

Office of  
**Mortgage Settlement**  
Oversight

# *An Update on Ocwen's Compliance*

A Report from the Monitor of the National Mortgage Settlement



October 22, 2015

# Introduction

I filed a compliance report with the United States District Court for the District of Columbia (the Court) today that provides the results of my tests on Ocwen's compliance with the National Mortgage Settlement (Settlement or NMS) servicing standards during the third and fourth calendar quarters of 2014. This report is the first that addresses Ocwen's compliance on its entire portfolio, which includes both the loan portfolio acquired from the ResCap Parties and all other loans serviced by Ocwen in its mortgage loan portfolio.<sup>1</sup>

Ocwen failed four metrics in the second half of 2014. In addition, several metrics with timeline requirements were deemed failures in that time as part of Ocwen's Global Corrective Action Plan (Global CAP) to address its incorrect dating of borrower correspondence. In all, ten metrics were subject to individual corrective action plans (CAP), the Global CAP or both as of the fourth quarter 2014.

This report covers the results of my professionals' testing of Ocwen's performance in the second half of 2014 and the development and implementation of the corrective action plans and Global CAP. Ocwen and my professionals have continued reporting and testing on compliance for the first half of 2015, including providing updates on the status of the corrective action plans and the Global CAP and their associated remediation plans. I will report on the results of those activities in the near future.

Sincerely,



Joseph A. Smith, Jr.

<sup>1</sup> The Court separately entered a consent judgment between Ocwen and government parties on February 26, 2014, as part of the NMS, thereby subjecting Ocwen's entire portfolio to the Settlement's requirements. Accordingly, beginning the third quarter of 2014, Ocwen's entire portfolio is subject to the Settlement's requirements.

Results

In the third and fourth quarters of 2014, Ocwen failed four metrics. These were Metrics 7, 23 and 31 during the third quarter of 2014 and Metric 8 during the fourth quarter of 2014.

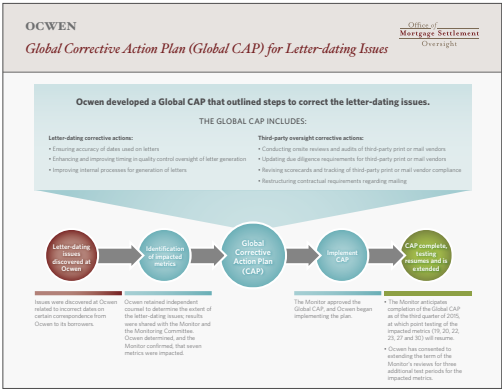
Additionally, Ocwen and I agreed that seven metrics (Metrics 12, 19, 20, 22, 23, 27 and 30) would be deemed failures due to Ocwen’s letter-dating issues.<sup>2</sup> Ocwen is addressing the metrics related to letter-dating issues through a Global CAP that I have approved and the Monitoring Committee has reviewed. I provided an overview of the Global CAP in my last [report](#).

SCORECARD: Ocwen

The Monitor's Secondary Professional Firm (SPF) assigned to Ocwen, Baker Tilly Virchow Krause, LLP, measured Ocwen's compliance results for 28 metrics for the third quarter of 2014 and 27 metrics for the fourth quarter of 2014. The chart below illustrates Ocwen's metric testing results.

