



Government of the District of Columbia
Department of Insurance, Securities and Banking

Stephen C. Taylor
Commissioner

IN THE MATTER OF:

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

NO.: BB-CD-04-17

Respondent

**TEMPORARY ORDER TO CEASE AND DESIST AND
NOTICE OF CHARGES**

In accordance with the provisions of D.C. Official Code § 26-551.17, the District of Columbia Administrative Procedure Act (“DCAPA”), D.C. Official Code §§ 2-501–510, the Rules of Practice and Procedure for Hearings, Title 26-A, District of Columbia Municipal Regulations, §§ 26-A3800–A3819, and the Mortgage Lenders and Brokers Act of 1996 (“Act”), D.C. Official Code §§ 26-1101–1121, the Commissioner of the Department of Insurance, Securities and Banking (“Department”) hereby determines that a violation or unsafe or unsound practice is likely to cause serious prejudice to the general public of the District of Columbia (“District”) due to noncompliance with D.C. Official Code §§ 26-1101–1121 and issues this TEMPORARY ORDER TO CEASE AND DESIST AND NOTICE OF CHARGES to Ocwen Loan Servicing, LLC (“Respondent”) licensed and acting as a mortgage lender in the District, based on the following FINDINGS OF FACT AND CONCLUSIONS OF LAW.

I. JURISDICTION

D.C. Official Code §§ 26-1118 and 26-551.17 grant the Commissioner the power to issue, without a hearing, an order directing the Respondent to cease and desist from engaging in acts or practices that will likely cause serious prejudice to the interests of the general public.

This Temporary Order to Cease and Desist and Notice of Charges (“Order”) (1) constitutes notice that the Commissioner may bar the Respondent from engaging in business as a mortgage lender in the District; and (2) constitutes notice that if the Respondent does not comply with this

Order, the Commissioner may, pursuant to D.C. Official Code § 26-1118 (b)(2) and (d), impose a civil penalty for each violation from which Respondent fails to cease and desist.

II. FINDINGS OF FACT

1. The Commissioner has all powers necessary or convenient for the administration and enforcement of the District of Columbia Banking Code.
2. The Commissioner has the authority to issue temporary and final cease and desist orders pursuant to the statutory provisions concerning banking and financial institutions, which are codified in Title 26 of the District of Columbia Official Code, laws administered by the Commissioner, and rules and regulations promulgated under those statutory provisions.
3. The Commissioner has jurisdiction in the District over the licensing and regulation of persons and entities engaged in mortgage lending and servicing activities pursuant to the Act. That jurisdiction includes ensuring that individuals subject to the Act's licensing and regulation requirements also comply with applicable federal laws and regulations.
4. The Respondent is a Delaware limited liability company with headquarters in West Palm Beach, Florida, and an assigned Nationwide Multi-State Licensing System and Registry ("NMLS") identifier number of 1852. 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, U.S. Virgin Islands, and an assigned NMLS identifier number of 1089752. The Respondent at all relevant times herein was a wholly-owned subsidiary of OMS, which was a wholly-owned subsidiary of OFC.
5. The Commissioner licenses the Respondent as a mortgage lender under District law.
6. Pursuant to D.C. Official Code § 26-1112 (a) "[t]he Superintendent [Commissioner] or his or her designated agent, shall examine the affairs, business, premises, and records of each entity licensed as a mortgage lender at least once in every three year period and at any other time the Superintendent [Commissioner] reasonably considers necessary" to determine compliance with D.C. Official Code §§ 26-1001–1121, and any rule, or regulation issued thereunder, and with any law, rule, or regulation applicable to the conduct of the licensed business.
7. The Department has received numerous consumer complaints regarding loans serviced by the Respondent. The mismanagement has resulted in significant harm to consumers.
8. On November 4, 2016, the Department commenced an examination of the Respondent in order to determine the Respondent's compliance with applicable federal and District laws and regulations, financial condition, and control and supervision of the licensed mortgage servicing operations. The Department's exam covered the period of January 1, 2013 to December 31, 2015.

