

FILED

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

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PA DEPARTMENT OF
BANKING AND SECURITY

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES

v.

OCWEN LOAN SERVICING, LLC

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: Docket No. 18 0090 (BNK-CAO)

CONSENT AGREEMENT AND ISSUANCE OF CONDITIONAL LICENSE

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities (“Department”), Licensing Division (“Division”) has conducted a review of the Pennsylvania Mortgage Servicer License application of Ocwen Loan Servicing, LLC (“Ocwen” and together with the Department, the “Parties”). The Parties to the above-captioned matter, in lieu of litigation, hereby stipulate that the following statements are true and correct in the settlement of the above-captioned matter and, intending to be legally bound, hereby agree to the terms of this Consent Agreement (“Agreement”).

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania’s administrative agency authorized and empowered to administer and enforce the Mortgage Licensing Act (“MLA”). 7 Pa. C.S. § 61.

2. The Division is primarily responsible for the review of licensing applications and making the determination that an applicant meets all legal requirements for licensure including possessing adequate character and stability to be licensed by the Department under the MLA.

3. Ocwen is currently licensed by the Department as a mortgage lender, Nationwide Mortgage Licensing System and Registry Identification (“NMLS”) No. 1852, Pennsylvania Mortgage Lender License No. 22145.

4. On December 22, 2017, Pennsylvania enacted an amendment to its Mortgage Licensing Act, which established a new licensing requirement for most residential mortgage servicers.

5. On May 17, 2018, Ocwen timely submitted a mortgage servicer application (the “Application”) to the Department for licensure as a mortgage servicer.

6. Section 6133(a.1) of the MLA states “Upon receipt of an application for a license, the department may conduct an investigation of the applicant or a director, officer, partner, employee, agent or ultimate equitable owner of 10% or more of the applicant as it deems necessary.” 7 Pa. C.S. § 6133(a.1).

7. The Department has authority to “[r]equest and receive information or records of any kind, including reports of criminal history record information from any Federal, State, local or foreign government entity regarding an applicant for a license, licensee or person related in any way to the business of the applicant or licensee.” 7 Pa. C.S. § 6138(a)(3).

8. Section 6133(f) of the MLA states “The department may impose conditions on the issuance of any license under this chapter. If the department determines that conditions imposed upon a licensee have not been fulfilled, the department may take any action authorized under this chapter against the licensee that the department deems necessary....” 7 Pa. C.S. § 6133(f).

9. As part of the Application, Ocwen disclosed numerous state regulatory actions relating to its mortgage servicing operations.

10. Specifically, and relevant, during the month of April 2017, 30 states (including the District of Columbia) issued Cease and Desist Orders based on Ocwen's alleged failure to comply with a 2016 Memorandum of Understanding. (The 2016 MOU was in response to a Multi-State Examination that alleged various state and federal violations or potential violations related to mortgage servicing including escrow account inaccuracies and other deficiencies in Ocwen's system of record.)

11. Ocwen settled with 27 of these states.¹

12. Twenty-Six states (the "Participating States") required a significant review of Ocwen's practices including a statistical sample of escrowed loans in order to determine compliance with state and federal laws relating to escrow accounts, lender-placed insurance, and private mortgage insurance (the "Escrow Review").

13. The Department determined that the Escrow Review is significant and necessary in order to fulfill its duties under the MLA regarding suitability of licensees.

14. The Department has authority to "[i]ssue...orders as may be necessary for the proper conduct of the mortgage loan business by licensees...and the enforcement of [the MLA]." 7 Pa. C.S. § 6138(a)(4).

15. The Department has authority to "[i]mpose such other conditions as the department deems appropriate." 7 Pa. C.S. § 6138(a)(8).

RELIEF

16. The Department will issue a Conditionally Approved License to Ocwen to operate as a Mortgage Servicer in Pennsylvania based on Ocwen's agreement to do the following:

¹ The other three states either withdrew, dismissed, or allowed their Cease and Desist Order to expire

A. Application of Escrow Review Remediation to Pennsylvania Consumers:

To the extent that errors are identified in the Escrow Review which require corrective measures, refunds, or other remediation under the terms of the Escrow Review, such corrective measures, refunds, or other remediation will also be applied to any Pennsylvania consumer accounts which are impacted by the same error(s) and are or were serviced by Ocwen during the remediation period covered by the Escrow Review.