METRIC NAME	METRIC NUMBER	CALENDAR QUARTER	THRESHOLD ERROR RATE	RETEST DUE DATE & STATUS	METRIC NAME	METRIC NUMBER	CALENDAR QUARTER	THRESHOLD ERROR RATE	RETEST DUE DATE & STATUS
Exemption rate in force	12.01	Q3	0.00%	Pass	Complete response timeliness	19.01.01	Q3	0.00%	Pass
Incorrect modification denial	23.01	Q3	0.00%	Pass	Loan modification document collection timeliness compliance	19.01.02	Q3	0.00%	Pass
Affidavit of independent third-party verification	31.01	Q3	0.00%	Pass	Loan modification document/affidavit timeliness compliance	19.01.03	Q3	0.00%	Pass
Proof of Claim (POC)	6.01	Q3	0.00%	Pass	Loan modification complete timeliness compliance	19.01.04	Q3	0.00%	Pass
Notice for Relief from Due (NRF) efforts	6.02	Q3	0.00%	Pass	Short Sale document collection timeliness compliance	19.01.05	Q3	0.00%	Pass
Pre-foreclosure initiation	6.03	Q3	0.00%	Pass	Change of application fees for delinquency	23.01.01	Q3	0.00%	Pass
Pre-foreclosure initiation notification	17.01	Q3	0.00%	Pass	Short Sale initiation notice for delinquency	23.01.02	Q3	0.00%	Pass
Fee advance to guidance	6.04	Q3	0.00%	Pass	Change of interest to delinquency	23.01.03	Q3	0.00%	Pass
Refinance to complete payment processing	19.01	Q3	0.00%	Pass	Change of interest to delinquency	23.01.04	Q3	0.00%	Pass
Acceleration of certain waived fees	19.02	Q3	0.00%	Pass	Change of interest to delinquency	23.01.05	Q3	0.00%	Pass
Life fees advance to guidance	19.03	Q3	0.00%	Pass	Change of interest to delinquency	23.01.06	Q3	0.00%	Pass
Third-party vendor management	19.04	Q3	0.00%	Pass	Change of interest to delinquency	23.01.07	Q3	0.00%	Pass
Exemption rate	12.02	Q3	0.00%	Pass	Change of interest to delinquency	23.01.08	Q3	0.00%	Pass
Single Point of Contact (SPOC)	19.05	Q3	0.00%	Pass	Change of interest to delinquency	23.01.09	Q3	0.00%	Pass
Timeliness Management	19.06	Q3	0.00%	Pass	Change of interest to delinquency	23.01.10	Q3	0.00%	Pass
Affidavit of independent third-party verification	31.02	Q3	0.00%	Pass	Change of interest to delinquency	23.01.11	Q3	0.00%	Pass
Account status activity	19.07	Q3	0.00%	Pass	Change of interest to delinquency	23.01.12	Q3	0.00%	Pass

See **Appendix i** for larger version



See **Appendix ii** for larger version

<sup>2</sup> As detailed in my previous reports, these Potential Violations stemming from letter-dating issues were deemed to have occurred in the third calendar quarter of 2014. While considered a Potential Violation for purposes of addressing the letter-dating issues, Metric 19 was previously identified as a Potential Violation in the first quarter of 2014 for reasons unrelated to the letter-dating issues and was already under a corrective action plan as of the third quarter of 2014. Metric 23 also exceeded the threshold error rate allowed under the settlement in the third quarter of 2014 for reasons unrelated to the letter-dating issues.

The four metrics that Ocwen failed and that were unrelated to the letter-dating issues are listed here:

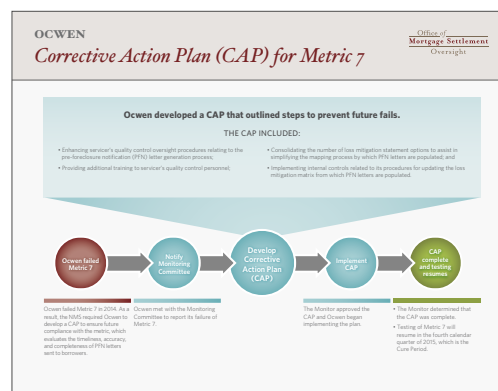
Metric 7 evaluates the timeliness, accuracy and completeness of pre-foreclosure initiation notification (PFN) letters sent to borrowers.

Metric 8 tests whether the servicer complied with servicing standards regarding the propriety of default-related fees (e.g., property preservation fees, valuation fees and attorneys' fees) collected from borrowers.

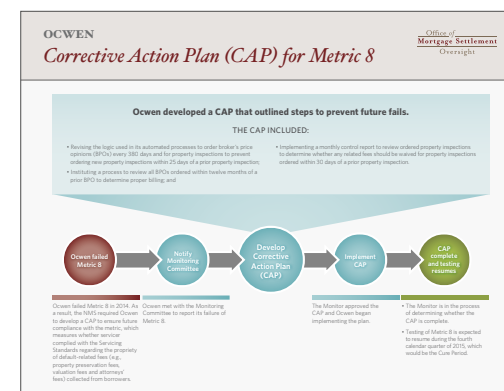
Metric 23 tests the servicer's compliance with the requirement to notify borrowers of any missing documents within 30 days of a borrower's request for a short sale.

