

Office of
Mortgage Settlement
Oversight

Update on Ocwen's Consumer Relief and Compliance

A Report from the Monitor of the National Mortgage Settlement



April 28, 2016

Introduction

I have continued my reviews of Ocwen's consumer relief and compliance obligations under the National Mortgage Settlement (NMS or Settlement). The following is a summary of the reports I filed with the United States District Court for the District of Columbia (the Court) on Ocwen's progress through September 30, 2015, toward meeting its consumer relief obligations and Ocwen's compliance with the Settlement. This report addresses Ocwen's consumer relief and 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.¹

As a result of my review of the IRG's work papers for Ocwen's claimed consumer relief credit through September 30, 2015, I have credited Ocwen with \$1,246,442,217 toward its consumer relief obligation. In total, I have credited Ocwen with \$2,127,661,401 in consumer relief credit and have determined that Ocwen has exceeded its consumer relief obligations.

Testing Ocwen on its consumer relief and compliance for the first and second quarters 2015 involved my primary professional firms, secondary professional firms and other professionals. Together, these professionals dedicated approximately 19,056 hours over a five-month period.

Also based on extensive review, I conclude that Ocwen did not fail any of the compliance metrics tested during the first half of 2015 and continues to work on corrective action plans designed to fix past fails.

In October 2015, I reported that Ocwen failed four metrics in the second half of 2014.² In addition, I deemed several metrics with timeline requirements also to be failures during that time as part of Ocwen's Global Corrective Action Plan (Global CAP) to address its incorrect dating of borrower correspondence. As of the first quarter of 2015, there were ten metrics under a corrective action plan (CAP), the Global CAP or both. In this report, I provide updates on the current status of Ocwen's cure efforts for the remaining metrics under CAPs, specifically Metrics 7, 8, 19, 23 and 31, as well as the Global CAP.

I am committed to making sure Ocwen correctly implements its plans to fix the issues that caused these failures and to remediate potential harm done to borrowers. I will continue reporting to the Court and the public on its progress.

Sincerely,



Joseph A. Smith, Jr.

¹ 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 2014, Ocwen's entire portfolio is subject to the Settlement's requirements.

² Ocwen failed Metrics 7, 23 and 31 in the third quarter 2014 and Metric 8 in the fourth quarter 2014.

Consumer Relief Testing and Results

Under the NMS, Ocwen Financial Corporation and Ocwen Loan Servicing, LLC (collectively, Ocwen) is required to provide \$2 billion in consumer relief by February 26, 2017.

In August, I credited Ocwen with \$881,219,183 toward its consumer relief obligation for certain activities completed through December 31, 2014. Ocwen's IRG subsequently reported consumer relief credit of \$1,246,478,441 for additional activities completed through September 30, 2015. My Primary Professional Firm (PPF), BDO Consulting, a division of BDO USA, LLP, reviewed the IRG's assertion. After completing loan-level testing, my professionals determined that Ocwen's IRG validated the consumer relief amounts and that Ocwen is entitled to consumer relief credit of \$1,246,442,217 toward its consumer relief obligation. In total, I have credited Ocwen with \$2,127,661,401 and have determined that Ocwen has exceeded its \$2 billion consumer relief obligation.³

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³ Through its review process, the PPF determined that there was a duplicate loan included within the IRG Assertion for the Second Testing Period. The IRG subsequently confirmed the same. Thus, it was concluded that the servicer was entitled to claim credit in the amount of \$1,246,442,217 through 14,941 First Lien Mortgage Modifications and that the total claimed credit reported as of September 30, 2015, is \$2,127,661,401, through 23,802 First Lien Mortgage Modifications.

Non-Creditable Requirements

In addition to its consumer relief activities, Ocwen is required to meet certain non-creditable requirements under the Settlement. These non-creditable requirements require that the servicer's policies not disfavor borrowers in any specific geography or discriminate against any protected class of borrowers. In addition, servicers must not require a borrower to waive or release legal claims as a condition of approval for relief and may not receive any consumer relief credit for federal or state incentive payments Ocwen received for modifications made under federal or proprietary programs.

