent consumers inaccurate, confusing and/or misleading escrow statements.

15. The Multi-State Examination also found issues and possible violations concerning loan transfers and boarding, default servicing, negative effects of related party transactions, consumer custodial accounts, board oversight, management, and failure to cooperate with examination activities.

16. Upon learning of the Multi-State Examination findings, the Department and other state regulators began participating in discussions with representatives of Ocwen concerning its loan servicing ability and financial condition. State regulators and Ocwen entered into a Memorandum of Understanding (“MOU”) on December 7, 2016.

17. The MOU required Ocwen to retain an independent auditing firm to perform a comprehensive audit and reconciliation of all consumer escrow accounts, with a report to be furnished by the auditor to Ocwen and the MMC within five business days thereafter. The audit plan was to be submitted to, and approved by, the MMC no later than January 13, 2017.

18. Ocwen’s response to the state regulators on January 13, 2017, was that the reconciliation of escrow accounts, which is paramount in ensuring the appropriate management of consumer funds, would cost 1.5 billion dollars and would be well beyond Ocwen’s financial capacity. Ocwen suggested instead that a sample of four hundred fifty-seven escrow accounts be reconciled out of 2.5 million active first lien escrow accounts that Ocwen has serviced since January 2013. This proposal would leave a vast number of consumers, including Nebraskans, with unreconciled escrow accounts.

19. The MOU required Ocwen to provide, among other things, a viable going forward business plan that encompassed an analysis of its financial condition going forward. The purpose of the plan was to analyze Ocwen's future financial condition incorporating and encompassing all known or reasonably certain liabilities.

20. Ocwen's going forward plan submitted in response to the MOU did not provide a complete assessment of its financial condition because it excluded significant liabilities. If the going forward plan accurately accounted for known or anticipated regulatory penalties and other operational costs, including, but not limited to, the expenses of moving to a new servicing platform and complete reconciliation of consumer escrow accounts with restitution to impacted borrowers, it would indicate the company would not continue as a going concern.

21. For the year ending 2016, Ocwen serviced approximately four thousand eighty-four Nebraska residential loans.

22. The Findings of Fact show Ocwen has failed to demonstrate the ability to continue servicing and originating mortgage loans, and has failed to demonstrate the ability to protect consumers whose loans are serviced by Ocwen.

23. The Department's investigation into this matter is ongoing.

CONCLUSIONS OF LAW

1. Neb. Rev. Stat. § 45-702(15) (Cum. Supp. 2016) defines the term "mortgage banker" as any person (a) other than (i) a person exempt under Section 45-703, (ii) an individual who is a loan processor or underwriter, or (iii) an individual who is licensed in this state as a mortgage loan originator and (b) who, for compensation or gain or in the expectation of compensation or gain, directly or indirectly makes, originates, services, negotiates, acquires, sells, arranges for, or offers to make, originate, service, negotiate, acquire, sell, or arrange for a residential mortgage loan.

2. Neb. Rev. Stat. § 45-702(26) (Cum. Supp. 2016) defines the term “residential mortgage loan” as any loan or extension of credit, including a refinancing of a contract of sale or an assumption or refinancing of a prior loan or extension of credit, which is primarily for personal, family, or household use and is secured by a mortgage, trust deed, or other equivalent consensual security interest on a dwelling or residential real estate upon which is constructed or intended to be constructed a dwelling.

3. Neb. Rev. Stat. § 45-702(29) (Cum. Supp. 2016) defines the term “service” as accepting payments or maintenance of escrow accounts in the regular course of business in connection with a residential mortgage loan.

4. Neb. Rev. Stat. § 45-737(1) (Cum. Supp. 2016) provides that a licensee shall disburse required funds paid by the borrower and held in escrow for the payment of insurance payments no later than the date upon which the premium is due under the insurance policy.

5. Neb. Rev. Stat. § 45-737(2) (Cum. Supp. 2016) provides that a licensee shall disburse funds paid by the borrower and held in escrow for the payment of real estate taxes prior to the time such real estate taxes become delinquent.

6. Neb. Rev. Stat. § 45-706(1) (Cum. Supp. 2016) provides that the business of a mortgage banker shall be operated honestly, soundly, and efficiently in the public interest consistent with the purposes of the Act.

7. Neb. Rev. Stat. § 45-744 (Reissue 2010) provides that the Department may order any person to cease and desist whenever the Department determines that the person has violated any provision of the Act.

8. Neb. Rev. Stat. § 45-752 (Reissue 2010) provides that the Act shall be construed liberally to effectuate its purposes.

