



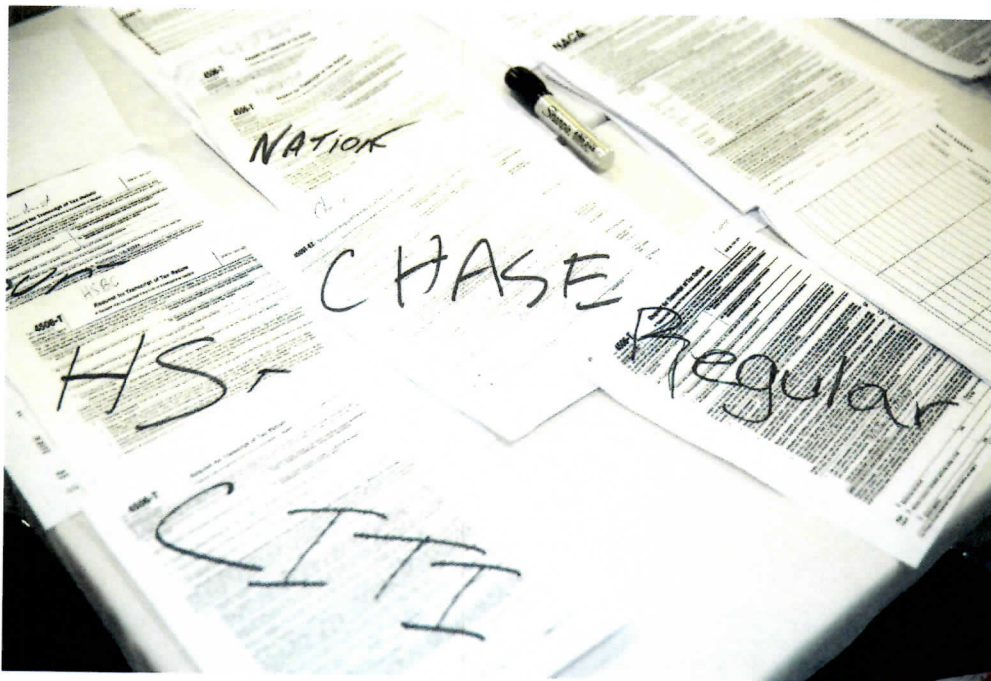
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*I cover the good, the bad and the ugly of finance.*

INVESTING 12/22/2014 @ 3:33PM 6,487 views

# Bill Erbey Of Embattled Mortgage Giant Ocwen Loses Over \$300M In Hours, No Longer Billionaire

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*Mortgage firm Ocwen Financial has found itself in hot water over conflicts of interest in its foreclosure policies.*

[William Erbey](#) of Ocwen Financial Corporation is no longer a billionaire after shares in the mortgage servicing giant he founded tumbled as much as 30% on a \$150 million settlement the company reached with the New York Department of Financial Services. The civil regulatory pact, which alleges serious conflicts of interest between Ocwen's various affiliates and widespread misconduct when foreclosing on homes, will also end Erbey's direct involvement with the company he built over a span of thirty years.

Erbey, according to [Forbes's Real Time Wealth Rankings for billionaires](#), lost over \$300 million on Monday causing his net worth to fall to around \$800 million and knocking him out of the billionaire ranks. He was [worth as much as \\$2.5 billion](#) in March when we published our annual listing of the [world's wealthiest](#).

Ocwen tumbled nearly 30% to three-year lows just over \$15 a share, while Altisource Portfolio Solutions and Altisource Asset Management fell over 30% in late trading. Erbey is the largest shareholder in those three companies and a shareholder in Altisource Residential and Home Loan Servicing Solutions Limited, two other Ocwen-related companies that fell over 6% and 5%, respectively. Forbes now calculates Erbey's net worth at \$802 million, as of late afternoon trading.

Margaret Popper, a spokeswoman for Ocwen at Sard Verbinen & Co., declined to comment beyond the company's public statements.

On Monday, Ben Lawskey superintendent of the New York Department of Financial Services said Erbey will step down as executive chairman of Ocwen and its four publicly traded affiliates to address serious conflicts of interest the regulator found during a multi-year investigation. For Erbey, known as a penny-pincher and a tireless worker, Monday's pact is a dramatic reversal in fortune after he built a mortgage empire from the shell of a Delaware-based savings bank beginning in the mid-1980s.

While Erbey initially bought non-performing loans stemming from the savings and loan bust, as TheStreet's Dan Freed [reported](#), Forbes calculated his net worth [surged into the billions](#) as the company pushed headlong into the prime and subprime mortgage servicing business, especially in the years after the financial crisis as large banks exited the market. Over a handful of years, Ocwen grew tenfold to become the largest servicer of subprime mortgages in the U.S. and the nation's fourth largest mortgage servicer overall, handling an unpaid principal balance of nearly a half trillion dollars by the end of 2013.

However, amid Ocwen's fantastic post-crisis growth, Lawskey alleges that the company routinely incorrectly foreclosed on homes, sometimes even as homeowners were in the midst of mortgage modification applications.

A monitor commissioned by the DFS found that within a sample of about 500 foreclosures in 2011, Ocwen had about three legal violations for every home it foreclosed upon, often including a failure to confirm its right to foreclose in the first place. The monitor blamed much of Ocwen's troubles on a patchwork IT system and a practice of robo-signing mortgage documents. As a result, Ocwen regularly gave borrowers incorrect or outdated information, had inaccurate records and even backdated letters to homeowners seeking a

modification or refinancing.

While some of Ocwen's woes appear to be the result of its rapid expansion, other allegations from the DFS settlement indicate they also came about because of "widespread conflicts of interest" between Ocwen and its four publicly traded related party affiliates.

"The Department's review of Ocwen's mortgage servicing practices also uncovered a number of conflicts of interest between Ocwen and four other public companies (the aforementioned "related companies"), all of which are chaired by Mr. Erbey, who is also the largest individual shareholder of each and the Executive Chairman of Ocwen," Lawsky said on Monday.

As part of Monday's settlement, Ocwen will pay \$150 million in hard dollar assistance to New York homeowners, \$50 million in direct restitution and \$100 million for housing, foreclosure relief and redevelopment programs.

The settlement also stipulates that the DFS-appointed monitor will approve the appointment of two independent directors to Ocwen's board and continue to watch over the company's operations. Over the next two years, the monitor will now have power to approve related party transactions between Ocwen and its affiliates, in addition to any additional mortgage servicing rights that the company will seek to acquire in the future.

"We are pleased to have reached a comprehensive settlement with the DFS and will act promptly to comply with the terms," Ocwen CEO Ronald Faris said on Monday. "We believe this agreement is in the best interests of our shareholders, employees, borrowers and mortgage investors," he added.

Ocwen reserved \$100 million against its third quarter earnings in anticipation of a settlement and the company said it will record a \$50 million fourth quarter charge to reflect the final settlement amount.

"I am grateful to the many associates who have worked alongside me and proud of what we have accomplished," Mr. Erbey said in a statement. "I am confident about Ocwen's future under the experienced leadership of the executive team. I have worked with Ron for more than 20 years, and he is uniquely qualified to lead Ocwen going forward," he added.

Barry Wish, a current Ocwen director, will become executive chairman of Ocwen, replacing Erbey, who will become non-executive chairman on Jan. 16.