I conducted additional due diligence procedures to assure Ocwen is complying with these non-creditable requirements of the Settlement. Those procedures, in conjunction with the loan-level testing described earlier in this report, lead me to conclude that I have no reason to believe that Ocwen has not met the policy and procedure requirements outlined in the Settlement.

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Under the Settlement, I am required to identify any material inaccuracies in the State Reports that Ocwen files. As part of my review, I have undertaken procedures to identify any such material inaccuracies. Based upon the results of those procedures, I have determined that Ocwen's States Reports did not contain any material inaccuracies.

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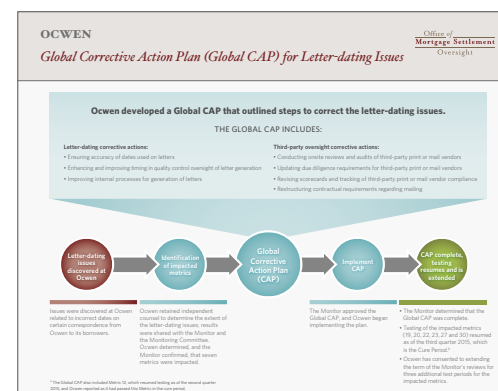
Compliance Results

During the first and second quarters 2015, Ocwen did not fail any of the metrics tested. In October 2015, I reported that Ocwen failed Metrics 7, 23 and 31 in the third quarter 2014 and Metric 8 in the fourth quarter 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.⁴ I outlined Ocwen's Global CAP to address these issues in my [previous report](#).

Below are updates on Ocwen's progress in implementing CAPs and the Global CAP to address these fails.⁵

METRIC NAME	METRIC NUMBER	TEST PERIOD	THRESHOLD ERROR RATE	RETEST STATUS	METRIC NAME	METRIC NUMBER	TEST PERIOD	THRESHOLD ERROR RATE	RETEST STATUS
Test document date/descriptor	19	01/01/15 - 03/31/15	1.00%	Pass	Complete document compliance	19	01/01/15 - 03/31/15	1.00%	Pass
Incorrect modification descriptor	23	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document	23	01/01/15 - 03/31/15	1.00%	Fail
Absence of Indemnification (AID) statement	31	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	31	01/01/15 - 03/31/15	1.00%	Fail
Proof of Close (POC)	20	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	20	01/01/15 - 03/31/15	1.00%	Fail
Letter for Refill from the (MLO) attorney	12	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	12	01/01/15 - 03/31/15	1.00%	Fail
Pre-fraud notice initiation	19	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	19	01/01/15 - 03/31/15	1.00%	Fail
Fee adherence to guidance	19	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	19	01/01/15 - 03/31/15	1.00%	Fail
Adherence to customer payment processing	19	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	19	01/01/15 - 03/31/15	1.00%	Fail
Reconciliation of various account fees	19	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	19	01/01/15 - 03/31/15	1.00%	Fail
Loan fees adherence to guidance	19	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	19	01/01/15 - 03/31/15	1.00%	Fail
Third party vendor management	19	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	19	01/01/15 - 03/31/15	1.00%	Fail
Customer portal	19	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	19	01/01/15 - 03/31/15	1.00%	Fail
Single Point of Contact (SPCOT)	19	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	19	01/01/15 - 03/31/15	1.00%	Fail
Business process compliance	19	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	19	01/01/15 - 03/31/15	1.00%	Fail
Absence of Indemnification (AID) integrity	31	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	31	01/01/15 - 03/31/15	1.00%	Fail
Account status activity	19	01/01/15 - 03/31/15	1.00%	Fail	Loan modification document/	19	01/01/15 - 03/31/15	1.00%	Fail

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⁴ As detailed in my previous reports, the fails stemming from letter-dating issues were deemed to have occurred in the third quarter 2014. While considered a fail for purposes of addressing the letter-dating issues, Metric 19 was previously identified as a fail in the first quarter 2014 for reasons unrelated to the letter-dating issues and was already under a CAP as of the third quarter 2014. Metric 23 also exceeded the threshold error rate allowed under the settlement in the third quarter 2014 for reasons unrelated to the letter-dating issues.

⁵ Testing resumed for Metric 12 as of the second quarter 2015. Ocwen reported, and I confirmed, that Ocwen passed Metric 12 during the cure period.