Metric 31 tests whether the servicer sent a denial notification to a borrower that included the reason for the denial, the factual information considered by the servicer in making its decision and a timeframe by which the borrower can provide evidence that an eligibility determination was made in error.

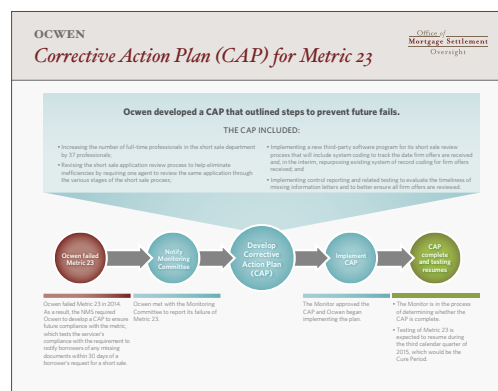
Additionally, Metric 29, which was under a CAP due to a Potential Violation detailed in a prior report, resumed testing in the fourth quarter of 2014, which was the cure period. Ocwen passed Metric 29, and this Potential Violation is cured.



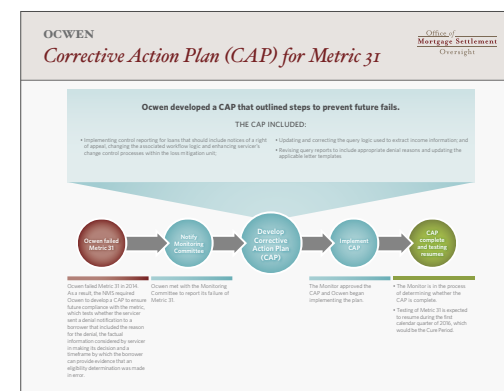
See **Appendix iii** for larger version



See **Appendix iv** for larger version



See **Appendix vi** for larger version



See **Appendix viii** for larger version

# Conclusion

The work involved to date has been extensive, but Ocwen still has more work to do. I will continue to report to the Court and to the public on Ocwen's progress in an ongoing and transparent manner.

I anticipate that Ocwen will complete its corrective actions related to the letter-dating issues and that the IRG will resume its testing of the impacted metrics later this year or in early 2016. I will continue to monitor these important issues closely through the extended term of December 31, 2017, and will report my findings to the public as they are available.

# *Appendix*



# SCORECARD:

# Ocwen

The Monitor's Secondary Professional Firm (SPF) assigned to Ocwen, Baker Tilly Virchow Krause, LLP, reviewed Ocwen's compliance results for 28 metrics for the third quarter of 2014 and 21 metrics for the fourth quarter of 2014. The chart below illustrates Ocwen's metric testing results.