9. During the examination, the Department identified several violations of District and federal law, including, but not limited to, consumer escrow accounts that could not be reconciled, incorrect or misleading information given to consumers related to loss mitigation efforts for delinquent loans, issues with the transfer of servicing notifications, and deficiencies in annual disclosures, including privacy notices and private mortgage insurance disclosures. Additionally, based on the financials the Respondent provided the Department determined that the Respondent's financial condition was significantly deteriorating.

10. The Department suspended its exam in early December 2016 and designated the Multi-State Mortgage Committee ("MMC") as its agent to examine the Respondent and decided to rely on the MMC's exam findings in addition to the Department's exam findings.

11. The MMC is a committee of state mortgage regulators who have agreed to address their enforcement concerns with the Respondent 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 the Respondent in order to determine the Respondent'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 the Respondent covered the period of January 1, 2013 to February 28, 2015.

12. During the examination, the Examining States identified several violations of state, District, and federal law, including, but not limited to, consumer escrow accounts that could not be reconciled. Additionally, it was determined that the Respondent's financial condition was significantly deteriorating.

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

14. In 2015, the Respondent failed to provide key financial documents and reconciliation of its financial statements to regulators.

15. Based on the examination findings and subsequent communications with OFC, on December 7, 2016, the State Regulators and the Respondent entered into a Memorandum of Understanding ("MOU").

16. The MOU required the Respondent 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 the Respondent 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.

17. On January 13, 2017, the Respondent responded to the State Regulators that the reconciliation of escrow accounts, which is paramount to ensure the appropriate management of consumer funds, would cost \$1.5 billion and well beyond the Respondent's financial capacity. The Respondent suggested instead that a sample of 457 escrow accounts be reconciled out of the 2.5 million active first lien escrow accounts that the Respondent has serviced since January 2013. The Respondent's proposal would leave a vast number of consumers with unreconciled escrow accounts.

18. The Respondent is currently facing numerous substantiated consumer complaints regarding escrow accounts that have been mismanaged. The mismanagement has resulted in significant harm to consumers, and consumers have requested reimbursement of monies that the Respondent wrongfully withheld or misapplied.

19. The MOU required the Respondent to provide, among other things, a viable going forward business plan ("plan") that encompasses an analysis of its financial condition going forward. The plan's purpose was to analyze the Respondent's future financial condition incorporating and encompassing all known or reasonably certain liabilities.

20. In response to the MOU, the Respondent submitted a going forward plan that 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, the plan would indicate that the Respondent was incapable of continuing as a going concern.

III. VIOLATIONS

D.C. Official Code § 26-1114 (d)(2) provides that a licensee or any person required to be licensed under the Act shall not engage in any unfair or deceptive practice toward any person.

IV. CONCLUSIONS OF LAW

21. Based upon the information contained in Paragraphs 1 through 20, the Commissioner has determined that:

a. The Respondent has engaged in, is engaging in, or is about to engage in, acts or practices that warrant the belief that the company is not operating honestly, fairly, soundly, and efficiently in the public interest, and /or in violation of standards governing the licensing and conduct of a mortgage loan servicer including, but not limited to, the provisions of D.C. Official Code § 26-1114 (d)(2).

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

TEMPORARY ORDER TO CEASE AND DESIST

It is hereby determined that Ocwen Loan Servicing, LLC has engaged in acts and practices that constitute violations of District of Columbia law. Therefore, based on the above FINDINGS OF FACT AND CONCLUSIONS OF LAW, the Commissioner determines that an emergency exists and, it is this 20th day of April, 2017 hereby

ORDERED: That the Respondent shall immediately cease acquiring new mortgage servicing rights, and acquiring or originating new residential mortgages serviced by the Respondent, until the Respondent can show it is a going concern by providing a financial analysis that encompasses all of the liabilities the Respondent currently maintains, as well as liabilities it has knowledge it will incur in the course of its business; and it is