Metric 7 evaluates the timeliness, accuracy and completeness of pre-foreclosure initiation notification (PFN) letters sent to borrowers. After my reviews, I determined that the CAP for Metric 7 is complete, and testing resumed as of the fourth quarter 2015. I will report on whether the Metric 7 fail has been cured in my next report.

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. After my reviews, I determined that the CAP for Metric 8 is complete, and testing will resume as of the second quarter 2016.

Metric 19 tests whether the servicer complied with servicing standards regarding timeliness for responding to borrowers about missing or incomplete information relating to loan modification packages. I previously reported that the CAP was complete for Metric 19 and testing would resume as of the third quarter 2015. I will report on whether the Metric 19 fail has been cured in my next report.

Metric 23 tests the servicer's compliance with the requirement to notify borrowers of any missing documents within 30 days of receiving a borrower's

request for a short sale. After my reviews, I determined that the CAP for Metric 23 is complete, and testing resumed as of the third quarter 2015. I will report on whether the Metric 23 fail has been cured in my next report.

Metric 31 tests whether the servicer sent a loan modification 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 the decision was made in error. Ocwen has encountered delays in completing the implementation of the CAP. Ocwen's delays appears to be related to difficulties in resolving certain technical issues that originally led to this metric failure. As a result, Ocwen submitted and I approved a revised Metric 31 CAP to address the cause of the technical issues. Ocwen recently informed me that the implementation of its Metric 31 CAP is now complete. If I determine that the CAP has been implemented, Ocwen expects testing to resume as of the second quarter 2016.

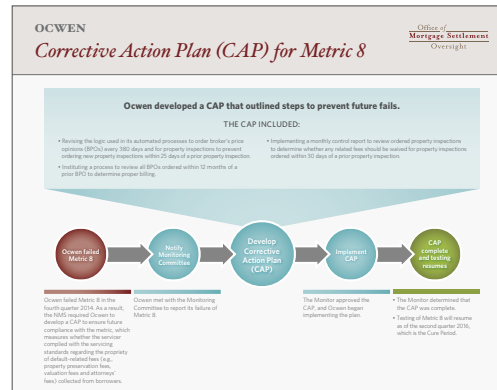
Ocwen notified me in October 2015 that it completed the Global CAP and concluded that the corrective actions were effective in remedying the letter-dating issues. After my reviews, I determined that the Global CAP is complete. Testing of the Global CAP metrics (19, 20, 22, 23, 27 and 30) will resume as of the third quarter 2015.⁶ I will report on whether these deemed fails due to the letter-dating issues have been cured in my next report.

⁶The Global CAP also included Metric 12, which resumed testing as of the second quarter 2015, and Ocwen reported as it had passed this metric in the cure period.

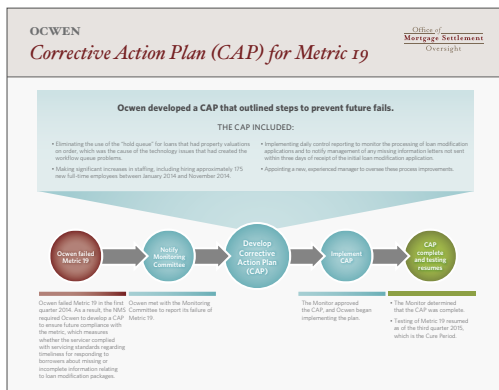
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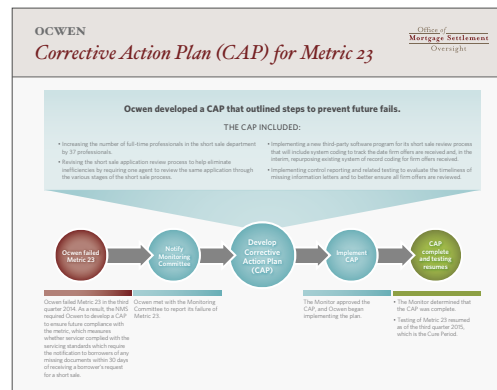
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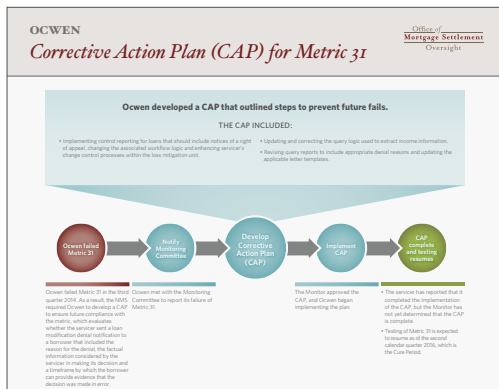
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Ocwen has satisfied its consumer relief obligation under the Settlement. In total, Ocwen has provided \$2.1 billion in consumer relief and helped 23,802 borrowers through First Lien Mortgage Modifications. I am committed to making sure Ocwen continues its compliance with servicing standards under the Settlement through metrics testing. I am also working to ensure that these corrective actions work and testing resumes on all metrics as soon as possible. I will continue to report my findings on Ocwen's compliance to the Court and the public.

