

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
DIVISION OF BANKING

IN THE MATTER OF:)
) No. 2017-MBR-CD-01
OCWEN LOAN SERVICING, LLC)
NMLS No. 1852)
Illinois Residential Mortgage License No. MB.6759457)
1661 Worthington Road, Suite 100)
West Palm Beach, FL 33409)
)
HOMeward RESIDENTIAL, INC.)
NMLS No. 3984)
Illinois Residential Mortgage License No. MB.6760570)
16675 Addison Road)
Addison, TX 75001)
)
LIBERTY HOME EQUITY SOLUTIONS, INC.)
NMLS No. 3313)
Illinois Residential Mortgage License No. MB.6760159)
10951 White Rock Road, Suite 200)
Rancho Cordova, CA 95670)

ORDER TO CEASE AND DESIST AND PLACING LICENSES ON PROBATION

The DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION, Division of Banking (“Department”), having reviewed the circumstances and activities of Ocwen Loan Servicing, LLC (“OLS”), Homeward Residential, Inc. (“Homeward Residential”), and Liberty Home Equity Solutions, Inc. (“LHES”) and found violations of the Residential Mortgage License Act of 1987 (“Act”) [205 ILCS 635], and the rules promulgated under the Act (“Rules”) [38 Ill. Adm. Code 1050], hereby issues this ORDER TO CEASE AND DESIST AND PLACING LICENSES ON PROBATION, and states:

STATUTORY PROVISIONS

1. Section 4-1 (h-1) of the Act provides that the Department, as part of its Supervision of licensees, may issue orders against any person if the Department has reasonable cause to believe that an unsafe, unsound, or unlawful practice has occurred, is occurring, or is about to occur, if any person has violated, is violating, or is about to violate any law, rule, or written agreement with the Department, or for the purposes of administering the provisions of this Act and any rule adopted in accordance with this Act.

2. Section 4-5 of the Act in subsection (h)(3) provides that the Department may enter an order placing a licensee on probation for a period of time subject to all reasonable conditions as the Department may specify. The Department may enter said order upon finding the licensee in violation of the grounds set forth in subsection (i). The grounds in subsection (i) include items (11) failure to comply with any order of the Department or rule made or issued under the provisions of this Act and (17) failure to comply with or violation of any provision of this Act.
3. Section 1050.870 of the Rules provides, in part, that the servicing procedures of a licensee shall comply with applicable federal and State statutes and regulations.

PARTIES AND JURISDICTION

4. 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. OLS is a Delaware limited liability company with headquarters located in West Palm Beach, Florida and an assigned NMLS identifier number of 1852. Homeward Residential is a corporation with headquarters located in Addison, Texas and an assigned NMLS identifier number of 3984. LHES is a corporation with headquarters located in Rancho Cordova, California and an assigned NMLS identifier number of 3313.
5. OLS at all relevant times herein was a wholly-owned subsidiary of OMS, which was a wholly-owned subsidiary of OFC. OLS, OMS, and OFC are collectively referred to hereinafter for purposes of Multi-State Examination and Consumer Financial Protection Bureau (“CFPB”) findings as “Ocwen.” OFC further has ownership of subsidiaries LHES and Homeward Residential Holdings, Inc., the parent company of Homeward Residential. The Department is adding Homeward Residential and LHES to this Order, although not part of the Ocwen Multi-State Examination, so that financial and loan activities that are the subject to this Order are not transferred to or conducted by any Ocwen subsidiary holding an Illinois Residential Mortgage License.
6. The Department has jurisdiction over the licensing and regulation of persons and entities engaged in the business of residential mortgage loan servicing, purchasing, and originating in Illinois pursuant to the Act and Rules. The Department has issued Illinois Residential Mortgage Licenses to OLS, Homeward Residential, and LBES authorizing each entity to conduct their activities noticed to the Department of servicing, purchasing, and originating of residential mortgage loans subject to the Act and Rules. The Illinois Residential Mortgage Licenses held by each entity are as follows: OLS holds Illinois Residential Mortgage License No. MB.6759457, Homeward Residential holds Illinois Residential Mortgage License No. MB.6760570, and LHES holds Illinois Residential Mortgage License No. MB.6760159.

7. 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.
8. Pursuant to Sections 4-1 and 4-2 of the Act, the Department is authorized to inspect the books, accounts, papers, records, and files of residential mortgage licensees transacting business in Illinois to determine compliance with the provisions of the Act and Rules, and with any law, rule, or regulation applicable to the conduct of the licensed business. Pursuant to Section 4-7 of the Act, the Department is authorized to accept and rely upon examination reports made by other government officials, within or without the State of Illinois.

FINDINGS OF FACT

9. During the examination, the Examining States identified violations by Ocwen of state and federal laws and regulations, including, but not limited to consumer (borrower) escrow accounts, lender placed insurance, loan transfers and boarding, and default servicing. A number of the violations were connected to Ocwen’s nationwide system of record REALServicing and deficiencies within that system.
10. The MMC examination found that Ocwen 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 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.
11. 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.
12. The MOU required Ocwen to retain an independent auditing firm to perform a comprehensive audit 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.
13. Ocwen’s response to the state regulators on January 13, 2017, was that the reconciliation of escrow accounts, which is paramount in ensuring the appropriate management of

consumer funds, would cost \$1.5 billion and well beyond Ocwen's financial capacity. Ocwen has suggested instead 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 would leave a vast number of consumers with unreconciled escrow accounts.

