UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH DIVISION

CASE NO. 9:17-CV-80495-MARRA-MATTHEWMAN

CONSUMER FINANCIAL PROTECTION BUREAU,

Plaintiff,

v.

OCWEN FINANCIAL CORPORATION; OCWEN MORTGAGE SERVICING, INC.; OCWEN LOAN SERVICING, LLC; and PHH MORTGAGE CORPORATION,

Defendants.

SECOND AMENDED COMPLAINT

1. The Consumer Financial Protection Bureau ("Bureau") brings this action against Ocwen Financial Corporation, Ocwen Mortgage Servicing, Inc., Ocwen Loan Servicing, LLC, and PHH Mortgage Corporation as successor-in-interest to Ocwen Loan Servicing, LLC (collectively "Ocwen" or "Defendants") under Sections 1054 and 1055 of the Consumer Financial Protection Act of 2010 ("CFPA"), 12 U.S.C. §§ 5564, 5565. Ocwen is one of the largest mortgage servicers in the United States. The Company specializes in servicing the loans of distressed borrowers. It committed numerous violations of Federal consumer financial laws from January 1, 2014 through February 26, 2017 ("Relevant Time Period") that harmed borrowers. Among other things, Ocwen improperly calculated loan balances, misapplied borrower payments, failed to correctly process escrow and insurance payments, and failed to properly investigate and make corrections in response to consumer complaints. Ocwen compounded these failures by

illegally foreclosing upon borrowers' loans and selling loan servicing rights to servicers without fully disclosing or correcting errors in borrowers' loan files.

2. The Bureau brings this action against the Defendants under: (1) Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531, 5536; (2) Sections 807(2)(a), 807(10), and 808 of the Fair Debt Collection Practices Act (the "FDCPA"), 15 U.S.C. §§ 1692e(2)(a), 1692e(10), and 1692f; (3) Sections 6 and 19 of the Real Estate Settlement Procedures Act ("RESPA"), 12 U.S.C. §§ 2605, 2617, and the regulations promulgated thereunder at Regulation X, 12 C.F.R. part 1024 ("Regulation X"); and (4) Section 105(a) of the Truth in Lending Act ("TILA"), 15 U.S.C. § 1604(a), and the regulations promulgated thereunder at Regulation Z, 12 C.F.R. part 1026 ("Regulation Z").

3. The Bureau brings this action to obtain permanent injunctive relief, restitution, refunds, disgorgement, damages, civil monetary penalties, and other relief for the Defendants' violations of Federal consumer financial law.

JURISDICTION AND VENUE

4. The Court has subject-matter jurisdiction over this action because it is brought under Federal consumer financial law, 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

5. Venue is proper in this district under 28 U.S.C. § 1391(b) and 12 U.S.C. § 5564(f) because Defendants are located in or do business in this district and part of the events that gave rise to the claims took place in this district.

PLAINTIFF

6. The Bureau is an independent agency of the United States created by the CFPA. 12 U.S.C. § 5491(a). The Bureau is charged with enforcing Federal consumer financial laws. 12 U.S.C. §§ 5563, 5564.

7. The CFPA is a Federal consumer financial law. 12 U.S.C. § 5481(14). Under Sections 1031 and 1036 of the CFPA, it is unlawful for any covered person to commit or engage in unfair, deceptive, or abusive acts or practices. 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

8. The FDCPA, RESPA, and TILA are Federal consumer financial laws. 12 U.S.C. § 5481(14). Under Section 1036 of the CFPA, it is unlawful for any covered person "to offer or provide to a consumer any financial product or service not in conformity with Federal consumer financial law, or otherwise commit any act or omission in violation of a Federal consumer financial law." 12 U.S.C. § 5536(a)(1)(A). Violations of the FDCPA, RESPA, and TILA are therefore violations of Section 1036 of the CFPA. 12 U.S.C. § 5536(a)(1)(A).

9. The Bureau is authorized to commence civil actions in federal district court, in its own name, to address violations of Federal consumer financial law, including violations of the CFPA. 12 U.S.C. § 5564(a), (b).

DEFENDANTS

10. Ocwen Financial Corporation ("OFC") is a publicly-traded Florida corporation that maintains its principal place of business in West Palm Beach, Florida. At all times during the Relevant Time Period, OFC did business in this District and throughout the United States.

11. Ocwen Mortgage Servicing, Inc. ("OMS") is a United States Virgin Island corporation that maintains its principal place of business in the United States Virgin Islands. At all times during the Relevant Time Period, OMS did business in this District and throughout the United States.

12. Ocwen Loan Servicing, LLC ("OLS") was a Delaware limited liability company that maintained its principal place of business in West Palm Beach, Florida. At all times during the Relevant Time Period, OLS did business in this District and throughout the United States. As detailed in Ocwen's Corporate Disclosure filed in the instant action (Doc. 451), OLS merged with PHH Mortgage Corporation ("PHH") on June 1, 2019, and PHH is the successor by merger to OLS. For purposes of this Second Amended Complaint, all references to PHH are in its role as successor in interest to OLS.

13. At all times during the Relevant Time Period, OFC, through its subsidiaries, originated and serviced loans. OFC, OMS, and OLS (collectively "Ocwen") engaged in servicing activities for "federally related mortgage loans," namely loans secured by liens on one-to-four-family residential properties that were, for example: (1) originated by a lender regulated by the federal government, (2) insured or assisted in any way by the federal government, (3) intended to be sold to Fannie Mae, Freddie Mac, or Ginnie Mae ("GSEs"), or (4) originated by a creditor that originates or invests in residential real estate loans aggregating more than $1,000,000 per year. Among other things, for these federally related mortgage loans, Ocwen received and processed borrower payments, made payments of principal and interest to the owners of the loans, administered loss mitigation processes, and managed foreclosures. Ocwen also acquired and collected upon borrowers' mortgage debts that were in default.

14. At all times during the Relevant Time Period, OFC, the parent and publicly-traded company, wholly owned all of the common stock of its primary operating subsidiary, OMS. At all times during the Relevant Time Period, OMS wholly owned the stock of another of OFC's primary operating subsidiaries, OLS. During the Relevant Time period, all three entities shared key executives, such as Ronald Faris, Timothy Hayes, Michael Bourque, and John Patrick Cox. All three entities, through OFC, filed a consolidated financial statement with OFC's public disclosures.

15. At all times during the Relevant Time Period, OFC controlled, directed, operated, and participated in mortgage servicing activities, including the daily cashiering, escrow, insurance, loss mitigation, foreclosure, call center, and consumer complaint operations for Ocwen's loans. OFC also entered into agreements for products and services that were necessary for Ocwen to service mortgage loans and collect debt. OFC contracted for such products and services, including a system of record and related technology services, for and on behalf of Ocwen's affiliates, which included OMS and OLS.

16. At all times during the Relevant Time Period, OMS also engaged in servicing loans. OMS was licensed by numerous state regulators to service loans and collect mortgage debts. OMS entered into agreements for products and services that were necessary for Ocwen to service mortgage loans and collect debt. OMS contracted for such products and services, including a system of record and related technology services used by OLS and OFC. OLS also represented, in an August 23, 2016 Consent Order with the State of Washington Department of Financial Institutions, that OMS engaged in the servicing or subservicing of OLS loans.

17. At all times during the Relevant Time Period, OLS also engaged in servicing loans. OLS was licensed by numerous state regulators to service loans and collect upon borrowers' mortgage debts. OLS was also the owner of the mortgage servicing rights for the loans that Ocwen serviced.

18. During the Relevant Time period, OFC, OMS, and OLS were "covered persons," as that term is defined by 12 U.S.C. § 5481(6)(A), because they offered or provided a consumer financial product or service for use by consumers primarily for personal, family, or household purposes, or that was delivered, offered, or provided in connection with such a product or service by: servicing mortgage loans and collecting on consumers' mortgage debts. 12 U.S.C. § 5481(15)(A)(i) and (x).

19. During the Relevant Time Period, OFC was a "related person" because, as described in Paragraph 14, it was the direct and indirect shareholder of all OMS and OLS stock, and was thus a "controlling shareholder" and "shareholder . . . or other person … who materially participates in the conduct of the affairs" of OMS and OLS, which were covered persons. 12 U.S.C. § 5481(25)(C)(i) and (ii). OFC is thus "deemed to [be] a covered person for all purposes of any provision of Federal consumer financial law." 12 U.S.C. § 5481(25)(B). During the Relevant Time period, OMS was a "related person" because, as described in Paragraph 14, it owned all of OLS's stock at all times during the Relevant Time Period, and was thus a "controlling shareholder" and a "shareholder . . . or other person . . . who materially participates in the conduct of the affairs" of OLS, which was a covered person. 12 U.S.C. § 5481(25)(C)(i) and (ii). OMS is thus "deemed to [be] a covered person for all purposes of any provision of Federal consumer financial law." 12 U.S.C. § 5481(25)(B).

20. During the Relevant Time Period, OFC and OMS were service providers to OLS because, as described in Paragraphs 15 and 16, OFC and OMS provided material services to OLS. 12 U.S.C. § 5481(26)(A). OFC and OMS also controlled and participated in the design, operation, and maintenance of OLS's mortgage servicing activities. 12 U.S.C. § 5481(26)(A)(i).

21. During the Relevant Time Period, OLS, OMS, and OFC operated as a "common enterprise." OLS, OMS, and OFC conducted the business practices described below through interconnected companies that had common business functions, employees, and office locations. OFC and OMS controlled (either formally or informally) and operated OLS's mortgage servicing activities. OFC and OMS also contracted for critical mortgage servicing operations for and on behalf of OLS. OFC, OMS, and OLS also filed consolidated financial statements and shared employees and offices. Accordingly, an act by one entity constituted an act by each entity comprising the "common enterprise," and OFC, OMS, and OLS are each jointly and severally liable for the acts and practices alleged below.

22. During the Relevant Time Period, as described in Paragraphs 13–21, OFC and OMS directed and controlled OLS's mortgage servicing activities and authorized OLS to service Ocwen's loans. Employees of OFC and OMS had knowledge of and controlled, or had the ability to control, the activities of OLS discussed herein. OFC and OMS, as OLS's principals, are liable for the actions of their agent, OLS.

FACTUAL ALLEGATIONS

I. BACKGROUND

A. Company background.

23. William Erbey formed Ocwen in 1988. He served as the Company's Chief Executive Officer until 2010. Ronald Faris succeeded Erbey and served as Ocwen's Chief Executive Officer until June 2018.

24. Between 2010 and the first quarter of 2014, Ocwen's residential servicing portfolio grew from 351,595 loans with an aggregate unpaid principal balance of approximately $50 billion to 2,861,918 loans with an aggregate unpaid principal balance of approximately $465 billion. Ocwen's largest acquisition during this time period was its 2013 purchase of Residential Capital, LLC's ("Residential Capital") servicing platform and its mortgage servicing rights to 1,740,000 loans with an aggregate unpaid principal balance of approximate $183.1 billion. As of December 31, 2016, Ocwen serviced approximately 1,393,766 loans with an aggregate unpaid principal balance of approximately $209 billion. During the Relevant Time Period, it serviced mortgages securing borrowers' principal residences located in all fifty states and the District of Columbia.