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The Monitor's Secondary Professional Firm (SPF) assigned to Ocwen, Baker Tilly Virchow Krause, LLP, tested the IRG's work on 23 metrics during the first quarter 2015 and 21 metrics during the second quarter 2015. The chart below illustrates the results of the IRG's tests.

METRIC NAME	METRIC NUMBER	TEST PERIOD	THRESHOLD ERROR RATE	RESULT (ERROR RATE IF FAILED)	METRIC NAME	METRIC NUMBER	TEST PERIOD	THRESHOLD ERROR RATE	RESULT (ERROR RATE IF FAILED)
Foreclosure sale in error	1 (1.A)	Q1 2015	1.00%	Pass	Complaint response timeliness	18 (6.A)	Q1 2015	5.00%	Pass
		Q2 2015	1.00%	Pass			Q2 2015	5.00%	Pass
Incorrect modification denial	2 (1.B)	Q1 2015	5.00%	Pass	Loan modification document collection timeline compliance	19 (6.B.i)	Q1 2015	5.00%	Under CAP and Global CAP
		Q2 2015	5.00%	Pass			Q2 2015	5.00%	Under CAP and Global CAP
Affidavit of Indebtedness (AOI) preparation	3 (2.A)	Q1 2015	5.00%	Pass	Loan modification decision/ notification timeline compliance	20 (6.B.ii)	Q1 2015	10.00%	Under Global CAP
		Q2 2015	5.00%	Pass			Q2 2015	10.00%	Under Global CAP
Proof of Claim (POC)	4 (2.B)	Q1 2015	5.00%	Pass	Loan modification appeal timeline compliance	21 (6.B.iii)	Q1 2015	10.00%	Pass
		Q2 2015	5.00%	Pass			Q2 2015	10.00%	Pass
Motion for Relief from Stay (MRS) affidavits	5 (2.C)	Q1 2015	5.00%	Pass	Short Sale decision timeline compliance	22 (6.B.iv)	Q1 2015	10.00%	Under Global CAP
		Q2 2015	5.00%	Pass			Q2 2015	10.00%	Under Global CAP
Pre-foreclosure initiation	6 (3.A)	Q1 2015	5.00%	Pass	Short Sale document collection timeline compliance	23 (6.B.v)	Q1 2015	5.00%	Under CAP and Global CAP
		Q2 2015	5.00%	Pass			Q2 2015	5.00%	Under CAP and Global CAP
Pre-foreclosure initiation notifications	7 (3.B)	Q1 2015	5.00%	Under CAP	Charge of application fees for loss mitigation	24 (6.B.vi)	Q1 2015	1.00%	Pass
		Q2 2015	5.00%	Under CAP			Q2 2015	1.00%	Pass
Fee adherence to guidance	8 (4.A)	Q1 2015	5.00%	Under CAP	Short Sale inclusion notice for deficiency	25 (6.B.vii.a)	Q1 2015	5.00%	Pass
		Q2 2015	5.00%	Under CAP			Q2 2015	5.00%	Pass
Adherence to customer payment processing	9 (4.B)	Q1 2015	5.00%	Pass	Dual track referred to foreclosure	26 (6.B.viii.a)	Q1 2015	5.00%	Pass
		Q2 2015	5.00%	Pass			Q2 2015	5.00%	Pass
Reconciliation of certain waived fees	10 (4.C)	Q1 2015	5.00%	Pass	Dual track failure to postpone foreclosure	27 (6.B.viii.b)	Q1 2015	5.00%	Under Global CAP
		Q2 2015	5.00%	Pass			Q2 2015	5.00%	Under Global CAP
Late fees adherence to guidance	11 (4.D)	Q1 2015	5.00%	Pass	Force-placed insurance timeliness of notices	28 (6.C.i)	Q1 2015	5.00%	Pass
		Q2 2015	5.00%	Pass			Q2 2015	5.00%	Pass
Third-party vendor management	12 (5.A)	Q1 2015	N/A	Under Global CAP	Force-placed insurance termination	29 (6.C.ii)	Q1 2015	5.00%	Pass
		Q2 2015	N/A	Pass			Q2 2015	5.00%	Pass
Customer portal	13 (5.B)	Q1 2015	N/A	Pass	Loan modification process	30 (7.A)	Q1 2015	5.00%	Under Global CAP
		Q2 2015	N/A	Pass			Q2 2015	5.00%	Under Global CAP
Single Point of Contact (SPOC)*	14 (5.C)	Q1 2015	5.00%	Pass	Loan modification denial notice disclosure	31 (7.B)	Q1 2015	5.00%	Under CAP
		Q2 2015	5.00%	Pass			Q2 2015	5.00%	Under CAP
Workforce management	15 (5.D) **	Q1 2015	N/A	Pass	SPOC implementation and effectiveness***	32 (7.C)	Q1 2015	5.00%	Pass
		Q2 2015	N/A	X			Q2 2015	5.00%	Pass
Affidavit of Indebtedness (AOI) integrity	16 (5.E) **	Q1 2015	N/A	Pass	Billing statement accuracy	33 (7.D)	Q1 2015	5.00%	Pass
		Q2 2015	N/A	X			Q2 2015	5.00%	Pass
Account status activity	17 (5.F) **	Q1 2015	N/A	Pass	Transfer of Servicing Rights	34 (6.D.i)	Q1 2015	5.00%	X*
		Q2 2015	N/A	X			Q2 2015	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 2014 even if the Metric's Threshold Error Rate had not been exceeded. **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 determined that the Global CAP was complete.
- Testing of the impacted metrics (19, 20, 22, 23, 27 and 30) resumed as of the third quarter 2015, which is the Cure Period.⁶
- Ocwen has consented to extending the term of the Monitor's reviews for three additional test periods for the impacted metrics.

