

MISSISSIPPI  
DEPARTMENT OF BANKING AND CONSUMER FINANCE



IN THE MATTER OF:

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

**CEASE AND DESIST ORDER**

The Commissioner, having determined that Ocwen Loan Servicing, LLC has engaged in, or is engaging in, or is about to engage in, acts or practices constituting violations of state law and applicable regulations, hereby issues the following FINDINGS OF FACT and ORDER TO CEASE AND DESIST.

**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 is licensed by the Commissioner as a mortgage lender under Section 81-18-1, et seq., Mississippi Code of 1972, Annotated, also known as the “Mississippi S.A.F.E. Mortgage Act”.

OMS is licensed by the Commissioner as a mortgage lender under Section 81-18-1, et seq., Mississippi Code of 1972, Annotated, also known as the “Mississippi S.A.F.E. Mortgage Act”.

3. The Mississippi Department of Banking and Consumer Finance (DBCF) has jurisdiction over the licensing and regulation of persons and entities engaged in the business of residential mortgage lending, which includes servicing, in Mississippi pursuant to Section 81-18-1, et seq., Mississippi Code of 1972, Annotated.

4. 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 OLS in order to determine 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 OLS covered the period of January 1, 2013 to February 28, 2015. The Report of Examination detailed several concerns, including Mississippi specific findings.

5. Pursuant to Section 81-18-21, Mississippi Code of 1972, Annotated, the DBCF is authorized to inspect the books, accounts, and records of mortgage loan lenders transacting business in Mississippi to determine compliance with the provisions of Section 81-18-1, et seq., Mississippi

Code of 1972, Annotated, and any rule or regulation issued thereunder, and with any law, rule, or regulation applicable to the conduct of the licensed business.

#### 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 borrower escrow accounts, which resulted in the 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 may impact Ocwen's ability to remain in business.

7. The MMC examination found that OLS has been unable to accurately manage many of the consumer escrow accounts in its portfolio. Consumer escrow accounts are accounts that contain consumer funds held for the payment of taxes and insurance. The MMC examination further found that OLS failed to make timely disbursements to pay for taxes and insurance from escrow accounts on numerous loans. The MMC examination also found that OLS routinely sent consumers inaccurate, confusing and/or misleading escrow statements.

8. In 2015, Ocwen failed to provide key financial documents and reconcilements of its financial statements to regulators.

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

10. 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.

11. Ocwen'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 beyond Ocwen's financial capacity. Ocwen has suggested instead that a sample of 457 escrow accounts be audited 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 with unaudited and/or inaccurate escrow accounts.

12. The company is currently facing numerous substantiated consumer complaints regarding escrow accounts that have been mismanaged, resulting in significant harm to consumers, and requesting reimbursement of monies wrongfully withheld or misapplied.

13. The MOU required Ocwen to provide, among other things, a viable future 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.

14. 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 struggle to continue as a going concern.

### C. CONCLUSION OF LAW

15. Based upon the information contained in Paragraphs 1 through 14 and the MMC Report of Examination, the Commissioner has determined that:

a. Ocwen has engaged in, is engaging in, or is about to engage in, acts or practices which warrant the reasonable belief that the company is not operating honestly, fairly, soundly, and efficiently in the public interest, and /or is in violation of standards governing the licensing and conduct of a mortgage loan lender, including, but not limited to, the provisions of Sections 81-18-27(1)(c)(d)(f)(g) and 81-18-36 Mississippi Code of 1972, Annotated.

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

### **CEASE AND DESIST ORDER**

**IT IS HEREBY ORDERED** that:

Pursuant to 81-18-43(1)(e), Mississippi Code of 1972, Annotated, with regards to Mississippi residential mortgage loans, OLS shall immediately cease acquiring new mortgage servicing rights, and acquiring or originating new residential mortgages serviced by OLS, 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;

OLS shall immediately cease from acquiring new mortgage servicing rights, and acquiring or originating new Mississippi residential mortgages serviced by OLS, until OLS can provide the DBCF with a third party audit of its escrow accounts associated with any Mississippi residential mortgage loans demonstrating that consumer escrow funds are appropriately collected, properly calculated, and disbursed accurately and timely; and make any and all corrections of whatever type

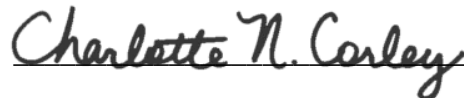
necessary to remedy all mistakes, errors, and improprieties occurring in the past due to OLS's actions; and

This Order is effective immediately upon signing and shall remain in effect unless set aside, released, limited, or suspended by the Commissioner or upon court order by a court of competent jurisdiction.

This Order shall not be construed as approving any act, practice, or conduct not specifically set forth herein which was, is, or may be in violation of relevant state or federal laws and regulations.

The DBCF will post a copy of this Order and any subsequent final order or decision in this matter to the NMLS under regulatory actions which will be viewable by regulators and the public.

So Ordered, this the 20<sup>th</sup> day of April, 2017.

A handwritten signature in black ink that reads "Charlotte N. Corley". The signature is written in a cursive style with a horizontal line underneath the name.

Charlotte N. Corley, Commissioner