Office of  
**Mortgage Settlement**  
Oversight

METRIC NAME	METRIC NUMBER	CALENDAR QUARTER	THRESHOLD ERROR RATE	RESULT (ERROR RATE IF FAILED)	METRIC NAME	METRIC NUMBER	CALENDAR QUARTER	THRESHOLD ERROR RATE	RESULT (ERROR RATE IF FAILED)
Foreclosure sale in error	1 (1.A)	Q3	1.00%	Pass	Complaint response timeliness	18 (6.A)	Q3	5.00%	Pass
		Q4	1.00%	Pass			Q4	5.00%	Pass
Incorrect modification denial	2 (1.B)	Q3	5.00%	Pass	Loan modification document collection timeline compliance	19 (6.B.i)	Q3	5.00%	Under CAP and Deemed Fail
		Q4	5.00%	Pass			Q4	5.00%	Under CAP and Global CAP
Affidavit of Indebtedness (AOI) preparation	3 (2.A)	Q3	5.00%	Pass	Loan modification decision/ notification timeline compliance	20 (6.B.ii)	Q3	10.00%	Deemed Fail
		Q4	5.00%	Pass			Q4	10.00%	Under Global CAP
Proof of Claim (POC)	4 (2.B)	Q3	5.00%	Pass	Loan modification appeal timeline compliance	21 (6.B.iii)	Q3	10.00%	Pass
		Q4	5.00%	Pass			Q4	10.00%	Pass
Motion for Relief from Stay (MRS) affidavits	5 (2.C)	Q3	5.00%	Pass	Short Sale decision timeline compliance	22 (6.B.iv)	Q3	10.00%	Deemed Fail
		Q4	5.00%	Pass			Q4	10.00%	Under Global CAP
Pre-foreclosure initiation	6 (3.A)	Q3	5.00%	Pass	Short Sale document collection timeline compliance	23 (6.B.v)	Q3	5.00%	Fail - 12.50% and Deemed Fail
		Q4	5.00%	Pass			Q4	5.00%	Under CAP and Global CAP
Pre-foreclosure initiation notifications	7 (3.B)	Q3	5.00%	Fail - 8.91%	Charge of application fees for loss mitigation	24 (6.B.vi)	Q3	1.00%	Pass
		Q4	5.00%	Under CAP			Q4	1.00%	Pass
Fee adherence to guidance	8 (4.A)	Q3	5.00%	Pass	Short Sale inclusion notice for deficiency	25 (6.B.vii.a)	Q3	5.00%	Pass
		Q4	5.00%	Fail - 10.90%			Q4	5.00%	Pass
Adherence to customer payment processing	9 (4.B)	Q3	5.00%	Pass	Dual track referred to foreclosure	26 (6.B.viii.a)	Q3	5.00%	Pass
		Q4	5.00%	Pass			Q4	5.00%	Pass
Reconciliation of certain waived fees	10 (4.C)	Q3	5.00%	Pass	Dual track failure to postpone foreclosure	27 (6.B.viii.b)	Q3	5.00%	Deemed Fail
		Q4	5.00%	Pass			Q4	5.00%	Under Global CAP
Late fees adherence to guidance	11 (4.D)	Q3	5.00%	Pass	Force-placed insurance timeliness of notices	28 (6.C.i)	Q3	5.00%	Pass
		Q4	5.00%	Pass			Q4	5.00%	Pass
Third-party vendor management	12 (5.A)	Q3	N/A	Deemed Fail	Force-placed insurance termination	29 (6.C.ii)	Q3	5.00%	Under CAP
		Q4	N/A	Under Global CAP			Q4	5.00%	Pass
Customer portal	13 (5.B)	Q3	N/A	Pass	Loan Modification Process	30 (7.A)	Q3	5.00%	Deemed Fail
		Q4	N/A	Pass			Q4	5.00%	Under Global CAP
Single Point of Contact (SPOC)*	14 (5.C)	Q3	5.00%	Pass	Loan Modification Denial Notice Disclosure	31 (7.B)	Q3	5.00%	Fail - 31.10%
		Q4	5.00%	Pass			Q4	5.00%	Under CAP
Workforce Management	15 (5.D) **	Q3	N/A	X	SPOC Implementation and Effectiveness***	32 (7.C)	Q3	5.00%	Pass
		Q4	N/A	X			Q4	5.00%	Pass
Affidavit of Indebtedness (AOI) integrity	16 (5.E) **	Q3	N/A	X	Billing Statement Accuracy	33 (7.D)	Q3	5.00%	Pass
		Q4	N/A	X			Q4	5.00%	Pass
Account status activity	17 (5.F) **	Q3	N/A	X	Transfer of Servicing Rights	34 (6.D.i)	Q3	5.00%	X*
		Q4	N/A	X			Q4	5.00%	X**

\*Test question 4 only. \*\*Policy and procedure metric that is tested once a year. \*\*\*Test Question 1 only. **N/A:** Threshold error rate not applicable. **X:** Metric was not tested in that specific test period. **Under CAP:** Metric was not tested in that specific test period since it was under a CAP. **Under Global CAP:** This Metric was under the Global CAP because of Ocwen's letter-dating issues, therefore a Potential Violation was deemed to have occurred in the third quarter of 2014 even if the Metric's Threshold Error Rate had not been exceeded. **X\*:** This Metric was not in effect during the third calendar quarter of 2014. **X\*\*:** This Metric was not tested in that specific period because servicer did not have any loans that met the loan testing population criteria.