25. During the Relevant Time Period, Ocwen also routinely acquired debts that were in default at the time of acquisition. In the instance of the Residential Capital acquisition, over 10% of those loans were delinquent when Ocwen acquired them and boarded them to its system.

26. During the Relevant Time Period, Ocwen regularly collected or attempted to collect on debts owed or due to another at the time of collection. The vast majority of loans that Ocwen serviced or subserviced were owned by others, such as trusts holding

GSE–insured loans and other investors. According to Ocwen's filings with the SEC, as of December 2014 Ocwen serviced or subserviced over 2.4 million loans for others, as of December 2015 Ocwen serviced over 1.6 million loans for others, and as of December 2016 Ocwen serviced over 1.3 million loans for others.

27. Borrowers do not choose their mortgage servicer and had no control over whether and how Ocwen serviced their loans or collected upon their debts.

B. Ocwen's REALServicing System of Record.

28. Fundamental functions of a mortgage servicer include processing and applying borrower payments, communicating accurate payment information to borrowers, managing escrow accounts, and maintaining accurate loan balance information.

29. Servicers also respond to borrower inquiries, handle loss mitigation requests, and initiate foreclosure proceedings, among other functions.

30. To perform these tasks, servicers input loan and borrower information into electronic databases, often referred to as systems of record. Systems of record are essential to a servicer's ability to service loans in accordance with applicable legal requirements. If the information the servicer inputs into the system of record is inaccurate, or the system itself has deficiencies that produce inaccurate information even when the servicer inputs correct information, a servicer can make critical errors that harm borrowers.

31. From 2009 through at least February 26, 2017, Ocwen used a proprietary system of record, REALServicing, and its related sub-systems (collectively "REALServicing").

32. In 2009, Ocwen spun off its internal technology department into a separate company, Altisource Portfolio Solutions ("Altisource"). As a result of this spin-off, Altisource owned and maintained the REALServicing platform. Ocwen contracted with Altisource for technology services. In 2012 and 2013, while Erbey was the Chairman of the Boards and had a substantial ownership share of both Altisource and Ocwen, Ocwen extended this technology-services contract through 2025.

33. No other mortgage servicer has used REALServicing since 2014.

II. OCWEN SERVICED LOANS BASED ON INACCURATE AND INCOMPLETE BORROWER LOAN INFORMATION

34. As set forth in greater detail below, Ocwen serviced loans and collected upon debts based on inaccurate and incomplete borrower loan information during the Relevant Time Period. Ocwen often input inaccurate and incomplete information, or failed to input accurate or complete information, about borrowers' loans into its REALServicing system of record. Even when the information in REALServicing was accurate, REALServicing generated inaccurate information about borrowers' loans due to system deficiencies. Because of these system deficiencies, Ocwen relied upon manual processes and workarounds that themselves resulted in errors in borrowers' loan information.

35. Ocwen's use of inaccurate and incomplete information during the Relevant Time Period to collect mortgage, tax, and insurance payments, communicate with borrowers about loss mitigation issues, proceed with foreclosures, and when selling the servicing rights of borrowers' loans to new servicers resulted in significant harm to borrowers.

A. Ocwen loaded inaccurate and incomplete information into REALServicing and serviced loans using this information.

36. When Ocwen acquired servicing rights for loans, it moved, or "boarded," the records for those loans from the prior servicers' systems of record onto REALServicing.

37. As described in Paragraph 24, between 2010 and 2014, Ocwen acquired the rights to service millions of residential loans, including more than 1.7 million Residential Capital loans. Ocwen input inaccurate and incomplete loan information and payment data from these acquisitions into REALServicing.

1. *Ocwen boarded inaccurate and incomplete loan and payment data from prior servicers onto REALServicing.*

38. In many instances, the systems of record that other servicers used contained data fields that were different from the data fields in REALServicing. To check whether it was correctly boarding loan data from the prior servicers' systems onto REALServicing, during the Relevant Time Period, Ocwen verified critical loan data fields—such as interest rate, property type, and unpaid principal balance—by matching them with the information in the borrower's loan documentation. If the information in REALServicing did not match what Ocwen found in the documents, Ocwen was supposed to correct the error in REALServicing.

39. To ensure the loan data it was using to service loans were complete and accurate, Ocwen sought to complete this loan verification process within 60 days of boarding the loan onto REALServicing. During the Relevant Time Period, however, Ocwen did not complete this process within 60 days. Instead, it relied on unverified loan information for months—and often for more than a year—to service hundreds of thousands of loans.

40. As of December 2013, Ocwen had a backlog of more than 400,000 transferred loans that remained unverified. It did not finish verifying and making corrections to critical data fields for these loans until August 31, 2014. Due to this backlog, Ocwen also delayed verifying the 1.7 million Residential Capital loans it previously acquired in 2013, and which it moved from Residential Capital's servicing platform and boarded onto REALServicing on a rolling basis beginning in early 2014. Ocwen did not even begin the verification process for the Residential Capital loans until September 1, 2014; at that time, Ocwen was servicing more than 1.1 million unverified Residential Capital loans on REALServicing. By the end of 2014, when Ocwen completed boarding Residential Capital loans onto REALServicing, the verification backlog had grown to more than 1.3 million unverified Residential Capital loans. As of April 2016, Ocwen still had a backlog of more than 263,000 unverified Residential Capital loans.

41. In November 2014, Ocwen determined that it was taking, on average, 261 days to complete its verification process for each loan it boarded. In some cases, the verification process took more than a year, far beyond Ocwen's expected 60-day time period.

42. As of 2014, in addition to boarding loans with inaccurate loan information, Ocwen identified certain types of loans, such as adjustable rate mortgages and home equity lines of credit, that had inaccuracies that affected the amounts Ocwen charged to borrowers.

2. *As a result of Ocwen's verification failures, Ocwen serviced thousands of loans based on incorrect information.*

43. Because Ocwen failed to verify the accuracy and completeness of borrowers' loan data during its expected 60-day time period after boarding, it delayed correcting any loan data errors or incomplete loan information. As a result of the delay—in many instances, more than a year—Ocwen serviced a significant number of loans based on inaccurate loan information during the Relevant Time Period.

44. According to Ocwen, which tracked the results of its verification of loans, a significant percentage of the loans it ultimately verified during the Relevant Time Period contained errors or incomplete information and required corrections. For example, in April 2014, Ocwen reported that 72 percent of the loans it verified that month contained errors or incomplete information and required corrections in REALServicing. In March 2016, 90 percent of the loans Ocwen verified contained errors or incomplete information that required corrections.

45. As a result of the findings of its verification process, from September 2014 until April 2016, Ocwen determined that it needed to make more than 870,000 corrections in REALServicing, including more than: 43,000 corrections to the maximum late fees a borrower could be charged (under state law); 31,000 corrections to loans' maturity dates; 27,000 corrections to loan terms; 24,000 corrections to loans' first interest rate cap maximum; and 5,000 corrections to loans' interest rates.

46. Even when Ocwen completed its verification process and identified inaccuracies in loan data, in many instances, Ocwen failed during the Relevant Time Period to accurately correct the errors in REALServicing. For example, in November 2014, Ocwen conducted an internal audit and found that its loan verification personnel

were not properly correcting or updating the information in REALServicing in 63 percent of loans the audit team reviewed. The audit found that Ocwen personnel failed to properly correct critical data fields such as loan maturity date, loan term, first payment date, balloon term, and first interest rate cap.

47. In 2015, Ocwen's outside consultant identified additional deficiencies in Ocwen's loan boarding process, such as:

- "High volume of loans error out of the automated process for unknown reasons requiring manual revision";
- "Limited available data fields cause various groups to use and reuse same fields for different information"; and
- "Limited system functionality in place to accommodate SCRA [Servicemembers Civil Relief Act] requirements (e.g., unable to stop fees if fee was in place prior to customer becoming SCRA eligible)."

B. Ocwen's reliance on its deficient servicing platform, REALServicing, exacerbated its use of inaccurate loan information.

1. *Ocwen and its outside consultant concluded that REALServicing was failing.*

48. Ocwen's own senior leadership repeatedly recognized and acknowledged REALServicing's failures.

49. For example, in an internal communication in 2014 with Ocwen's Chief Executive Officer, Ocwen's head of Servicing described Ocwen's technology as:

> **An absolute train wreck. I know there's no shot in hell, but if I could change systems tomorrow I would.** I can't tell you the number of hours I and others spend on basic servicing technology blocking and tackling. I'm not talking about differentiators here. I'm talking about getting

> system to stay online, escrow analysis to work, letters to print, etc. It's ridiculous. (Emphasis added.)

50. Ocwen's former head of Servicing Compliance testified in May 2016 that she was "absolutely" concerned that Ocwen could not service loans on REALServicing in compliance with applicable laws when she worked at the company between 2014 and 2015. She testified that she, other members of the Compliance Department, and the leaders of Servicing Operations, Loss Mitigation, and other Ocwen business units "frequently" and "loudly" raised this concern. In determining the root cause of various issues, she explained, "**the answer would almost always be REALServicing and the processes that we're using**, would be the answer we would get from the business . . . . [It was a] commonality across all of [the business units] . . . . Everything in servicing, every department in servicing."

51. These senior leaders' conclusions were not outliers. Between 2014 and 2016, Ocwen assessed REALServicing and also hired an outside consultant to do the same. Both Ocwen and its consultant concluded that REALServicing lacked the basic system architecture and design necessary to properly service loans.

52. During the Relevant Time Period, Ocwen also tracked its regulatory violations, risk areas, and other failures in spreadsheets named "Risk Convergence Reports." Each regulatory violation, risk item, or failure identified in the reports included a description of the issue, the date Ocwen identified the issue, whether the issue was dependent on Altisource, the status of any technology fix or other operational remediation, and other information.

53. Each item in the Risk Convergence Reports was assigned a risk rating, ranging from "R1" to "R5." "R1" was the highest risk rating, which Ocwen defined as:

"Potential adverse impact of over $5 million"; "Actual or high possibility for fraud, waste or abuse"; "Breach of company policy or procedures (frequent, repeat, or disregarding policy)"; "Noncompliance with the law or regulation"; or "Material errors or irregularities are a reasonable possibility."

54. According to Ocwen's list of items in the Risk Convergence Reports, during the Relevant Time Period the risk items often resulted from and continued due to REALServicing failures or system limitations. When, for example, Ocwen conducted its first on-site audit of Altisource and REALServicing in 2014, Ocwen auditors concluded that, although 70 percent of the items contained within the Risk Convergence Reports related to "technology projects and enhancements" that Altisource was responsible for, little progress had been made to resolve the items due to Altisource's "lack of priority."

55. As of August 2015, Ocwen had catalogued 2,803 issues on its Risk Convergence Report. Of those 2,803 issues, Ocwen assigned the highest risk rating, "R1," to more than 550 issues, many of which resulted from REALServicing's deficiencies.