9. The facts listed in the above Findings of Fact constitute a sufficient basis for the Department to have determined that Ocwen Loan and Ocwen Mortgage have violated the Act by not operating honestly, soundly, and efficiently in the public interest in connection with its continued servicing of residential mortgage loans.

10. The facts listed in the above Findings of Fact fall within the purview of Neb. Rev. Stat. § 45-750(1) (Reissue 2010), which provides that the Department shall be responsible for the administration and enforcement of the Act.

11. This Order to Cease and Desist is necessary and appropriate in the public interest for the protection of Nebraska residents and is consistent with the purposes fairly intended by the policy and provisions of the Act.

ORDER

IT IS THEREFORE ORDERED THAT:

1. Ocwen Loan Servicing, LLC, 1661 Worthington Road, Suite 100, West Palm Beach, Florida, and Ocwen Mortgage Servicing, Inc., William D. Roebuck Industrial Park, Building 1, Estate Negro Bay, St. Croix, US Virgin Islands, shall cease and desist from violations of the Residential Mortgage Licensing Act, including, but not limited to, the violations resulting from failure to operate honestly, soundly, and efficiently in the public interest.

2. Ocwen shall immediately cease acquiring new mortgage servicing rights, and acquiring or originating new mortgages for Nebraska real property, until such time as Ocwen can show to the satisfaction of the Department that it is a going concern by providing a financial analysis that encompasses all of the liabilities Ocwen currently maintains, as well as liabilities it has knowledge it will incur in the course of its business.

3. Ocwen shall immediately cease acquiring new mortgage servicing rights, and acquiring or originating new mortgages for Nebraska real property, until Ocwen can provide the state regulators with a reconciliation of its escrow accounts showing that consumer funds are appropriately collected, properly calculated, and disbursed accurately and timely.

4. Ocwen shall provide to the Department a list of all residential mortgage loans currently serviced by Ocwen and secured by a dwelling located in Nebraska. Such list shall include the following information:

- a. The name, address, telephone number, and state of residence of the borrower(s);
- b. The loan number;
- c. The owner of the loan;
- d. The account balance; and,
- e. The location of any escrow funds.

5. Ocwen shall provide the information required in Order Item No. 4, above, to the Department no later than 4:00 p.m., CDT, on April 27, 2017, unless the Department agrees to an extension of such deadline.

6. Commencing May 11, 2017, and on every 10th business day thereafter, by 4:00 p.m., CDT, of such day, Ocwen shall provide an updated status report of the list of residential mortgage loans currently serviced by Ocwen to the Department. The status report shall include the categories of information required under subparagraphs 4(a) through 4(e). The reporting requirement shall continue until suspended by the Director.

7. Within seventy-two hours of the transfer of servicing rights of any loan included in the list provided by Ocwen, a written notice to the Department shall be provided by Ocwen containing

the borrower name, address, loan number, and the entity to whom the servicing rights have been transferred. This reporting requirement is not substitution for any consumer notification.

8. Ocwen may provide to the Department any report required by this Order through secure electronic mail at dob.mortgage@nebraska.gov. The Department may, in conjunction with other state regulators, designate a single contact person who shall then distribute the information to the Department and to other state regulators.

9. Nothing in this Order shall abrogate Ocwen's responsibility to maintain a surety bond as required by Neb. Rev. Stat. § 45-724 (Reissue 2010) nor preclude the Department from taking any action it deems necessary and appropriate in the public interest, including issuing a notice of cancellation of Ocwen's licenses pursuant to Neb. Rev. Stat. § 45-742(4)(c) (Cum. Supp. 2016), should Ocwen fail to maintain its surety bond.

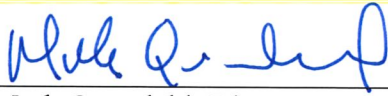
10. In the event Ocwen fails to comply with any of the provisions of this Order, the Department may commence such action regarding Ocwen as it deems necessary and appropriate in the public interest.

11. Ocwen Loan Servicing, LLC, 1661 Worthington Road, Suite 100, West Palm Beach, Florida, and Ocwen Mortgage Servicing, Inc., William D. Roebuck Industrial Park, Building 1, Estate Negro Bay, St. Croix, US Virgin Islands, separately or jointly, may file a written request for hearing within fifteen business days after the date of this Order. A hearing will be scheduled within thirty business days after the date of receipt of such a request unless the parties consent to a later date or the hearing officer sets a later date for good cause. The party requesting the hearing shall bear the cost of such hearing. If no hearing is requested and none is ordered by the Director, this Order shall remain in effect until it is modified or vacated.

DATED this 20th day of April, 2017.

**STATE OF NEBRASKA
DEPARTMENT OF BANKING AND FINANCE**



By: 
Mark Quandahl, Director

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