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Ocwen Backdating Draws Attention of Attorneys General

By Andrew Harris - Oct 23, 2014

Ocwen Financial Corp.'s backdating of letters rejecting homeowner requests to modify mortgages has drawn the attention of at least three state attorneys general who were part of a $2.1 billion agreement to curb the company's alleged abuse of borrowers just last year.

The backdating left some consumers with insufficient time to appeal the denials, according to a letter sent to the loan servicing company by Benjamin Lawsky, the head of New York's Department of Financial Services.

Ocwen's actions may have also breached its December accord with the federal Consumer Financial Protection Bureau and attorneys general from 49 states.

"We're monitoring the issue and looking into other issues as well," Illinois Attorney General Lisa Madigan's spokeswoman, Natalie Bauer, said in a phone interview yesterday. Bauer declined to describe the other issues being looked at by Madigan, a Democrat.

Florida Attorney General Pam Bondi, a Republican, and Iowa's Tom Miller, a Democrat, are also looking at a potential breach of the December settlement, spokesmen for those officials said.

The accord required Ocwen, the biggest non-bank mortgage servicing business in the U.S., to provide $2.1 billion in borrower relief, with $125 million of that to compensate people who lost their homes to foreclosure and the bulk of it in the form of loan principal forgiveness, according to a CFPB statement issued in December.

Independent Monitor

Ocwen also consented to the appointment of attorney Joseph A. Smith, a former North Carolina banking commissioner, as an independent monitor of its compliance.

Lawsky said Ocwen backdated thousands of loan modification denial notices starting in 2012 and continuing into this year, likely causing "significant harm" to borrowers left with no time to challenge those determinations.

"The existence and pervasiveness of these issues raise critical questions about Ocwen's ability to perform its core function" of loan servicing, according to Lawsky's letter, which was made public two days ago.

His letter was cited by Moody's Investors Service yesterday in a decision to downgrade its quality assessment of an Ocwen unit servicing residential and subprime-residential loans.

Risks Cited

"Both assessments remain on review for further downgrade," the ratings company said. Allegations raised in Lawsky's letter "raise the risk of actions that restrict Ocwen's activities, the levying of of monetary fines against Ocwen, or additional actions that negatively affect Ocwen's servicing stability," Moody's said.

Ocwen closed at $19.51 today, down almost 26 percent from its close on Oct. 20.

Under a consent order signed by U.S. District Judge Rosemary M. Collyer in Washington in February, the CFPB could seek penalties for any violation of the agreement.

David Millar, a spokesman for Atlanta-based Ocwen, said Oct. 21 that the company deeply regrets the improperly-dated correspondence that resulted from "errors" in its systems.

Millar, who is affiliated with Sard Verbinnen & Co., declined to comment on the consent order.

Smith is due to file a compliance report by the end of this year.

Matthew Anderson, a spokesman for Lawsky, declined to comment on the matter. Sam Gilford, a Consumer Financial Protection Bureau spokesman, also declined to comment.

The case is Consumer Financial Protection Bureau v. Ocwen Financial Corp. (OCN), 13-cv-2025, U.S. District Court, District of Columbia (Washington).

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