56. In 2016, Ocwen's Chief Information Officer and other personnel performed an architectural assessment of REALServicing, and reported, among other things, that REALServicing had "significant deficiencies represent[ing] significant risk and expense to Ocwen" and concluded that the "the most important dimensions of Core Technology" to REALServicing, such as performance and scalability, loan type support, risk exposure, and organizational capability, compared "unfavorably" to other mortgage platforms.

2. *REALServicing's deficiencies impacted Ocwen's ability to lawfully service loans.*

57. During the Relevant Time Period, REALServicing suffered from fundamental system architecture and design flaws, including a lack of properly managed data, lack of automation, and lack of capacity. These flaws adversely impacted the accuracy of the information that Ocwen used to service loans—and, thus, Ocwen's ability to service loans—in a number of ways.

58. First, with respect to Ocwen's data management, REALServicing required the use of more than 10,000 comment codes and flags. Yet, during the Relevant Time Period, Ocwen lacked a complete data dictionary defining its comment codes, flags, and data fields. As a result, Ocwen personnel did not share a common understanding of what these comment codes or flags meant or how Ocwen personnel should use them.

59. Ocwen employees also did not understand how changes to certain codes impacted other codes or work processes. Ocwen's former Head of Compliance, who worked at Ocwen from August of 2013 until September of 2015, testified in May 2016 that during his tenure at Ocwen he repeatedly requested information on the meaning and basic descriptive information of comment codes, how Ocwen's business units used them, what downstream activities the codes triggered, and what upstream activities triggered the codes. He further testified that "neither Ocwen nor Altisource could provide that information." Further, he testified that Ocwen's use of thousands of REALServicing comment codes was "antiquated" and that it was "inappropriate" that Ocwen did not have a data dictionary to define these codes and describe their impact on other activities.

60. Second, REALServicing lacked the necessary automation and functionality to handle basic servicing operations. In 2015, an Ocwen consultant concluded that REALServicing had limited workflows and lacked automation. As detailed in the next subsection and Section III, in certain areas, such as payment processing and escrow, this lack of automation resulted in significant and excessive manual workarounds that created errors in borrowers' accounts.

61. Third, REALServicing lacked the capacity to process the large number of loans that Ocwen acquired and, in part as a result, it was not functional for lengthy periods of time. After Ocwen's large 2013 and 2014 loan acquisitions, Ocwen's personnel reported "high incidents of system unavailability." For example, for the year of 2014, Ocwen's officials reported that its loss mitigation system "was down approximately 17,000 work hours." In internal communications in 2014, Ocwen's Head of Loss Mitigation expressed exasperation about the unavailability of Ocwen's loan modification systems:

> **I am sorry guys, this has broken my back. Enough is enough on daily issues with these systems.** We have lost more than 15 days of production of past 3 months … I need this system up every day and performing. **It is clear by the issues over the past 3 months that there are not any controls on data and system quality.** (Emphases added.)

62. Fourth, REALServicing suffered from various bugs, defects, and failures. For example, in 2014, due to programming errors and data not properly converting among REALServicing applications, Ocwen sent more than 1,800 borrowers permanent loan modification agreements that contained incorrect interest rate, principal payment, maturity date, and balloon payment information.

C. Ocwen relied excessively on manual data entry and reports to address REALServicing's failures.

63. Because of REALServicing's failures and limitations, Ocwen resorted to manual processes, which themselves resulted in errors during the Relevant Time Period. In 2015, Ocwen's consultant reached the following conclusions—which Ocwen conceded were correct—after analyzing REALServicing and interviewing Ocwen business leaders:

- "[Ocwen's] lack of business process automation has resulted in **excessive manual processes to address gaps**";
- "Manual workarounds and reporting are widely used to compensate for insufficient system functionality to complete, track, or control processes"; and
- "While appearing cost effective, manual controls pose **significant risk in heightened compliance environment.**" (Emphases in original.)

64. Ocwen created reports—typically referred to as "control reports"—to catch errors and mistakes or data that REALServicing could not process due to a lack of automation and other system deficiencies, but these reports were of limited use for at least two reasons.

65. First, as Ocwen's former Head of Compliance testified in May 2016, the reports were only effective to the extent that they were based on accurate and complete data. But Ocwen's former Head of Servicing Compliance, who worked for Ocwen from April of 2014 until August 2015, testified in May 2016 that REALServicing lacked the necessary data to generate effective control reports and detect problems. She explained, for example, that when generating a control report using a certain field in REALServicing, that field was "used about five different ways" so the report generated a

"whole mish-mash of information" that did not help Ocwen personnel understand whether an exception or error occurred.

66. Second, Ocwen's manual workarounds and processes introduced the risk of human error. As Ocwen's former Head of Compliance testified, the concern that such manual processes could result in human error is "one of the sort of classic reasons one automates a manual process." Other former and current Ocwen business unit leaders reiterated this point.

67. For these reasons, Ocwen's controls were ineffective during the Relevant Time Period. As Ocwen's former Head of Servicing Compliance testified: "[E]very business unit in the entire organization" lacked sufficient controls to prevent mistakes and to detect when mistakes occurred.

D. Ocwen's use of inaccurate and incomplete information harmed borrowers.

68. During the Relevant Time Period, Ocwen's use of inaccurate and incomplete information to service loans and collect upon borrower debts resulting from its boarding of inaccurate and incomplete information into REALServicing, REALServicing's deficiencies, and Ocwen's error-prone manual processes caused or was likely to cause borrowers substantial harm, and resulted in Ocwen's communicating, orally and in writing, information to borrowers that it knew or had a reason to know was inaccurate.

69. Ocwen was aware of this substantial harm or likelihood of substantial harm. In 2015, Ocwen's outside consultant conducted interviews with Ocwen business leaders. These leaders identified 67 failures—or "pain points"—representing "functional

and/or technical deficiencies" that "stemm[ed] from systematic and manual processes," including the following:

- With respect to escrow: a "technical gap causing escrow analysis to be calculated incorrectly" and a "[m]anual bankruptcy workaround for loans acquired already in bankruptcy, causes information to be deleted from history as new information is updated. This information should be disclosed to the borrower in order to calculate[ ] escrow accurately";
- With respect to insurance disbursements: "no systematic controls exist [ ] to prevent duplicate disbursements in REALServicing resulting in 6k - 12k incidents per year. Personnel must manually remove necessary codes (e.g., paid in full, service released)";
- With respect to loan modification processes: "[u]pon review of the [loan modification] package, terms are found to be incorrect approximately 80% of the time (e.g., NPV miscalculation, final modification date incorrect)";
- With respect to foreclosure data: "[d]ata between REALResolution [the REALServicing application for foreclosures] and REALServicing is not always in sync due to lack of adequate system mapping"; and
- With respect to the payment of borrower taxes: "[a]lthough tax assessment information is supposed to be used to project more accurate payments, REALServicing automatically uses last year[']s billing amount, even if installments for the current year are different."

70. More generally, during the Relevant Time Period, Ocwen serviced borrowers' loans, collected upon borrower debts, and communicated, orally and in writing, with borrowers using inaccurate and incomplete information, including

information relating to borrowers' loan terms, amounts received from and owed by borrowers, escrow amounts, insurance amounts, and/or loss mitigation information. As set forth above and below in Section III, because Ocwen serviced loans and collected borrower debts based on inaccurate and incomplete information, during the Relevant Time Period it, among other things, collected or attempted to collect inaccurate amounts from borrowers, failed to timely pay borrowers' insurance premiums, provided borrowers with loan modifications with inaccurate terms, and initiated wrongful foreclosure proceedings upon borrowers' loans. Further, Ocwen failed to obtain or review information substantiating the accuracy of borrower loan data prior to collecting upon borrowers' debts and foreclosing upon their loans, even though Ocwen knew it boarded inaccurate information, had system and manual errors that created inaccurate information, and numerous borrowers complained about and disputed the information Ocwen was using.

71. Ocwen's use of inaccurate and incomplete borrower and loan information during the Relevant Time Period to service loans and collect upon borrower debts did not benefit consumers or competition. Such a practice did not result in cost savings, enhanced customer service, or other benefits to consumers or competition.

III. OCWEN'S SERVICING FAILURES HARMED BORROWERS IN AT LEAST SIX DISTINCT WAYS

A. Ocwen mishandled borrowers' payments and miscalculated amounts due.

72. During the Relevant Time Period, Ocwen routinely serviced loans and collected borrower debts using inaccurate and incomplete information. During the Relevant Time Period, it also failed to accurately credit amounts received from borrowers, failed to calculate accurate amounts due from borrowers, and sent borrowers

inaccurate communications, such as billing statements, that incorporated inaccurate information about payments and amounts owed.

73. Each day, Ocwen cashiering personnel manually entered, pulled, and matched entries in REALServicing for more than 45,000 borrower-related transactions, including 5,000 payment transactions and more than 40,000 disbursements. Ocwen's internal business units requested that Ocwen automate REALServicing to process borrowers' payments and disbursements for taxes and insurance. They explained that, "due to the volume[,]" there was an "immense need to automate this reconciliation" to ensure "no risk for data loss or corruption."

74. As Ocwen's former Head of Compliance testified, Ocwen had a higher risk profile in the mortgage servicing industry due its heavy use of manual processes in its Cashiering Unit, which handled credits to (*e.g.*, borrowers' payments) and debits from (*e.g.*, disbursements for taxes or insurances) a borrower's loan balance.

1. *Ocwen's obligations under Regulation Z, the CFPA, and the FDCPA.*

75. A borrower's mortgage contract specifies how Ocwen must calculate amounts due and credit any payments (*e.g.*, to principal and interest first, then to any late or default fees). Under Regulation Z, a servicer generally must provide a borrower with a periodic statement each month that details, among other things, the amount the borrower must pay that month, how the servicer will break down and apply the borrower's monthly payment, all transaction activity since the last statement, and the amount of payments in a suspense or unapplied funds account.

76. In addition to the requirements under Regulation Z, a servicer is prohibited from engaging in unfair, deceptive, and abusive acts and practices related to payment crediting and debt collection activities under the CFPA and FDCPA.

2. *Ocwen failed to comply with its obligations under Regulation Z, the CFPA, and the FDCPA with respect to borrowers' payments and statements of amounts due.*

77. Ocwen violated the CFPA, FDCPA, and/or Regulation Z in three main ways during the Relevant Time Period with respect to borrowers' payments and statements of amounts due that Ocwen communicated to borrowers.

78. First, during the Relevant Time Period, Ocwen committed numerous payment processing errors by its personnel and lockbox vendor that resulted in Ocwen's using inaccurate information about the amounts it received from borrowers when servicing borrowers' loans.

79. Specifically, Ocwen identified numerous errors related to payments it received from borrowers and its processing of those payments, including:

- Ocwen was unable to accurately record the date when it received a borrower's physical payment, which, as Ocwen detailed in its Risk Convergence Reports, could result in "delayed payment posting, incorrect payment effective dating, late fees assessment, and negative credit reporting";
- Ocwen processed multiple payments (2 or more checks in one envelope) in ways that "cause[d] misapplication of physical payments by applying as an individual payment instead of combined multi-payment";
- Ocwen's lockbox vendors failed to image correspondence received with payments, resulting in payments not being correctly identified "until a borrower

claim [was] received. Ultimately, this result[ed] in delays in payment posting process, late fee assessment, and negative credit reporting"; and

- Where borrower payments by wire were manually entered and converted by Ocwen personnel into REALServicing: "[s]ometimes the file conversion [did] not convert the data properly and the data need[ed] to be reviewed, corrected and uploaded to REALServicing by Cashiering" and "[e]rrors [could] occur during this manual process."