# Global Corrective Action Plan (Global CAP) for Letter-dating Issues

**Ocwen developed a Global CAP that outlined steps to correct the letter-dating issues.**

## THE GLOBAL CAP INCLUDES:

### Letter-dating corrective actions:

- Ensuring accuracy of dates used on letters
- Enhancing and improving timing in quality control oversight of letter generation
- Improving internal processes for generation of letters

### Third-party oversight corrective actions:

- Conducting onsite reviews and audits of third-party print or mail vendors
- Updating due diligence requirements for third-party print or mail vendors
- Revising scorecards and tracking of third-party print or mail vendor compliance
- Restructuring contractual requirements regarding mailing



Issues were discovered at Ocwen related to incorrect dates on certain correspondence from Ocwen to its borrowers.

Ocwen retained independent counsel to determine the extent of the letter-dating issues; results were shared with the Monitor and the Monitoring Committee. Ocwen determined, and the Monitor confirmed, that seven metrics were impacted.

The Monitor approved the Global CAP, and Ocwen began implementing the plan.

- The Monitor anticipates completion of the Global CAP as of the third quarter of 2015, at which point testing of the impacted metrics (19, 20, 22, 23, 27 and 30) will resume.
- Ocwen has consented to extending the term of the Monitor's reviews for three additional test periods for the impacted metrics.



# Corrective Action Plan (CAP) for Metric 7

**Ocwen developed a CAP that outlined steps to prevent future fails.**

**THE CAP INCLUDED:**

- Enhancing servicer's quality control oversight procedures relating to the pre-foreclosure notification (PFN) letter generation process;
- Providing additional training to servicer's quality control personnel;
- Consolidating the number of loss mitigation statement options to assist in simplifying the mapping process by which PFN letters are populated; and
- Implementing internal controls related to its procedures for updating the loss mitigation matrix from which PFN letters are populated.



Ocwen failed Metric 7 in 2014. As a result, the NMS required Ocwen to develop a CAP to ensure future compliance with the metric, which evaluates the timeliness, accuracy, and completeness of PFN letters sent to borrowers.

Ocwen met with the Monitoring Committee to report its failure of Metric 7.

The Monitor approved the CAP and Ocwen began implementing the plan.

- The Monitor determined that the CAP was complete.
- Testing of Metric 7 will resume in the fourth calendar quarter of 2015, which is the Cure Period.

# Corrective Action Plan (CAP) for Metric 8

**Ocwen developed a CAP that outlined steps to prevent future fails.**

**THE CAP INCLUDED:**

- Revising the logic used in its automated processes to order broker's price opinions (BPOs) every 380 days and for property inspections to prevent ordering new property inspections within 25 days of a prior property inspection;
- Implementing a monthly control report to review ordered property inspections to determine whether any related fees should be waived for property inspections ordered within 30 days of a prior property inspection.
- Instituting a process to review all BPOs ordered within twelve months of a prior BPO to determine proper billing; and



Ocwen failed Metric 8 in 2014. As a result, the NMS required Ocwen to develop a CAP to ensure future compliance with the metric, which measures whether servicer complied with the Servicing Standards regarding the propriety of default-related fees (e.g., property preservation fees, valuation fees and attorneys' fees) collected from borrowers.

Ocwen met with the Monitoring Committee to report its failure of Metric 8.

The Monitor approved the CAP and Ocwen began implementing the plan.

- The Monitor is in the process of determining whether the CAP is complete.
- Testing of Metric 8 is expected to resume during the fourth calendar quarter of 2015, which would be the Cure Period.

# Corrective Action Plan (CAP) for Metric 19

## Ocwen developed a CAP that outlined steps to prevent future fails.

### THE CAP INCLUDED:

- Eliminating the use of the “hold queue” for loans that had property valuations on order, which was the cause of the technology issues that had created the workflow queue problems;
- Making significant increases in staffing, including hiring approximately 175 new full-time employees between January 2014 and November 2014;
- Implementing daily control reporting to monitor the processing of loan modification applications and to notify management of any missing information letters not sent within three days of receipt of the initial loan modification application;
- Appointing a new, experienced manager to oversee these process improvements.



