



## CFPB Sues Ocwen for Failing Borrowers Throughout Mortgage Servicing Process

Mortgage Servicer's Widespread Errors, Shortcuts, and Runarounds Cost Borrowers Money, Homes

APR 20, 2017

**WASHINGTON, D.C.** – The Consumer Financial Protection Bureau (CFPB) today sued one of the country's largest nonbank mortgage loan servicers, Ocwen Financial Corporation, and its subsidiaries for failing borrowers at every stage of the mortgage servicing process. The Bureau alleges that Ocwen's years of widespread errors, shortcuts, and runarounds cost some borrowers money and others their homes. Ocwen allegedly botched basic functions like sending accurate monthly statements, properly crediting payments, and handling taxes and insurance. Allegedly, Ocwen also illegally foreclosed on struggling borrowers, ignored customer complaints, and sold off the servicing rights to loans without fully disclosing the mistakes it made in borrowers' records. The Florida Attorney General took a similar action against Ocwen today in a separate lawsuit. Many state financial regulators are also independently issuing cease-and-desist and license revocation orders against Ocwen for escrow management and licensing issues today.

"Ocwen has repeatedly made mistakes and taken shortcuts at every stage of the mortgage servicing process, costing some consumers money and others their homes," said CFPB Director Richard Cordray. "Borrowers have no say over who services their mortgage, so the Bureau will remain vigilant to ensure they get fair treatment."

Ocwen, headquartered in West Palm Beach, Fla., is one of the nation's largest nonbank mortgage servicers. As of Dec. 31, 2016, Ocwen serviced almost 1.4 million loans with an aggregate unpaid principal balance of \$209 billion. It services loans for borrowers in all 50 states and the District of Columbia. A mortgage servicer collects payments from the mortgage borrower and forwards those payments to the owner of the loan. It handles customer service, collections, loan modifications, and foreclosures. Ocwen specializes in servicing subprime or delinquent loans.

The CFPB uncovered substantial evidence that Ocwen has engaged in significant and systemic misconduct at nearly every stage of the mortgage servicing process. The CFPB is charged with enforcing the Dodd-Frank Wall Street Reform and Consumer Protection Act, which protects consumers from unfair, deceptive, or abusive acts or practices, and other federal consumer financial laws. In addition, the Bureau adopted common-sense rules for the mortgage servicing market that first took effect in January 2014. The CFPB's mortgage servicing rules require that servicers promptly credit payments and correct errors on request. The rules also include strong protections for struggling homeowners, including those facing foreclosure. In its lawsuit, the CFPB alleges that Ocwen:

- **Serviced loans using error-riddled information:** Ocwen uses a proprietary system called REALServicing to process and apply borrower payments, communicate payment information to borrowers, and maintain loan balance information. Ocwen allegedly loaded inaccurate and incomplete information into its REALServicing system. And even when data was accurate, REALServicing generated errors because of system failures and deficient programming. To manage this risk, Ocwen tried manual workarounds, but they often failed to correct inaccuracies and produced still more errors. Ocwen then used this faulty information to service borrowers' loans. In 2014, Ocwen's head of servicing described its system as "ridiculous" and a "train wreck."
- **Illegally foreclosed on homeowners:** Ocwen has long touted its ability to service and modify loans for troubled borrowers. But allegedly, Ocwen has failed to deliver required foreclosure protections. As a result, the Bureau alleges that Ocwen has wrongfully initiated foreclosure proceedings on at least 1,000 people, and has wrongfully held foreclosure sales. Among other illegal practices, Ocwen has initiated

the foreclosure process before completing a review of borrowers' loss mitigation applications. In other instances, Ocwen has asked borrowers to submit additional information within 30 days, but foreclosed on the borrowers before the deadline. Ocwen has also foreclosed on borrowers who were fulfilling their obligations under a loss mitigation agreement.