80. Second, Ocwen used inaccurate information about the amounts borrowers owed to service their loans and collect upon their debts. These errors were especially common with respect to loans whose terms adjusted or loans for which borrowers had sought the protections of bankruptcy.

81. As a result of Ocwen's failure to timely verify information that it had received from prior servicers, when Ocwen loaded incorrect loan terms onto its system, Ocwen miscalculated the amounts due from borrowers for certain of those loans. These errors were especially common with respect to loans whose terms adjusted or home equity lines of credit. Ocwen knew the loan terms it loaded had significant inaccuracies that affected Ocwen's calculations of the amounts due from such borrowers.

82. Likewise, for borrowers in bankruptcy, Ocwen failed to process and apply payments correctly in accordance with certain bankruptcy requirements, leading it to service loans and collect upon borrowers' debts using inaccurate amounts. By 2016, Ocwen concluded that REALServicing was broken in a number of ways that adversely affected borrowers whose loans were subject to bankruptcy protections, including that:

- "When REALServicing makes a contractual payment using pre- or post-petition funds, the payment covers only the principal and interest component. Escrow is not paid. This is contrary to what a bankruptcy court expects. Payments should only be made for the full contractual amount, including the escrow (as calculated for the due date of the payment to be made)";

- "There is no connection between the proof of claim as determined in Equator/REALResolution [the system Ocwen used to process bankruptcies] and the pre-petition arrearage balances in REALServicing. The proof of claim figures need to become the REALServicing arrearage balances"; and
- "The process of converting a bankruptcy trustee payment to a payment batch is highly manual and, therefore, both inefficient and at risk of error. Ocwen receives funds from bankruptcy trustees that, generally, need to be applied to borrower accounts as either pre-petition payments, post-petition payments, or bankruptcy interests. There are some cases where, due to loan status, funds from the trustee are not applied as payment, but are applied to miscellaneous suspense or other non-payment accounts. Ocwen receives funds from bankruptcy trustees in a single check that usually covers multiple accounts. Ocwen needs to apply the funds across the different loans."

83. Further, Ocwen also identified numerous other instances where it miscalculated borrowers' amounts due, such as payoff or reinstatement amounts, because of a wide variety of Ocwen's servicing failures. For example, in May 2016 Ocwen determined that, due to a failed attempt in 2014 to fix a REALServicing technology flaw, it was charging incorrect amounts to borrowers and was "not being compliant with the terms dictated in the note" which "directly impact the monthly account statement sent to the borrowers."

84. Third, Ocwen communicated inaccurate information about amounts borrowers owed or that Ocwen received, as described in Paragraphs 78–83. Ocwen communicated such information orally and in writing, including in monthly periodic and billing statements, and quotes to borrowers. These representations were material to borrowers managing their mortgages and were likely to mislead borrowers acting reasonably under the circumstances.

3. *Ocwen's payment processing failures caused significant borrower harm.*

85. Ocwen's use of inaccurate payment information and amounts due significantly harmed borrowers. Ocwen charged borrowers improper late fees; reported inaccurate, negative payment information to credit reporting agencies; subjected borrowers to collection calls based on inaccurate information; and wrongly threatened borrowers with foreclosure. This conduct harmed borrowers financially and caused borrowers frustration and emotional distress.

86. Even when Ocwen identified a payment error, in many instances it did not properly correct the error. Pursuant to Ocwen's policies and procedures, its Cashiering Department corrected identified errors through a "reversal request" or correction to a borrower's account. In many instances, however, Ocwen's personnel did not make the reversal request in a timely or accurate manner.

87. A March 30, 2016 internal audit found, for example, that Ocwen's Cashiering Department lacked controls to ensure that reversal requests–approximately 3,700 a month at that time—were timely and accurately processed. The auditors also found that, when Ocwen actually processed reversal requests, it processed requests in the sample incorrectly.

88. Not surprisingly, given Ocwen's significant problems crediting and applying borrower payments, a large number of borrowers complained about Ocwen's payment processing.

89. From April 2015 to April 2016 alone, Ocwen received complaints from more than 68,000 borrowers related to its processing of payments. Ocwen determined it made numerous errors in the following categories: "Payments Not Applied Correctly"; "Funds Not Applied Correctly"; "Reversal Requests"; "Late and NSF Fees"; "Payment Missing – Not Applied to Account"; "Chargeback Issue – Borrower Disputes Charged Back Item"; "Fee Assessed Improperly"; "Payment Not Processed Timely"; "ACH Drafted Incorrectly (Incorrect Date, Multiple Drafts, etc.)"; "Payoff Overage"; "ACH Payment – Chargeback"; and "Incorrect Data in the Account Statement."

90. The experience of one consumer trying to prepay her mortgage in April 2016 is illustrative of Ocwen's payment processing errors. According to the consumer, she sent Ocwen two checks—one for principal and interest, and one check for her escrow payment—on or around April 2, 2016 to prepay her May 2016 mortgage payment. Even though the borrower stated that she sent the checks in the same envelope, Ocwen records indicate that it received and processed the payments on different days. In addition, when the borrower received her May 2016 mortgage statement, she reported that Ocwen misapplied her April 2016 principal and interest payment into a suspense account. As a result, even though the borrower had sent Ocwen funds in advance to prepay her mortgage, the consumer reported that Ocwen changed her status to delinquent in May 2016, charged her late fees, and made disruptive and embarrassing collection calls to her at her home and work.

91. Another borrower complained that Ocwen began rejecting her monthly payments in November of 2014, even though she had been making full payments pursuant to a September 2014 loan modification. The borrower stated that when she contacted Ocwen, an Ocwen case manager told her that Ocwen's systems had rejected the payment because the modified payment amount that Ocwen recorded in its system was a few cents different than the modified monthly payment amount that Ocwen told the borrower to pay in a letter approving her loan modification. After supposedly fixing this issue, the borrower reported that Ocwen then began misapplying her payments to the previous month (*e.g.*, claiming the borrower made her January 2015 payment in February 2015). As a result, the borrower began receiving delinquency notices and eventually a notice of default from Ocwen indicating that she had a past due balance of $2,446.66. The borrower reported that she made repeated attempts to get Ocwen to correct its mistakes, but as of October 2016, Ocwen had still not fixed them. According to the borrower, this ordeal caused her a significant amount of stress and embarrassment: "It is very embarrassing to come home and see a notice on my door of an impending foreclosure especially when I have made and continue to make my mortgage payments to Ocwen."

92. Another borrower complained that Ocwen sent him an inaccurate payoff quote that caused the borrower's pending property sale to fall through. In a March 31, 2016 letter, Ocwen sent the borrower a payoff statement with a payoff balance of $88,325.49. A few months later, on September 8, 2016 Ocwen sent the borrower another payoff statement that listed a payoff balance of $139,149.61—$50,000 more than the payoff quote Ocwen provided just a few months earlier. According to the borrower, he contacted Ocwen at least 15 times to dispute the payoff amount but was

not able to get Ocwen to address the matter until he submitted a complaint to the Bureau and the Texas Attorney General. In a letter dated September 28, 2016, Ocwen admitted that "the figures on the payoff statement sent on September 8, 2016 were incorrect." In the letter, Ocwen stated that it had generated a new payoff statement with a corrected payoff amount of $84,569.90—more than $55,000 less than the payoff quote Ocwen provided to the borrower a few weeks earlier. Ocwen did not explain, though, how the error had occurred in the first place. According to the borrower, due to the payoff discrepancy, he had to delay the pending sale of the property and the sale fell through. He had to find another buyer for his property, which he later did.

B. Ocwen botched borrowers' escrow accounts.

93. Ocwen also failed during the Relevant Time Period to perform basic tasks associated with managing borrowers' escrow accounts. Specifically, due to systems failures, control lapses, and excessive reliance on manual processes, Ocwen failed to conduct escrow analyses or accurate escrow analyses; failed to timely send borrowers accurate escrow statements; and failed to properly account for and apply borrower escrow shortage payments. Many of these servicing failures also led Ocwen to use inaccurate escrow-related information.

94. As of April 2016, Ocwen managed escrow accounts for more than 78 percent of the loans it serviced. In 2014, Ocwen hired consultants to review and report upon its escrow practices. The resulting report identified more than **three million** "documented CFPB violations" during 2014, including Ocwen's failure to: provide escrow statements or accurate escrow statements to borrowers; conduct escrow analyses or accurate escrow analyses; and accurately impose hazard and flood insurance.

1. *Ocwen's obligations under RESPA, the CFPA, and the FDCPA.*

95. RESPA and Regulation X generally require servicers to do the following for escrow accounts that they establish in connection with a federally related mortgage loan: (1) perform an annual escrow analysis to determine the monthly escrow account payments for the next computation year; (2) provide an annual statement reflecting the activity in the escrow account during the escrow account computation year and a projection of the activity in the account for the next year; (3) refund to the borrower any surplus disclosed in an escrow analysis or, if the surplus is less than $50, alternatively credit such surplus against future escrow payments; and (4) potentially seek repayment for any shortage (*i.e.*, the amount by which a current escrow account balance falls short of the target balance at the time of an escrow analysis) disclosed in an escrow analysis.

96. In addition, the CFPA and FDCPA prohibit servicers from engaging in unfair, deceptive, and abusive acts and practices related to escrow and debt collection activities.

2. *Ocwen failed to comply with its obligations under RESPA, the CFPA, and the FDCPA with respect to escrow accounts.*

97. Ocwen failed to comply with RESPA, the CFPA, and/or the FDCPA during the Relevant Time Period in at least five ways related to escrow accounts, including when servicing federally related mortgage loans.

98. First, as of mid-2014, Ocwen failed to conduct annual escrow analyses within the required time period for up to 230,000 delinquent borrowers, up to 60,000 borrowers who had filed for bankruptcy, and other borrowers, in violation of Regulation X.

99. According to the head of Ocwen's Escrow Department, until at least July or August of 2014, Ocwen did not conduct these annual analyses for borrowers in delinquency. For those borrowers for whom Ocwen failed to timely analyze escrow accounts, Ocwen used inaccurate monthly escrow amounts to service their loans and collect upon their debts, and sent to borrowers monthly billing or annual statements with inaccurate monthly escrow amounts.

100. Ocwen's failure to conduct escrow analyses for borrowers also impacted the accuracy of its borrowers' payoff and reinstatement quotes. Because REALServicing's calculation of borrowers' payoff and reinstatement quotes—the amount they need to pay to respectively pay off or reinstate their loans to become current—depended in part on borrowers' escrow balances, REALServicing miscalculated the payoff and reinstatement quotes for many of the loans for which Ocwen did not conduct an escrow analysis. Ocwen's failure to conduct escrow analyses resulted in Ocwen's providing thousands of borrowers with inaccurate reinstatement quotes.