B. Reporting of Escrow Audit to Pennsylvania: Ocwen will provide the Department with Pennsylvania-specific reporting of servicing errors identified through the Escrow Review and the remediation taken on all Pennsylvania accounts, including all restitution paid. This reporting shall be similar to the reporting required by the Participating States included in the Escrow Review and will also provide an explanation if any violations were found during the Escrow Review which did not apply to Pennsylvania accounts. This reporting will be due at the same time as the reporting to the other Participating States.

C. Ongoing Escrow Audit: Ocwen shall engage an independent third party (the "Auditor") to review and report on the accuracy of Ocwen's preparation of its Escrow Account Disclosure Statement. Specifically, each month for a period of twelve (12) months following the date of this Agreement, the Auditor shall review an agreed-upon amount of the most recent Escrow Account Disclosure Statements prepared by Ocwen for Pennsylvania borrowers utilizing the methodology set forth in Sections 2.1(b)(3) through (10) of the Request for Proposal dated September 12, 2017. In the event that all active Pennsylvania accounts having been transferred from Ocwen's current servicing system before the expiration of the aforementioned period, a similar internal

review will be conducted by Ocwen on the new system disclosures for the remainder of the aforementioned period.

D. Compliance Report of Pennsylvania Escrow Audit: The Auditor shall provide a monthly report to the Department on a periodic basis, not later than sixty (60) days from each month-end during the twelve (12) month review period. The Auditor will begin testing Escrow Account Disclosure Statements that are sent in November 2018, and the first report will be provided to the Department no later than January 29, 2019 (sixty (60) days from November 30, 2018). In the event of the Pennsylvania accounts being transferred onto a new system as described in paragraph 16(C), Ocwen will provide reports of their internal review.

E. Notices: All reporting information, whether provided by the Auditor or Ocwen, shall be directed to the Department's Non-Depository Bureau of Examinations.

F. In the Event Non-Compliance: Ocwen agrees that if it does not fulfill the requirements of the preceding paragraphs, it shall, upon notification from the Department, surrender the Pennsylvania Mortgage Servicing license, transfer all Pennsylvania accounts, and no longer engage in the business of mortgage servicing in Pennsylvania. However, the Department will provide Ocwen with an opportunity to meet and confer to discuss and resolve any allegations that Ocwen has violated this Agreement seven calendar days before taking any action to enforce the Agreement.

G. The Department agrees that, provided Ocwen complies with the terms of this Agreement, it will not seek penalties related to any findings from the Escrow Review or Pennsylvania monthly testing as long as corrective action is taken to remedy all errors

and violations. However, nothing in this Agreement prohibits the Department from taking administrative action on new issues.

FURTHER PROVISIONS

17. Consent. Ocwen hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Agreement pursuant to the Department's authority under the MLA and agrees that it understands all of the terms and conditions contained therein. Ocwen, by voluntarily entering into this Agreement, waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Agreement.

18. Publication. The Department will publish this Agreement pursuant to its authority in Section 302.A(5) of the Department of Banking Code. 71 P.S. § 733-302.A(5).

19. Entire Agreement. This Agreement contains the whole agreement between the Parties. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Agreement. This Agreement may be amended in writing by mutual agreement by the Parties.

20. Binding Nature. The Parties intend to be and are legally bound by the terms of this Agreement.

21. Counsel. This Agreement is entered into by the Parties upon full opportunity for legal advice from legal counsel.

22. Effectiveness. Ocwen hereby stipulates and agrees that the Agreement shall become effective on the date that the Department executes the Agreement.

23. Other Enforcement Action.

a. The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against Ocwen, in the future regarding all matters not resolved by this Agreement.

b. Ocwen acknowledges and agrees that this Agreement is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Agreement.

24. Authorization. The Parties below are authorized to execute this Agreement and legally bind their respective Parties.

25. Counterparts. This Agreement may be executed in separate counterparts and by facsimile or electronic mail in portable document format "PDF."

26. Titles. The titles used to identify the paragraphs of this Agreement are for the convenience of reference only and do not control the interpretation of this Agreement.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Department and Ocwen intending to be legally bound, do hereby execute this Consent Agreement.

**FOR THE COMMONWEALTH OF
PENNSYLVANIA, DEPARTMENT OF
BANKING AND SECURITIES**

FOR OCWEN LOAN SERVICING, LLC

Redacted

Redacted

Tim Knopp
Deputy Secretary, Non-Depository
Department of Banking and Securities

Timothy M. Hayes
Executive Vice President
Ocwen Loan Servicing, LLC

Date: _____

10/31/2018

October 31, 2018