- **Failed to credit borrowers' payments:** Ocwen has allegedly failed to appropriately credit payments made by numerous borrowers. Ocwen has also failed to send borrowers accurate periodic statements detailing the amount due, how payments were applied, total payments received, and other information. Ocwen has also failed to correct billing and payment errors.
- **Botched escrow accounts:** Ocwen manages escrow accounts for over 75 percent of the loans it services. Ocwen has allegedly botched basic tasks in managing these borrower accounts. Because of system breakdowns and an over-reliance on manually entering information, Ocwen has allegedly failed to conduct escrow analyses and sent some borrowers' escrow statements late or not at all. Ocwen also allegedly failed to properly account for and apply payments by borrowers to address escrow shortages, such as changes in the account when property taxes go up. One result of this failure has been that some borrowers have paid inaccurate amounts.
- **Mishandled hazard insurance:** If a servicer administers an escrow account for a borrower, a servicer must make timely insurance and/or tax payments on behalf of the borrower. Ocwen, however, has allegedly failed to make timely insurance payments to pay for borrowers' home insurance premiums. Ocwen's failures led to the lapse of homeowners' insurance coverage for more than 10,000 borrowers. Some borrowers were pushed into force-placed insurance.
- **Bungled borrowers' private mortgage insurance:** Ocwen allegedly failed to cancel borrowers' private mortgage insurance, or PMI, in a timely way, causing consumers to overpay. Generally, borrowers must purchase PMI when they obtain a mortgage with a down payment of less than 20 percent, or when they refinance their mortgage with less than 20 percent equity in their property. Servicers must end a borrower's requirement to pay PMI when the principal balance of the mortgage reaches 78 percent of the property's original value. Since 2014, Ocwen has failed to end borrowers' PMI on time after learning information in its REALServicing system was unreliable or missing altogether. Ocwen ultimately overcharged borrowers about \$1.2 million for PMI premiums, and refunded this money only after the fact.
- **Deceptively signed up and charged borrowers for add-on products:** When servicing borrowers' mortgage loans, Ocwen allegedly enrolled some consumers in add-on products through deceptive solicitations and without their consent. Ocwen then billed and collected payments from these consumers.
- **Failed to assist heirs seeking foreclosure alternatives:** Ocwen allegedly mishandled accounts for successors-in-interest, or heirs, to a deceased borrower. These consumers included widows, children, and other relatives. As a result, Ocwen failed to properly recognize individuals as heirs, and thereby denied assistance to help avoid foreclosure. In some instances, Ocwen foreclosed on individuals who may have been eligible to save these homes through a loan modification or other loss mitigation option.
- **Failed to adequately investigate and respond to borrower complaints:** If an error is made in the servicing of a mortgage loan, a servicer must generally either correct the error identified by the borrower, called a notice of error, or investigate the alleged error. Since 2014, Ocwen has allegedly routinely failed to properly acknowledge and investigate complaints, or make necessary corrections. Ocwen changed its policy in April 2015 to address the difficulty its call center had in recognizing and escalating complaints, but these changes fell short. Under its new policy, borrowers still have to complain at least five times in nine days before Ocwen automatically escalates their complaint to be resolved. Since April 2015, Ocwen has received more than 580,000 notices of error and complaints from more than 300,000 different borrowers.
- **Failed to provide complete and accurate loan information to new servicers:** Ocwen has allegedly failed to include complete and accurate borrower information when it sold its rights to service thousands of loans to new mortgage servicers. This has hampered the new servicers' efforts to comply with laws and investor guidelines.

The Bureau also alleges that Ocwen has failed to remediate borrowers for the harm it has caused, including the problems it has created for struggling borrowers who were in default on their loans or who had filed for bankruptcy. For these groups of borrowers, Ocwen's servicing errors have been particularly costly.

Through its complaint, filed in federal district court for the Southern District of Florida, the CFPB seeks a court order requiring Ocwen to follow mortgage servicing law, provide relief for consumers, and pay penalties. The complaint is not a finding or ruling that the defendants have actually violated the law.

The lawsuit is available at:

[http://files.consumerfinance.gov/f/documents/20170420\\_cfpb\\_Ocwen-Complaint.pdf](http://files.consumerfinance.gov/f/documents/20170420_cfpb_Ocwen-Complaint.pdf)

###

*The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit [consumerfinance.gov](http://consumerfinance.gov).*

## Topics:

- MORTGAGE SERVICING
- ENFORCEMENT

---

## PRESS INFORMATION

If you want to republish the article or have questions about the content, please contact the press office.

[Go to press resources page](#)

---

## STAY INFORMED

Subscribe to our email newsletter. We will update you on new newsroom updates.

**Email address** (required)

The information you provide will permit the Consumer Financial Protection Bureau to process your request or inquiry. [See more.](#)

Sign up

Subscribe to our RSS feed to get the latest content in your reader.

 [Subscribe to RSS](#)

Contact Us

---

Newsroom

Careers

CFPB Ombudsman

---

FOIA

---

Plain Writing

Privacy

---

Website Privacy Policy & Legal Notices

---

Open Government

Accessibility

---

Office of Civil Rights

No FEAR Act Data

Tribal

---

USA.gov



Office of Inspector General



An official website of the United States Government