101. In some instances, Ocwen failed to perform or timely perform escrow analyses during the pendency of a Chapter 13 bankruptcy, resulting in Ocwen's using inaccurate escrow amounts to service loans and collect upon debts. Further, Ocwen failed to service its loans in accordance with bankruptcy protections and attempted to collect purported escrow shortages or arrears in violation of bankruptcy orders and rules.

102. In June 2016, Ocwen's Head of Bankruptcy testified that more than 22,000 borrowers in bankruptcy were impacted by Ocwen's failure to conduct a timely escrow analysis and that Ocwen was attempting to remediate these borrowers. Ocwen's

consumer complaint data indicate that, for the year of April 2015 to April 2016, at least 8,000 of these 22,000 impacted borrowers complained to Ocwen.

103. Second, in many instances, even when Ocwen performed escrow analyses on borrowers' accounts, Ocwen either: (1) failed to send escrow statements to borrowers, including borrowers who were not delinquent, in foreclosure, or in bankruptcy at the time of the escrow analysis, because of REALServicing system deficiencies; or (2) sent inaccurate escrow statements.

104. For example, in mid-2014, Ocwen performed escrow analyses for an estimated 10,000 to 20,000 borrowers but then failed to generate or timely send the required escrow statements to these borrowers within the required year.

105. When Ocwen sent escrow statements, in many instances, the escrow statements contained inaccurate information pertaining to the borrowers' account histories, escrow balances, and escrow payments. In September of 2014, Ocwen's then Head of Servicing Compliance acknowledged this failure in internal emails:

> **Escrow notices not compliant with RESPA, not sent timely or not sent at all are huge and are the foundation for all else.** These are, by the way, the three biggest borrower communication issues across the board for Ocwen - required content not included, letter not sent, or letter not sent timely. **This is estimated to impact 800,000 borrowers or 52% of the Ocwen customer base.** (Emphases added.)

106. Third, Ocwen failed to timely process escrow shortage payments—*i.e.*, payments that borrowers made at Ocwen's request to satisfy a shortage or deficiency in their escrow accounts—that Ocwen needed to pay the borrowers' insurance or tax disbursements, in violation of Regulation X.

107. During the Relevant Time Period, Ocwen personnel emailed its Escrow Department or manually entered a comment code in REALServicing when the borrower paid an escrow shortage to request that the Escrow Department manually remove the shortage portion from the borrower's monthly escrow payment. Errors in these processes caused Ocwen to collect shortages that borrowers had already paid. For instance, as Ocwen's auditors found in a March 30, 2016 audit, Ocwen did not have adequate controls over the entry of the comment code and therefore Ocwen did not catch when its personnel failed to manually enter the appropriate escrow shortage receipt comment code. This resulted in "the continued collection of escrow shortage amounts" that borrowers already paid. Specifically, Ocwen failed to timely process escrow shortage payments for thousands of borrowers, resulting in Ocwen's collecting or attempting to collect inaccurate escrow shortage amounts that borrowers did not, in fact, owe because they already paid them.

108. Fourth, when servicing borrowers' loans and collecting upon their debts, Ocwen also used inaccurate information as to whether borrowers had an escrow account; whether borrowers' escrow amounts were properly accounted for in borrowers' loan modification payment amounts (*e.g.*, borrowers' modified monthly mortgage payments) before borrowers accepted the newly modified mortgage payments; and whether borrowers who filed for bankruptcy protection were being charged accurate amounts. Ultimately, this led to Ocwen's using inaccurate escrow-related information to calculate amounts that borrowers owed, such as monthly payments.

109. In the bankruptcy context, for example, Ocwen failed to generate accurate escrow amounts. In late 2014, the Head of Ocwen's Escrow Department wrote in an email, which was forwarded to Ocwen's Chief Executive Officer:

> **I've stressed importance of getting the BK escrow balance issues fixed, but no confirmation of root cause or target correction date** . . . . It's a system issue because a bucket that determines the amount of money that a customer sends for their monthly payment can change with no record of why on the system . . . . **Please help get the importance across on this issue.** If this is not fixed, I cannot recommend that we move to analyze BK for the portfolio. Even with a control report to catch them, there is still risk the balance will be wrong when you actually analyze the account. (Emphases added.)

110. In late 2014, Ocwen's then Head of Servicing also emailed Ocwen's Chief Executive Officer and asked for additional consulting resources to handle Ocwen's escrow deficiencies because, as Ocwen's Head of Servicing Operations reported: "you are familiar with this issue - the BK escrow balance bucket is wrong and requires every BK loan to be manually reviewed and we can still have errors."

111. Fifth, Ocwen communicated inaccurate escrow-related information, including amounts that borrowers owed, as described in Paragraphs 98–110. Ocwen communicated such information orally and in writing, including in monthly periodic, billing, and escrow statements, and quotes, to borrowers. These representations were material to borrowers managing their mortgages and were likely to mislead borrowers acting reasonably under the circumstances.

3. *Ocwen's escrow failures caused significant borrower harm.*

112. Ocwen's escrow errors caused significant harm to borrowers, including the costs and emotional distress that borrowers suffered when attempting to get Ocwen to correct its mistakes.

113. This type of harm can disproportionately affect borrowers in bankruptcy. As Ocwen's former Head of Servicing Compliance testified:

> If you have a borrower who is sixty days down or in BK [bankruptcy], if an analysis is done and they find that the escrow account is short and the payment has to go up by fifty bucks . . . . If you've got somebody that's sixty days down or in BK [bankruptcy] and all of a sudden, because of a shortage in the escrow account, their payment goes up by fifty bucks, that can make a big difference. So it can have a disproportionate impact because they're already on the ropes financially.

114. From April 2015 to April 2016, Ocwen received more than 53,000 complaints relating to its handling of escrow accounts. Ocwen determined it made numerous errors in the following categories: “Escrow Analysis Needed, Last Analysis Incorrect”; “Escrow Payment Change Inquiry”; “Escrow Info Incorrect or Not Set Up”; “Escrow Analysis Needed”; “Escrow Overage Not Received”; “Escrow Payment Change Dispute”; “Escrow Analysis Needed due to Payment”; “Negative Escrow Balance”; “Escrow Analysis Requested due to Refund”; and “Taxes Escrowed — Paid on Wrong Parcel.”

115. One borrower contacted Ocwen multiple times to complain about an incorrect, inflated escrow deficiency. The borrower had previously filed for bankruptcy, and by a bankruptcy court order on June 1, 2015, his account was deemed current with an escrow deficiency of $530.67. Despite the court order, Ocwen continued to report an escrow deficiency of $8,468.03. The borrower complained repeatedly to Ocwen, but to no avail. In March 2016, the borrower filed a complaint against Ocwen with the Bureau and the Texas Attorney General. In a response letter dated June 3, 2016, Ocwen acknowledged that, per the June 1, 2015 court order, the borrower’s account should have been deemed current with an escrow shortage of only $530.67. Ocwen also admitted that it had sent the borrower two escrow statements that reflected an “incorrect escrow account balance deficiency” and apologized for any “frustrations [the

borrower had] incurred as a result of the error." Ocwen agreed to make corrections to the borrower's account, run a new escrow analysis, waive all fees and expenses that Ocwen charged to the account, and amend any negatively reported credit information.

116. The complaint submitted by another borrower typifies the myriad payment processing, escrow, and insurance errors Ocwen made, and how they can drive borrowers into foreclosure. The borrower complained about the following series of errors:

- When the borrower entered into a loan modification in April of 2016, his principal balance increased by more than $161,000, but Ocwen was unable to explain why his balance increased by this amount;
- Even though the borrower made his required monthly modification payments on time, Ocwen repeatedly failed to post his payments on time or at all;
- Ocwen charged the borrower for flood insurance that the borrower did not need because his property was not in a flood zone; and
- Ocwen then erroneously attempted to foreclose on the borrower.

117. In a letter dated February 10, 2017, Ocwen admitted to multiple errors in the process:

- Ocwen explained that the increase in the borrower's principal balance when his loan was modified was because the borrower had a negative escrow balance of $88,124.55 and $124,912.71 had been capitalized during modification. But Ocwen did not explain why the borrower's principal balance had increased to $161,000.
- Ocwen admitted, though, that the negative escrow balance was wrong and based on erroneous charges it imposed on the borrower for lender-placed flood and hazard insurance: "When the modification was completed the calculations used

Lenders Placed Flood Insurance and Lenders Placed Hazard Insurance for multiple years that were not necessarily due."

- As a result of these erroneous charges, Ocwen determined that the borrower actually had a positive escrow balance or ***surplus*** of $36,788.16 in his escrow account, not a negative escrow balance or deficiency of more than $88,000.

118. In light of these errors, Ocwen stated that it would be "re-modifying the loans current terms accordingly" and would attempt to waive the foreclosure fees it had imposed on the borrower's account. On March 24, 2017, the foreclosure proceedings against the borrower were voluntarily dismissed.

119. This borrower's experience also illustrates the types of harm that Ocwen's errors impose on borrowers. The borrower described the ordeal as follows:

> I spent one full day a week for the last three and a half years dealing with Ocwen, this includes calling the company mainly waiting on the phone on hold and talking to individuals at their call center . . . and faxing and emailing. Recently I have spent a large amount of time and money dealing with the foreclosure proceedings. The costs and time included attorney fees and paying for my own counsel, which cost between $6,000 and $8,000, to respond to the Notice of Foreclosure, amongst other costs.

C. Ocwen mishandled borrowers' hazard insurance.

120. During the Relevant Time Period, Ocwen failed to make timely payments of borrowers' hazard insurance premiums and serviced loans based on inaccurate insurance data that led to wrongful insurance premium charges.

1. *Ocwen's obligations under RESPA, the CFPA, and the FDCPA.*

121. Under RESPA and Regulation X, if a borrower's monthly payment includes a payment for hazard insurance, such as homeowner's insurance, wind insurance, or other types of property-related insurance, then the servicer must generally

make disbursements in a timely manner, on or before the deadline to avoid a penalty, as long as the borrower's payment is not more than 30 days overdue.

122. In addition, the CFPA and FDCPA prohibit servicers from engaging in unfair, deceptive, and abusive acts and practices related to debt collection activities and in connection with mortgage servicing, including in the context of charges they impose relating to borrowers' insurance policies, such as flood insurance policies.

2. *Ocwen failed to comply with its RESPA, CFPA, and FDCPA obligations with respect to hazard insurance.*

123. Ocwen failed to comply with RESPA, the CFPA, and FDCPA during the Relevant Time Period in at least four ways related to hazard insurance, including when servicing federally related mortgage loans.

124. First, in numerous instances, Ocwen failed to timely disburse payments to hazard insurance companies on behalf of escrowed borrowers whose payments were not more than 30 days overdue. For example, due to syncing and updating failures between REALServicing and Ocwen's insurance vendor's system, Ocwen's insurance vendor did not recognize that numerous Ocwen borrowers had escrow accounts and therefore failed to make disbursements to these borrowers' insurance companies before the deadline for a penalty.