14. 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.
15. 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 not continue as a going concern.
16. During the course of the MMC process and as of the end of the calendar year 2016 fourth quarter, the Department was provided updated information that Ocwen was servicing 56,512 Illinois residential mortgage loans with an unpaid principal balance of \$7,360,938,328.
17. The Department, and other state regulators, became apprised of CFPB findings from an investigation of Ocwen's loan servicing practices. The CFPB found that Ocwen has engaged in numerous violations of federal laws and regulations, including, among others, the Real Estate Settlement Procedures Act and regulations promulgated thereunder as Regulation X, and the Truth in Lending Act and regulations promulgated thereunder as Regulation Z and causing and continuing to cause substantial consumer harm.
18. The CFPB findings include, among other things, that Ocwen has illegally foreclosed on borrowers; improperly calculated loan balances; misapplied borrower payments; failed to correctly process escrow and insurance payments; failed to check the accuracy of account information for loans for which it acquired servicing rights from other servicers; and sold servicing rights to new servicers without fully disclosing or correcting errors in borrowers' loan files.
19. While Ocwen is currently facing numerous substantiated complaints filed by consumers nationwide, the Department is in receipt of complaints filed by Illinois consumers against Ocwen encompassing the aforementioned practices identified by the MMC and CFPB. Many of the Illinois complaints have a connecting theme tied to errors in Ocwen's servicing records. The Illinois consumers' complaints include, among other things, that Ocwen's servicing records contain incorrect information and payment discrepancies, updates of loan modifications and other changes are delayed or lost in the system, property hazard insurance has been late paid or wrongly cancelled, property taxes have

been paid for the wrong tax parcels, transfer of servicing and notices wrongly sent to consumers such as for transfer of servicing and flood insurance, and consumer debts wrongly reported to the credit reporting bureaus.

CONCLUSIONS OF LAW

20. Based upon the aforementioned information and findings from multiple state and federal agencies and the systematic impact on residential mortgage loans serviced by Ocwen throughout the U.S., including Illinois, the Department has reasonable cause to believe that:
- a. OLS has engaged in, is engaging in, or is about to engage in an unsafe, unsound, or unlawful practice in violation of Section 4-1(h-1) of the Act and has engaged in servicing procedures not in compliance with applicable federal and State statutes and regulations in violation of Section 1050.870 of the Rules. OLS is in further violation of Section 4-5(i) (11) and (17) of the Act.
 - b. Homeward Residential and LHES have engaged in, are engaging in, or are about to engage in an unsafe, unsound, or unlawful practice in violation of Section 4-1(h-1) of the Act. Homeward Residential and LHES are in further violation of Section 4-5(i) (17) of the Act.
 - c. The public interest will be irreparably harmed by delay in issuing a cease and desist order to OLS, Homeward Residential, and LHES.

NOW IT IS HEREBY ORDERED THAT,

- I. OLS, Homeward Residential, and LHES shall immediately cease acquiring new mortgage servicing rights, and acquiring or originating new residential mortgage loans until they can demonstrate to the Department's satisfaction pursuant to the Act and Rules that:
 - a. OLS, Homeward Residential, and LHES are a going concern by providing a financial analysis that encompasses OLS, Homeward Residential, LHES, OFC, and OMS as to all of the liabilities currently maintained and for which they have knowledge they will incur in the course of their business;
 - b. provide the state regulators with a full and complete reconciliation of their escrow accounts showing that consumer funds are appropriately collected, properly calculated, and disbursed accurately and timely; and

- II. The Department places the Illinois Residential Mortgage Licenses of OLS, Homeward Residential, and LHES on Probation pursuant to Section 4-5(h)(3) of the Act until such time they are in compliance with this Order. During the period of Probation, OLS, Homeward Residential, and LHES shall submit to the Department reports on a monthly basis on financial condition and reconciliation of escrow accounts.

ORDERED THIS ____ DAY OF _____, 2017

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
BRIAN A. SCHNEIDER, SECRETARY

DIVISION OF BANKING

KERRI A. DOLL, DIRECTOR

You are hereby notified that this Order is an administrative decision. Pursuant to 205 ILCS 635/4-12 and 38 Ill. Adm. Code, 1050.1510 *et seq.* any party may file a request for a hearing on an administrative decision. The request for a hearing and \$500 hearing fee by certified check or money order shall be filed with the Department at 320 West Washington Street, 5th Floor, Springfield, IL 62786 within 10 days after the receipt of an administrative decision. The request for hearing must include an explicit admission, denial, or appropriate response to each allegation or issue contained in the administrative decision pursuant to 38 Ill. Adm. Code 1050.1570. A hearing shall be held on the administrative decision, by the Department of Financial and Professional Regulation, Division of Banking. Absent a request for a hearing, this Order shall constitute a final administrative Order subject to the Administrative Review Law [735 ILCS 5/3-101 *et seq.*].