Ocwen failed Metric 19 in 2014. As a result, the NMS required Ocwen to develop a CAP to ensure future compliance with the metric, which measures whether the servicer notified the borrower of any missing or incomplete documents in a loan modification application within five days of receipt.

Ocwen met with the Monitoring Committee to report its failure of Metric 19.

The Monitor approved the CAP and Ocwen began implementing the plan.

- The Monitor determined that the CAP was complete.
- Testing of Metric 19 will resume during the third quarter of 2015, which is the Cure Period.

# Corrective Action Plan (CAP) for Metric 23

## Ocwen developed a CAP that outlined steps to prevent future fails.

### THE CAP INCLUDED:

- Increasing the number of full-time professionals in the short sale department by 37 professionals;
- Revising the short sale application review process to help eliminate inefficiencies by requiring one agent to review the same application through the various stages of the short sale process;
- Implementing a new third-party software program for its short sale review process that will include system coding to track the date firm offers are received and, in the interim, repurposing existing system of record coding for firm offers received; and
- Implementing control reporting and related testing to evaluate the timeliness of missing information letters and to better ensure all firm offers are reviewed.



Ocwen failed Metric 23 in 2014. As a result, the NMS required Ocwen to develop a CAP to ensure future compliance with the metric, which tests the servicer's compliance with the requirement to notify borrowers of any missing documents within 30 days of a borrower's request for a short sale.

Ocwen met with the Monitoring Committee to report its failure of Metric 23.

The Monitor approved the CAP and Ocwen began implementing the plan.

- The Monitor is in the process of determining whether the CAP is complete.
- Testing of Metric 23 is expected to resume during the third calendar quarter of 2015, which would be the Cure Period.

# Corrective Action Plan (CAP) for Metric 29

**Ocwen developed a CAP that outlined steps to prevent future fails.**

## THE CAP INCLUDED:

- Making updates to servicer's third party vendor's system and enhancements to its document identification process;
- Re-training by servicer's third party vendor of its employees;
- Developing a daily report to track all borrowers who are owed FPI refunds, which is reviewed by both servicer and its third party vendor; and
- Transitioning its FPI activities to a new vendor, which servicer began in June 2014.



Ocwen failed Metric 29 in 2014. As a result, the NMS required Ocwen to develop a CAP to ensure future compliance with the metric, which evaluates whether the servicer terminates force-placed insurance (FPI) and refunds premiums to affected borrowers within 15 days of receipt of evidence of insurance.

Ocwen met with the Monitoring Committee to report its failure of Metric 29.

The Monitor approved the CAP and Ocwen implemented the plan.

- The Monitor determined that the CAP was complete.
- Testing of Metric 29 resumed during the fourth calendar quarter of 2014, which was the Cure Period.
- Ocwen reported, and the Monitor confirmed, that servicer passed Metric 29 during the cure period.

# Corrective Action Plan (CAP) for Metric 31

Ocwen developed a CAP that outlined steps to prevent future fails.

## THE CAP INCLUDED:

- Implementing control reporting for loans that should include notices of a right of appeal, changing the associated workflow logic and enhancing servicer's change control processes within the loss mitigation unit;
- Updating and correcting the query logic used to extract income information; and
- Revising query reports to include appropriate denial reasons and updating the applicable letter templates



Ocwen failed Metric 31 in 2014. As a result, the NMS required Ocwen to develop a CAP to ensure future compliance with the metric, which tests whether the servicer sent a denial notification to a borrower that included the reason for the denial, the factual information considered by servicer in making its decision and a timeframe by which the borrower can provide evidence that an eligibility determination was made in error.

Ocwen met with the Monitoring Committee to report its failure of Metric 31.

The Monitor approved the CAP and Ocwen began implementing the plan.

- The Monitor is in the process of determining whether the CAP is complete.
- Testing of Metric 31 is expected to resume during the first calendar quarter of 2016, which would be the Cure Period.