125. In other instances, incorrect account data in REALServicing, such as whether an account was escrowed for insurance and insurance payee information, resulted in Ocwen's making untimely and incorrect disbursements for borrowers' insurance policies. Ocwen, for example, made double payments (out of borrowers' accounts) for the same insurance policy on thousands of accounts, disbursed premiums to wrong payees, and failed to timely disburse funds to pay thousands of insurance

premiums. Ocwen also made untimely and duplicate tax disbursements from escrow accounts, as well. These failures, as well as those detailed in Paragraph 124, led Ocwen to service loans and collect debt with additional inaccurate information, such as monthly amounts that borrowers owed.

126. Second, Ocwen's failures to timely disburse money to pay borrowers' hazard insurance policies also resulted in the lapse of hazard insurance coverage for more than 10,000 borrowers. As of March 2015, more than:

- 1,500 of these borrowers were able to reinstate their insurance policy, but had to pay a higher premium;
- 3,000 of these borrowers received letters from Ocwen indicating that it was going to impose force-placed insurance on their loans because they lacked hazard insurance;
- 500 of these borrowers had force-placed insurance imposed on their loans by Ocwen; and
- 100 of these borrowers were foreclosed upon by Ocwen.

127. For borrowers who were forced to pay a more expensive premium to reinstate or obtain new hazard insurance coverage, Ocwen's insurance vendor ultimately agreed to provide a credit to the borrower to cover the increase in premium for at least three years.

128. Third, Ocwen used inaccurate data about whether borrowers were in flood zones to charge borrowers for flood insurance premiums for insurance policies that borrowers were not required to maintain.

129. In early 2014, a large bank servicer that transferred the subservicing rights of its loans to Ocwen audited a sample of loans where Ocwen had force-placed flood

insurance policies on borrowers' properties. For approximately half of the loans it tested, the large bank servicer found that Ocwen imposed force-placed flood insurance on borrowers' homes, despite the fact that the large bank's records indicated that the borrowers already had their own flood insurance policies in place.

130. In late 2014, when Ocwen reviewed its escrow processes, it also found that it had "[i]nconsistent and/or incomplete flood determination data loaded for all loans on REALServicing" and that "[a]ccurate flood determination data is required to ensure appropriate tracking of flood insurance."

131. In early 2015, when Ocwen audited flood zone data among its various service providers, it found more than 3,000 loans for which the flood-zone-related data in REALServicing were inaccurate. In July of 2015, Ocwen's auditors also concluded that Ocwen "lacks sufficient controls to ensure lender-placed flood insurance policies do not exceed regulatory required coverage amounts." Ocwen's auditors also reviewed a sample of 40 loans where the property was located in a flood zone and noted: "there were several loans where the lender-placed flood insurance policy amounts exceeded the required statutory or investor minimum coverage. Further, there were instances where gap insurance policies were created, even though the customer independently purchased sufficient flood coverage." Ocwen's use of inaccurate flood insurance data led to Ocwen's servicing loans and collecting upon debts using inaccurate escrow-related information to calculate amounts that borrowers owed, such as monthly payments.

132. Fourth, Ocwen communicated inaccurate information about amounts that borrowers owed, based on Ocwen's use of inaccurate hazard and flood insurance information, as set forth in Paragraphs 124–131. Ocwen communicated such information orally and in writing, including in monthly periodic, billing, and escrow

statements. These representations were material to borrowers managing their mortgages and were likely to mislead borrowers acting reasonably under the circumstances.

3. *Ocwen's insurance failures caused significant borrower harm.*

133. Ocwen's insurance failures caused substantial financial and emotional harm to borrowers. From April 2015 to April 2016, Ocwen received complaints from more than 19,000 borrowers related to its management of borrowers' insurance policies. Ocwen found that it made numerous errors relating to force-placed insurance imposed on borrowers' accounts, borrowers' hazard insurance not being paid, and insurance refunds not being timely refunded or paid to borrowers.

134. For example, one borrower complained to Ocwen that it had erroneously force-placed flood insurance on his property. According to the borrower, he had to take out a loan to pay the more than $4,300 cost of the flood insurance policy. In a May 3, 2016 letter, Ocwen admitted that "[i]n review of the account, [the force-placed flood insurance policy] was due to an incorrect loan number provided by the insurance company."

135. Another borrower's experience highlights the difficulty borrowers had in getting Ocwen to correct its insurance errors, as well as the downstream effects these errors had on borrowers' escrow accounts and payments amounts. This borrower complained to Ocwen multiple times about her escrow payments, but was not able to resolve her complaints until she submitted a complaint through her state regulator. In a May 8, 2015 letter responding to the borrower and the state regulator, Ocwen admitted that it had made a "duplicative disbursement for windstorm hazard insurance," resulting in the borrower being overcharged for insurance. In addition, Ocwen conceded

that the duplicate wind insurance payment had caused her escrow balance to appear artificially low, which resulted in Ocwen incorrectly increasing the borrower's monthly payment to account for the purported shortage.

D. Ocwen failed to protect borrowers when it made servicing errors.

136. Ocwen's errors at every loan servicing stage made it even more important that the company adequately investigate and respond to borrower complaints. These functions can act as a "safety net" to catch borrowers before they are further harmed by a servicer's unlawful conduct. Here, too, Ocwen failed borrowers during the Relevant Time Period. From April 2015 through April 2016, Ocwen received more than 580,000 complaints from more than 300,000 different borrowers.

137. During the Relevant Time Period, Ocwen routinely failed to reasonably investigate, and, when appropriate, make corrections in response to borrower complaints. These failures caused serious harm to consumers.

1. *Ocwen's obligations under RESPA.*

138. Under RESPA and Regulation X, servicers are required to have policies and procedures that are reasonably designed to ensure that they investigate, respond to, and, as appropriate, make corrections in response to complaints by borrowers.

2. *Ocwen failed to comply with its obligations under RESPA with respect to consumer complaint handling.*

139. Ocwen failed to implement policies and procedures during the Relevant Time Period that were reasonably designed to meet the consumer complaint handling objectives to respond, investigate, and, where appropriate, correct errors in three ways.

140. First, Ocwen's policies and procedures were not reasonably designed to identify and respond to consumer complaints. Per Ocwen's policy, Ocwen call center

personnel were supposed to escalate repeat complaints regarding the same issue to a supervisor or a designated call center employee, known as the borrower's "Escalation Relationship Manager." But, due to insufficient policies and procedures and an overreliance on rigid scripting, Ocwen call center personnel failed to adequately resolve the complaint or escalate the call for investigation and correction of the error. As a result, borrowers were forced to call Ocwen multiple times about the same complaint before the call center personnel escalated the matter for investigation and error correction.

141. In April 2015, Ocwen implemented new policies and procedures to address the difficulty its call center personnel had in identifying and escalating borrower complaints. These policies and procedures, however, were not reasonably designed to handle consumer complaints. For example, instead of requiring Ocwen to identify a complaint the first time a borrower called in, the new policies and procedures placed the burden on the borrower to complain multiple times–at least five times in nine days–before Ocwen would automatically escalate the borrower's complaint for resolution to an Escalation Relationship Manager.

142. As a result, many borrowers were forced to call Ocwen multiple times before Ocwen investigated and corrected their errors. For example, of the more than 450,000 complaints that Ocwen processed from April 2015 through April 2016, approximately 68 percent involved borrowers who contacted Ocwen multiple times within a 15–day period; approximately 40 percent involved borrowers who contacted Ocwen three or more times within a 15-day period; and approximately 17 percent involved borrowers who contacted Ocwen five or more times within a 15-day period.

143. Second, Ocwen's policies and procedures were not reasonably designed to ensure that its personnel conducted reasonable investigations of the alleged error in complaints. Ocwen's policies and procedures, for instance, directed Ocwen personnel to rely on the information in REALServicing to investigate complaints. Thus, Ocwen's ability to appropriately investigate complaints was largely dependent on the accuracy of the information contained within REALServicing and Ocwen relied upon inaccurate data in REALServicing in investigating consumer complaints.

144. Further, Ocwen's policies and procedures did not require Ocwen personnel who investigated borrowers' complaints to cross-reference the errors raised in those complaints to Ocwen's known and documented systemic errors, such as the payment processing and application, escrow, and insurance errors. Thus, such personnel did not consider that information in their investigations. In responding to certain borrower complaints, Ocwen simply parroted back the information in REALServicing, including details set forth in payment and escrow histories, without addressing the errors presented by borrowers' complaints.

145. Third, Ocwen's policies and procedures were not reasonably designed to ensure its personnel corrected the errors they identified. Ocwen's policies and procedures provided personnel little or no guidance on how to correct identified errors. For example, Ocwen's policies and procedures did not detail what factors personnel should consider when recommending remediation, including what types of harms and downstream impacts to borrowers they should consider. At best, Ocwen's policies and procedures identified certain forms of remediation such as fee waivers and credit reporting corrections, but did not inform personnel when these or other forms of remediation were appropriate. Without any such guidance, Ocwen personnel were left

to their own discretion to determine whether an error had occurred, and, if so, how to correct the error.

3. *Ocwen's consumer complaint handling failures caused significant borrower harm.*

146. Ocwen's failure to properly investigate consumer complaints and correct errors caused significant consumer harm.

147. Ocwen's consumer complaint failures are illustrated by the experience of several borrowers, including those described in Paragraphs 90–92, 115–119, 134–135, 148, and 183–184, who complained to Ocwen multiple times in order to try to get Ocwen to correct errors.

148. One borrower repeatedly contacted Ocwen throughout 2014 to have Ocwen correct an error with her escrow account. When the borrower's loan was transferred to Ocwen in August 2013, Ocwen set up an escrow account and incorrectly began making disbursements for property taxes and property insurance, even though the borrower had a tax deferment as part of a program for low income-seniors and paid her own property insurance. In July 2014, Ocwen sent the borrower a notice of default, which included an escrow balance of $3,841.92, late fees, and other fees and charges. After the borrower was unable to get Ocwen to resolve her dispute, she submitted, through AARP's Legal Counsel for the Elderly, a Qualified Written Request and notice of error regarding the escrow mistakes and the related errors. Ocwen's response only contained generic account information and did not correct the errors. It was only after the borrower's counsel sent Ocwen another complaint to the Bureau in October 2014 that Ocwen responded, in a letter dated December 17, 2014, in which it stated it would remove the borrower's escrow balance, waive late fees, and reduce the borrower's

payment amount to $302.43, which was the original and correct amount of the borrower's payment.

E. Ocwen engaged in unlawful foreclosure practices.

149. Ocwen long touted its ability to service and modify distressed loans, claiming, "helping homeowners is what we do." In fact, during the Relevant Time Period, Ocwen failed to accurately maintain foreclosure-related information necessary to ensure that it provided borrowers with required foreclosure protections. As a result of these and other failures, Ocwen wrongfully initiated foreclosure proceedings and wrongfully conducted foreclosure sales during the Relevant Time Period.

1. *Ocwen's obligations under RESPA and the CFPA.*

150. RESPA and Regulation X provide borrowers with a variety of protections when they apply for a loan modification or other loss mitigation options, such as short sales, in connection with mortgages secured by their principal residences. Several of these protections are triggered once the borrower submits an oral or written application for a loss mitigation option.