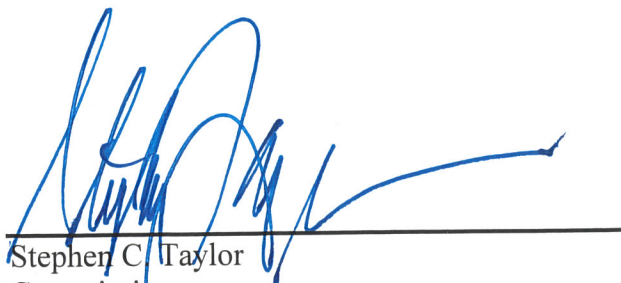
FURTHER ORDERED: That the Respondent shall immediately cease from acquiring new mortgage servicing rights, and acquiring or originating new residential mortgages serviced by the Respondent, until the Respondent can provide the Department with a reconciliation of its District escrow accounts, completed by an independent auditing firm, showing that consumer funds are appropriately collected, properly calculated, and disbursed accurately and timely; and it is

FURTHER ORDERED: That the Respondent shall immediately cease from acquiring new mortgage servicing rights, and acquiring or originating new residential mortgages serviced by the Respondent, until the Respondent remediates the affected escrow accounts and reimburses customers in the District who have suffered a financial loss because of the Respondent's miscalculation of payments due and untimely disbursement of funds held in escrow.

SEAL

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Department of Insurance, Securities and Banking in the District of Columbia.





Stephen C. Taylor
Commissioner
District of Columbia Department of Insurance,
Securities and Banking
810 First Street, N.E., Suite 701
Washington, DC 20002

HEARING PROCEDURES

You may submit a written request for a hearing within twenty days of receipt of this Order. If you fail to request a hearing within twenty days of receipt or delivery of this Order, you shall be deemed in default and the Order shall, on the twenty-first day, become permanent and remain in full force and effect until and unless later modified or vacated by the Commissioner.

The hearing, if requested, will be conducted by the Commissioner or his designee in accordance with the Act, the DCAPA, and the rules of practice and procedure for hearings in 26 DCMR §§ A3800–3819. The Commissioner or his designee shall have the authority to administer oaths to witnesses. Anyone testifying falsely after having been administered such an oath shall be subject to the penalties of perjury. At the hearing, the Commissioner or his designee shall exclude irrelevant, immaterial and unduly repetitious evidence.

You may personally appear at the hearing and may be represented by legal counsel. You have the right to produce witnesses and evidence on your behalf, to cross-examine witnesses against you, to examine evidence produced, and to have subpoenas issued on your behalf to require the production of witnesses and evidence.

If you, any corporate officer, or any witnesses you intend to call, are deaf or because of a hearing impediment cannot readily understand or communicate the spoken English language, you or your witnesses may apply to the Department for the appointment of an interpreter.

Correspondence directed to the Commissioner shall be addressed to:

Stephen C. Taylor
Commissioner
Department of Insurance, Securities and Banking
810 First Street, N.E., Suite 701
Washington, D.C. 20002

A copy of any correspondence directed to the Commissioner shall also be delivered to:

Simone Manigo-Truell dos Santos
Assistant Attorney General
Department of Insurance, Securities and Banking
Office of the General Counsel
810 First Street, N.E., Suite 701
Washington, D.C. 20002

CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of April, 2017 a copy of the foregoing TEMPORARY ORDER TO CEASE AND DESIST and NOTICE OF CHARGES was Federal Express Priority Overnight to:

Agent for service of process:
Corporation Service Company
Registered Agent – Ocwen Loan Servicing LLC
1090 Vermont Ave., NW
Washington, DC 20005

Ocwen Loan Servicing, LLC
c/o Timothy Hayes, General Counsel
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409

Phyllis R. Caldwell, Chair of the Board
c/o Timothy Hayes, General Counsel (via email only)
timothy.hayes@ocwen.com

Robert A. Salcetti, Vice Chair of Board
c/o Timothy Hayes, General Counsel (via email only)
timothy.hayes@ocwen.com

Timothy Hayes, General Counsel
timothy.hayes@ocwen.com

Ronald M. Faris, President (via email only)
ronald.faris@ocwen.com

 04/20/17
M. Claudine Alula, Paralegal Specialist