

**STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF BANKING**

IN THE MATTER OF:

OCWEN LOAN SERVICING LLC
NMLS No. 1852
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409

CEASE AND DESIST ORDER

The State of Wisconsin, Department of Financial Institutions, Division of Banking (“Division”), having determined that Ocwen Loan Servicing, LLC, a wholly owned subsidiary of Ocwen Mortgage Servicing, Inc, that is, in turn, a wholly owned subsidiary of Ocwen Financial Corporation, has engaged in, or is engaging in, or is about to engage in, acts or practices constituting violations of state and federal law and applicable regulations, hereby issues the following FINDINGS OF FACT and CEASE AND DESIST ORDER.

A. PARTIES AND JURISDICTION

1. Ocwen Financial Corporation (“OFC”) is a Florida corporation with headquarters in West Palm Beach, Florida. Ocwen Mortgage Servicing, Inc. (“OMS”) is a U.S. Virgin Islands corporation with headquarters in St. Croix, US Virgin Islands and an assigned NMLS identifier number of 1089752. Ocwen Loan Servicing, LLC (“OLS”) is a Delaware limited liability company with headquarters located in West Palm Beach, Florida and an assigned NMLS identifier number of 1852. OLS at all relevant times herein was a wholly-owned subsidiary of OMS, which was a wholly-owned subsidiary of OFC (collectively referred to herein as “Ocwen”).
2. OLS and OMS are licensed by the Division as mortgage bankers under s. 224.72, Stats.
3. The Division has jurisdiction over the licensing and regulation of persons and entities

engaged in the business of residential mortgage loan servicing in Wisconsin pursuant to s. 220.02(2)(g) and subch. III, ch. 224, Stats., and its implementing rules at chs. DFI-Bkg 40 to 44 and 46, Admin.Code.

4. Pursuant to s. 224.74(2), Stats., the Division is authorized to inspect the books, accounts, documents, records, and files of mortgage loan servicers transacting business in Wisconsin to determine compliance with the provisions of subch. III, ch. 224, Stats. Pursuant to s. 224.74(3)(d), Stats., to carry out the purposes of s. 224.74, Stats., the division may accept and rely on investigation or examination reports made by other government officials, in this state or elsewhere.

5. 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. On February 28, 2015, the states of Florida, Maryland, Massachusetts, Mississippi, Montana, and Washington (collectively, the “Examining States”) conducted a Multi-State Examination of Ocwen in order to determine Ocwen’s compliance with applicable federal and state laws and regulations, financial condition, and 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.

B. FINDINGS OF FACT

6. During the examination, the Examining States identified several violations of state and federal law, including, but not limited to, mismanagement of consumer escrow accounts, which resulted in failure to timely pay escrow items, the failure to correctly maintain escrow account minimum balances, and the failure to correctly estimate escrow disbursement amounts. Additionally, it was determined that Ocwen’s financial condition was significantly deteriorating, which impacts Ocwen’s ability to remain in business.

7. The MMC examination found that Ocwen has been unable to accurately manage many of the consumer escrow accounts in its portfolio due to failings of its software and systemic errors made when the escrow accounts were initially transferred to Ocwen. Consumer escrow accounts are accounts that contain consumer funds held for the payment of taxes and insurance. The MMC examination further found that Ocwen failed to make timely disbursements to pay for taxes and insurance from escrow accounts on numerous loans. The MMC examination also found that Ocwen routinely sent consumers inaccurate, confusing and/or misleading escrow statements. Since January 1, 2013, the Division has received 21 consumer complaints against Ocwen relating to consumer escrow accounts.

8. Based on the findings of the examination and subsequent communications with OFC, the state regulators and Ocwen entered into a Memorandum of Understanding (MOU) on December 7, 2016.

9. 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.

10. Ocwen's auditor's response to the state regulators on January 13, 2017, was that the audit and reconciliation of escrow accounts, which is paramount in ensuring the appropriate management of consumer funds, would cost \$1.5 billion and was well beyond Ocwen's financial capacity. Ocwen has suggested instead that a sample of 457 escrow accounts be reconciled out of 2.5 million active first lien escrow accounts that Ocwen has serviced since January 2013. This proposal could leave a vast number of consumers with unaudited and/or inaccurate escrow accounts.

11. The company is currently facing numerous substantiated consumer complaints regarding escrow accounts that have been mismanaged, resulting in significant harm to consumers, and the

requesting of reimbursement of monies wrongfully withheld or misapplied.

12. 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.

13. 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 consumers, it would indicate the company would not continue as a going concern.

C. CONCLUSION OF LAW

14. Based upon the information contained in Paragraphs 1 through 13, the Division has determined that:

a. Ocwen has engaged in, is engaging in, or is about to engage in, acts or practices which warrant the belief that the company no longer demonstrates the character, general fitness and financial responsibility required of a mortgage banker, and is operating in violation of the provisions of subch. III, ch. 224, Stats.

b. The public interest will be irreparably harmed by delay in issuing a cease and desist order to Ocwen.

CEASE AND DESIST ORDER

IT IS HEREBY ORDERED that:

Ocwen shall immediately cease acquiring new mortgage servicing rights, and acquiring or originating new residential mortgages serviced by Ocwen, until Ocwen can show 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; and

Ocwen shall immediately cease from acquiring new mortgage servicing rights, and acquiring or originating new residential mortgages serviced by Ocwen, until Ocwen can provide the state regulators with a third party audit and reconciliation of its escrow accounts showing that consumer funds are appropriately collected, properly calculated, and disbursed accurately and timely.

The provisions of this order shall be binding upon Ocwen and Ocwen's directors, officers, employees, agents, successors, assigns, and other persons participating in the conduct of its affairs. The provisions of the order shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this order shall have been modified, terminated, suspended, or set aside by the Division.

The effective date of this Order shall be the date it is served, and service is complete upon mailing. Secs. 227.48(1), Stats., and DFI—Bkg 11.09, Admin. Code.

Dated and mailed at Madison, Wisconsin this 20th day of April, 2017.

By: _____
Cheryll Olson-Collins, Administrator
Wisconsin Department of Financial Institutions
Division of Banking
P.O. Box 7876
201 W. Washington Avenue, Suite 500
Madison, WI 53707-7876
tel. (608) 267-1707
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APPEAL

Pursuant to Wisconsin Statutes section 224.77(3m), a person whose license has been denied, revoked, suspended, limited, or conditioned may request a hearing under s. 227.44 within 30 days after the date of denial, revocation, suspension, limitation, or conditioning of the license.

The procedures to appeal this order are set forth in s. 227.42, Stats. Pursuant to s. 227.42(1), Stats., any person filing a written request with an agency for hearing shall have the right to a hearing which shall be treated as a contested case if:

- (a) A substantial interest of the person is injured in fact or threatened with injury by agency action or inaction;
- (b) There is no evidence of legislative intent that the interest is not to be protected;
- (c) The injury to the person requesting a hearing is different in kind or degree from injury to the general public caused by the agency action or inaction; and
- (d) There is a dispute of material fact.

All four criteria set forth in s. 227.42(1), Stats., must be met for a person to have the right to a hearing. In particular, the attention of an individual or entity requesting a hearing is directed to the requirement to demonstrate that there is a dispute of material fact regarding the basis or bases for the action being taken by the division.

The request shall be sent to:

Cheryll Olson-Collins, Administrator
Wisconsin Department of Financial Institutions
Division of Banking
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tel. (608) 267-1707