151. First, under Regulation X, servicers are required to have policies and procedures that are reasonably designed to ensure that they receive accurate and current information reflecting actions performed by their foreclosure attorneys. This is to ensure, among other things, that servicers can comply with applicable protections for borrowers.

152. Second, under Regulation X, if a servicer receives a loss mitigation application 45 days or more before a foreclosure sale or before a sale is scheduled, it must provide the borrower an acknowledgement letter within five days that states whether the application is "complete," and, if it is not, what additional documents and

information the borrower must submit to complete the application ("Acknowledgment Letter").

153. When the servicer has received all of the information it requires from a borrower, whose loan secures her principal residence, to evaluate the borrower's application for all available loss mitigation options, the loss mitigation application is considered complete under Regulation X ("Complete Application").

154. Regulation X also requires that, if a servicer receives a Complete Application more than 37 days before a foreclosure sale is scheduled or before a sale is scheduled, it must evaluate the borrower for all available loss mitigation options and provide the borrower with a written notice within 30 days indicating, among other things, whether it will offer the borrower any loss mitigation options ("Evaluation Notice"). After a borrower receives the Evaluation Notice, she may have further protections if she accepts a loss mitigation offer or appeals a denial of a loss mitigation offer as set forth in the Evaluation Notice.

155. Regulation X also generally prohibits servicers from, among other things, commencing a first notice or filing of a foreclosure ("First Filing"), obtaining a foreclosure judgment, or conducting a foreclosure sale if, among other things: the servicer has received a Complete Application but has not yet provided the borrower with an Evaluation Notice.

156. From January 10, 2014 through February 26, 2017, the above Regulation X protections did not apply if Ocwen had already complied with the requirements of 12 C.F.R. § 1024.41 for a Complete Application. In other words, if Ocwen received a Complete Application *and* complied with all requirements set forth in 12 C.F.R. § 1024.41, then a subsequent loss mitigation application would not be subject to

Regulation X's requirements. Thus, the term "First Complete Application" refers to Complete Applications that Ocwen received on or after January 10, 2014, more than 37 days before a foreclosure sale was scheduled or before any sale was scheduled, *and* for which Ocwen had not previously complied with the requirements of 12 C.F.R. § 1024.41 for a Complete Application.

157. In addition, a servicer is prohibited from engaging in unfair, deceptive, and abusive acts and practices, including in the context of foreclosure activity, under the CFPA.

2. *Ocwen failed to obtain accurate and current foreclosure information from its foreclosure attorneys.*

158. Ocwen used foreclosure attorneys to provide it with various foreclosure services, including commencing and completing foreclosures upon borrowers' loans, and placing "foreclosure holds" on borrowers' accounts to prevent the initiation of a foreclosure or obtain a stay or postponement of a foreclosure. However, during the Relevant Time Period, Ocwen's policies and procedures relating to its foreclosure attorneys were deficient as they failed to ensure that Ocwen obtained accurate and current information reflecting its foreclosure attorneys' actions.

159. During the Relevant Time Period, Ocwen was aware that it had not received timely or accurate information from its foreclosure attorneys. For example, in 2014, Ocwen's auditors found that one of Ocwen's largest foreclosure law firms in Florida had failed to timely update Ocwen's system with current foreclosure sale dates for 100 percent of the loan files tested. In response to this finding, the firm explained that it "continues to have periodic, on-going access issues within [Ocwen's systems], which at times hinders our ability to comply with the several issues noted during the

audit." In another 2014 audit, Ocwen found that another of Ocwen's Florida foreclosure law firms had failed to upload documents to Ocwen's system for 100 percent of the loan files tested.

160. The deficiency of Ocwen's policies and procedures was highlighted again in 2015 when Ocwen's auditors found that its foreclosure law firms had failed to provide Ocwen with timely and accurate information. For example:

- In a 2015 audit of one of Ocwen's foreclosure law firms in Florida referenced in Paragraph 159, Ocwen found that the firm was still not accurately updating Ocwen's system with the correct foreclosure milestone dates. Ocwen described the impact as follows: "When incorrect data is inputted into the system, Ocwen staff is unaware of the current status of the foreclosure proceedings" and presented "data integrity issues." In response to the 2015 audit, the firm pointed out that transferred loans may contain incorrect dates, but stated that it could not update those loan files because there was a "hold" placed on transferred loans.
- In another 2015 audit, Ocwen found that one of its Oregon foreclosure law firms had failed to timely upload documentation to Ocwen's system for 80 percent of the loan files tested. The audit report listed the cause as "Some of the Firm personnel are not familiar with [Ocwen's system] document upload."
- In another 2015 audit of one of its foreclosure law firms in New Jersey, Ocwen found that the firm had failed to upload all documents to Ocwen's systems for 60 percent of the loan files tested "result[ing] in missing documentation [in Ocwen's system] for SCRA [Servicemembers Civil Relief Act] and PACER checks." The audit identified the reason for the failure as: "The Firm was unaware of the requirement for filed and or recorded documentation to be uploaded [to Ocwen's

system].” Ocwen’s auditors also described the impact of the failure: “Failure to upload documents to [Ocwen’s system] affects the [ability of the] servicer to view and ensure all documents completed by the attorney were accurate.”

161. The 2015 audit findings for these law firms were not outliers. In March 2016, Ocwen conducted an internal audit of its foreclosure operations and found, for foreclosures initiated between July and December 2015, that:

- “Foreclosure documents are not consistently uploaded on [Ocwen’s system] by attorney firms. In 15 (13%) of 120 foreclosure initiation events reviewed, documents were not uploaded to [Ocwen’s system] by external counsel.”
- “Delays occur in uploading foreclosure related documents on [Ocwen’s system]. In 12 (30%) of 40 foreclosure initiation events reviewed, documents were uploaded to [Ocwen’s system] by external counsel between 3 and 11 days after event completion.”
- “Publication dates updated in [Ocwen’s system] by external attorneys do not accurately reflect the event completion date. A review of 30 foreclosures with a ‘Publication Completed’ event date updated in [Ocwen’s system] identified 18 (60%) where documentation did not support the event completion date in [Ocwen’s system].”

162. Key Ocwen personnel were aware that Ocwen’s foreclosure attorneys’ failure to provide accurate and current information had negatively impacted Ocwen’s ability to service loans. In December 2015, Ocwen’s Head of Loss Mitigation testified that he became aware earlier in 2015 that Ocwen’s systems had missing or inaccurate foreclosure sale dates. He explained that Ocwen Loss Mitigation employees relied on the foreclosure sale date to, among other things, determine how many days to grant

borrowers to return missing documents in connection with their loss mitigation applications. He further testified that he reached out to Ocwen's Head of Foreclosure to inform him that the Loss Mitigation department needed foreclosure sale dates in the system and asked him to work with Ocwen's foreclosure attorneys to ensure that they input these dates into Ocwen's system, but he was unaware of what actions, if any, Ocwen took to ensure that this actually occurred.

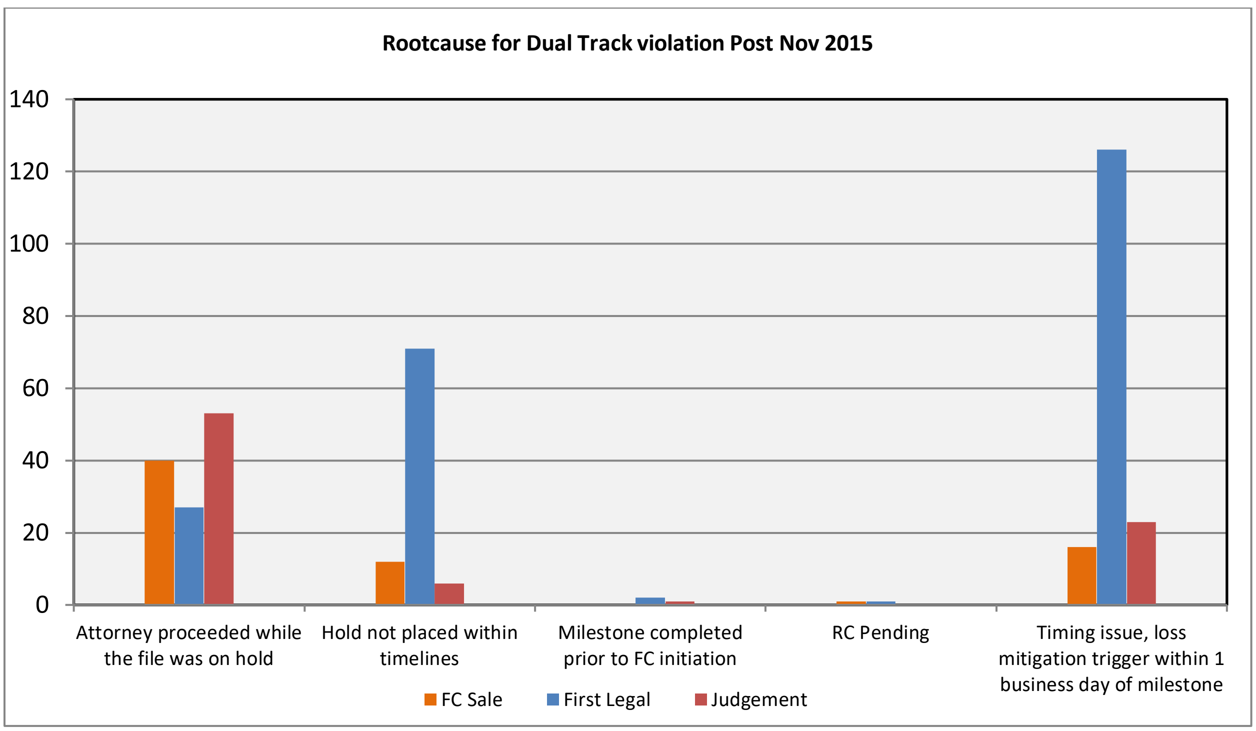
163. In May 2016, Ocwen's Head of Foreclosure also testified that he was aware that Ocwen's foreclosure attorneys had not always provided Ocwen with timely and accurate foreclosure information. He further testified that:

- Some of Ocwen's attorney managers tested the accuracy of the data Ocwen's foreclosure law firms entered into Ocwen's systems, but acknowledged that not all of Ocwen's attorney managers followed this practice and that the practice was not required by Ocwen's policies and procedures.
- Ocwen's system prevented foreclosure attorneys from making any changes to the foreclosure sale date when there was a foreclosure hold on an account, and that Ocwen did not have a policy that required its foreclosure attorneys to contact Ocwen with any updated foreclosure sale date information (since they could not make changes in the system) when a foreclosure hold was in place.

