

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians***JAN LYNN OWEN****Commissioner of Business Oversight****For Immediate Release**

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DBO Reaches \$225 Million Settlement with Ocwen Loan Servicing to Resolve Case Involving Hundreds of Violations
Firm Will Provide Borrowers Debt Relief and Restitution, Pay Penalties

SACRAMENTO – The California Department of Business Oversight (DBO) today signed a \$225 million [settlement](#) with Ocwen Loan Servicing, LLC (Ocwen) that requires the firm to pay \$20 million in cash for borrower restitution, but restores Ocwen’s ability to service new California mortgages.

“This is a fair and just settlement for California consumers,” said DBO Commissioner Jan Lynn Owen. “The terms will hold Ocwen accountable for widespread violations of laws that harmed borrowers in our state.”

In addition to the restitution and penalties, the settlement requires Ocwen, a large mortgage lender and servicer, to provide borrowers \$198 million of debt forgiveness over three years. The debt forgiveness will be provided through loan modifications.

Ocwen will pay a total of \$25 million in cash: \$20 million for the borrower restitution; and \$5 million for penalties, attorney fees and the costs of an administrator to oversee the restitution payments.

Separate from the \$20 million restitution allotment, the settlement requires Ocwen to pay additional restitution to California borrowers harmed by what has come to be known as Ocwen’s “letter-dating” problem. The term refers to instances when Ocwen mailed time-sensitive letters to borrowers after the date on the letter, often by many days. In some cases, the delays endangered borrowers’ ability to obtain loan modifications.

Ocwen estimates it already has paid roughly \$2 million to 3,127 California borrowers harmed by the letter-dating problem. Those borrowers filed claims under a remediation program previously initiated by the company, and that \$2 million is counted as part of the \$225 million. Under the settlement, Ocwen must re-solicit claims from another 19,295 affected borrowers and pay them restitution if they are eligible. That would boost the total value of the settlement above \$225 million.

Additionally, for borrowers sent time-sensitive letters regarding loss mitigation five or more days after the date on the letter, the settlement requires Ocwen to solicit them for all loss mitigation options offered by the company.

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The settlement resolves allegations arising from regulatory examinations of Ocwen's servicing practices, and compliance with state and federal laws and regulations. The examinations were conducted by a third-party auditor pursuant to a January 23, 2015 consent order entered by the DBO and Ocwen. That consent order resolved a previous enforcement action brought by the DBO after Ocwen failed for more than a year to provide loan file information the DBO needed to conduct a routine regulatory examination.

The servicing practices and compliance audits covered the period January 1, 2012 through June 30, 2015. During that period, Ocwen serviced more than 531,000 California loans, according to the firm's data.

The third-party auditor's review found Ocwen committed hundreds of violations of state and federal laws and regulations, including the California Homeowner Bill of Rights (HBOR). Among the findings:

- 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.
- 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.
- 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.

The settlement ends a prohibition on Ocwen acquiring new servicing rights on California mortgages. The prohibition was imposed by the January 2015 consent order. Ocwen must make the \$25 million cash payment before it can acquire new servicing rights.

A third-party selected by the DBO will administer the debt relief and borrower restitution provisions of the settlement. The administrator also will monitor Ocwen's implementation of a previously-approved action plan to correct deficiencies in its servicing practices, policies and procedures.

The DBO licenses and regulates more than 360,000 individuals and entities that provide financial services in California. DBO's regulatory jurisdiction extends over state-chartered banks and credit unions, money transmitters, securities broker-dealers, investment advisers, non-bank installment lenders and payday lenders, mortgage lenders and servicers, escrow companies, franchisors and more.

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