⁶ The Global CAP also included Metric 12, which resumed testing as of the second quarter 2015, and Ocwen reported as it had passed this Metric in the cure period.

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.
- Implementing internal controls related to its procedures for updating the loss mitigation matrix from which PFN letters are populated.



Ocwen failed Metric 7 in the third quarter 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 resumed as of the fourth quarter 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 12 months of a prior BPO to determine proper billing.



Ocwen failed Metric 8 in the fourth quarter 2014. As a result, the NMS required Ocwen to develop a CAP to ensure future compliance with the metric, which measures whether the 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 determined that the CAP was complete.
- Testing of Metric 8 will resume as of the second quarter 2016, which is 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 the first quarter 2014. As a result, the NMS required Ocwen to develop a CAP to ensure future compliance with the metric, which measures whether the servicer complied with servicing standards regarding timeliness for responding to borrowers about missing or incomplete information relating to loan modification packages.

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 resumed as of the third quarter 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.
- 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 the third quarter 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 which require the notification to borrowers of any missing documents within 30 days of receiving 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 determined that the CAP was complete.
- Testing of Metric 23 resumed as of the third quarter 2015, which is 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.
- Revising query reports to include appropriate denial reasons and updating the applicable letter templates.



Ocwen failed Metric 31 in the third quarter 2014. As a result, the NMS required Ocwen to develop a CAP to ensure future compliance with the metric, which evaluates whether the servicer sent a loan modification 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 the decision 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 servicer has reported that it completed the implementation of the CAP, but the Monitor has not yet determined that the CAP is complete.
- Testing of Metric 31 is expected to resume as of the second calendar quarter 2016, which is the Cure Period.