164. As a result of Ocwen's policies and procedures deficiencies, Ocwen initiated foreclosures, obtained foreclosure judgments, and conducted foreclosure sales on borrowers' accounts on which Ocwen placed foreclosure holds. As of May 2016, Ocwen maintained a daily report, which it called the "Dual Tracking Report," that tracked the date, identity of the borrower, and reasons why Ocwen initiated a

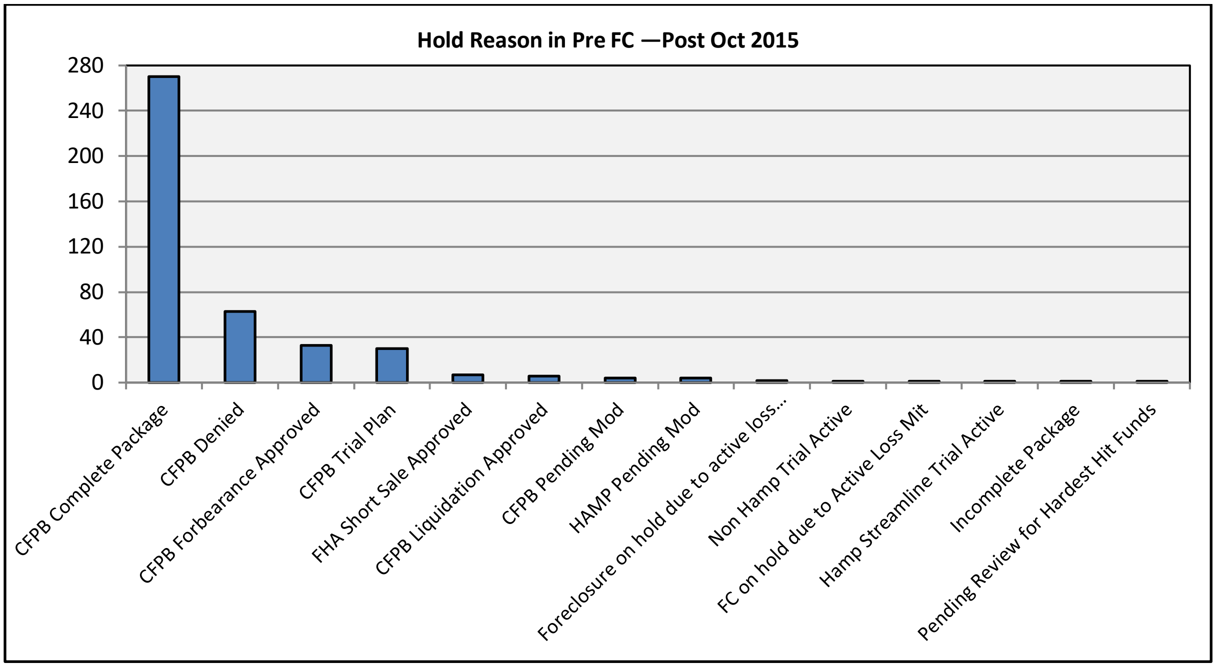
foreclosure, obtained a foreclosure judgment, or conducted a foreclosure sale even though a borrower's account had a foreclosure hold.

165. Below are two charts from one of Ocwen's Dual Tracking Reports. The first chart catalogues instances where Ocwen initiated a foreclosure proceeding even though Ocwen placed a foreclosure "hold" on the loan, a process known as "dual tracking." The chart identifies the reason or root cause for each "[d]ual [t]rack violation," such as "attorney proceeded while the file was on hold." The chart shows that, by Ocwen's own analysis, between November 2015 and April 2016, Ocwen attorneys initiated one hundred and twenty foreclosure proceedings when the subject loan was subject to a foreclosure hold.



166. The second chart below indicates the reasons that borrowers' accounts were subject to foreclosure holds. It shows that the vast majority of the foreclosure holds that Ocwen violated were in place because borrowers had submitted a completed loan

modification package, and thus were potentially subject to Regulation X foreclosure protections.



3. *Ocwen failed to comply with its Regulation X and CFPA obligations with respect to its foreclosure practices, policies, and procedures.*

167. Ocwen violated Regulation X and/or the CFPA during the Relevant Time Period in at least three ways, including when servicing federally related mortgage loans.

168. First, in violation of Regulation X, Ocwen failed to maintain policies and procedures that were reasonably designed to ensure that Ocwen provided its personnel with accurate and current documents, and information reflecting actions performed by its foreclosure attorneys. Ocwen repeatedly failed to obtain current and accurate information from its foreclosure attorneys, such as foreclosure sale and publication dates, among other information and documentation. Ocwen knew that such failures were impacting its ability to place or timely place foreclosure holds on borrower accounts, resulting in harm or potential harm to borrowers.

169. Second, in violation of Regulation X, Ocwen received First Complete Applications from borrowers on or after January 10, 2014 and before any foreclosure sale was scheduled, and, even though Ocwen was still evaluating First Complete Applications and had yet to send borrowers Evaluation Notices, Ocwen commenced First Filings against these borrowers.

170. Third, in violation of the CFPA, Ocwen inappropriately conducted numerous foreclosure sales on the homes of borrowers before the deadline it provided these borrowers to submit missing documents. These borrowers had submitted incomplete applications for loss mitigation assistance. Ocwen sent the borrowers letters requesting that they submit the missing documents or information and gave the borrowers a deadline, but then foreclosed before that deadline.

171. Ocwen's head of Loss Mitigation conceded that foreclosing on borrowers before the deadlines it communicated to borrowers to submit additional or missing information was deceptive and confused borrowers. These representations were material to borrowers and were likely to mislead borrowers acting reasonably under the circumstances. These borrowers reasonably interpreted Ocwen's request for additional or missing information to evaluate the borrowers' loss mitigation applications to mean that Ocwen would not foreclose on them before the expiration of the deadline Ocwen provided for submitting the additional or missing information.

172. In an email with the subject "Sale Date before Missing Doc Expiration," an official in Ocwen's Loss Mitigation department wrote:

> Please confirm if our missing letter states that if they don't send a complete package we will go ahead with sale irrespective of the missing doc due date. To me **that does not sound right, where we inform the borrower to send**

> **in documents by a date but go ahead with sale prior to expiration of that date**. (Emphasis added.)

The Head of Ocwen's Loss Mitigation Department agreed, responding:

> **If there is no denial on the current instance you should not be going to sale, period.** Even though we have disclosure language around 37 days before FC and 7th day at midnight **you will get hit with UDAP every single time** you do not follow the rules above. You need to think like the customer which is without a denial you will still think you have time. (Emphases added)

4. *Ocwen's foreclosure failures caused significant borrower harm.*

173. Aside from the obvious harm to any borrower whose home was wrongfully foreclosed upon, Ocwen's illegal foreclosure practices also caused significant financial harm, emotional distress, negative credit reporting, and other harm to borrowers.

IV. OCWEN FAILED TO PROVIDE COMPLETE AND ACCURATE LOAN INFORMATION TO NEW SERVICERS

174. During the Relevant Time Period, Ocwen sold hundreds of thousands of its rights to service borrowers' loans, also referred to as mortgage servicing rights ("MSRs"), to new mortgage servicers. Ocwen failed during the Relevant Time Period, however, to provide complete and accurate borrower loan information to the new servicers or to notify new servicers of errors that were likely to impact the accuracy and completeness of the transferred borrower records.

A. Ocwen's obligations under RESPA.

175. As of January 10, 2014, RESPA and Regulation X require a transferor servicer to maintain policies and procedures reasonably designed to ensure that it can timely transfer all information and documents in its possession or control relating to the transferred loan to the new servicer in a form and manner that ensures the accuracy of the transferred information and documents and that enables the new servicer to comply

with applicable laws and the terms of the new servicer's obligations to the owner or assignee of the mortgage loan ("investor guidelines").

B. Ocwen failed to comply with RESPA with respect to MSR transfers.

176. During the Relevant Time Period, Ocwen failed to comply with RESPA and Regulation X's policy and procedure requirements relating to transfers in at least three ways when servicing federally related mortgage loans.

177. First, Ocwen lacked policies and procedures relating to its sale of mortgage servicing rights ("outbound servicing transfers") from January 10, 2014 until July 10, 2015 and engaged in outbound servicing transfers during that time period. On July 10, 2015, Ocwen issued its first version of a policy and procedure relating to outbound servicing transfers.

178. Second, Ocwen failed to transfer complete and accurate borrower loss mitigation and foreclosure information that new servicers needed to provide borrowers with protections to which they are entitled. For example, prior to November 2015, Ocwen failed to provide information for the loans being transferred in a form that new servicers could understand whether borrowers had:

- A foreclosure sale date close to the transfer date, which new servicers needed in order to avoid erroneously foreclosing on the borrower, who may have been entitled to protections under Regulation X or other applicable laws; and
- Previously filed for bankruptcy and had obtained a discharge in that proceeding, which the new servicer needed to know in order to comply with applicable federal law and bankruptcy court orders.

179. Third, Ocwen failed to disclose known inaccuracies and errors that may have impacted the accuracy or completeness of the transferred borrower loan records and the new servicer's ability to comply with applicable law and investor guidelines. Ocwen did not disclose, for example, errors it tracked in its Risk Convergence Reports or audit findings that Ocwen knew or should have known impacted the accuracy or completeness of the loan information and the new servicer's ability to comply with applicable law and investor guidelines.

180. Ocwen's Head of Servicing Transfers testified in June of 2016, for example, that he was not aware if Ocwen disclosed to new servicers that Ocwen had:

- Incorrectly calculated certain borrowers' reinstatement quotes, including those in demand letters and foreclosure affidavits;
- Failed to credit payments made by up to 10,000 borrowers to satisfy their escrow shortages;
- Failed to make payment changes relating to escrow changes for up to 22,000 borrowers in bankruptcy; and
- Initiated unlawful foreclosure proceedings upon borrowers, in violation of Regulation X.

C. Ocwen's failure to transfer complete and accurate borrower records caused significant borrower harm.

181. Ocwen's failure to transfer complete and accurate borrower records and disclose known errors to new servicers impacted borrowers after their loans were transferred to a new servicer.

182. According to Ocwen's records, from April 2015 to April 2016, Ocwen received more than 6,800 complaints from borrowers related to the transfer of their loans by Ocwen to a new servicer.

183. For example, one borrower complained that his monthly payment amount increased by 47 percent when Ocwen failed to correct its escrow errors before transferring the borrower's loan to a new servicer. In June 2014, Ocwen approved the borrower for a loan modification agreement that reduced his monthly payment to $1,639.07. Around November 2015, Ocwen transferred the borrower's loan to a new servicer. In March 2016, the new servicer conducted an escrow analysis and determined that the borrower had an escrow shortage of $9,164.13, and that, as a result, the borrower's payment would increase by $777.49, from $1,639.07 to $2,398.54. The borrower contacted Ocwen when the new servicer was unable to explain why the borrower had such a large escrow shortage. In a June 1, 2016 letter, Ocwen admitted that it had made an "error in its escrow application at the time of modification." As a result, Ocwen only capitalized a portion of the borrower's total escrow balance when it modified the borrower's loan. To correct its error and unbeknownst to the borrower, Ocwen reduced the balance in the borrower's escrow account two days before transferring the loan that left the borrower's escrow account with a negative balance of $4,440.91. The borrower reported that he was eventually forced to retain an attorney, pay more than $5,000 in legal fees to ensure that Ocwen corrected its error, and obtain a new repayment plan with the new servicer to cover the escrow shortage.

184. Another borrower complained that Ocwen did not transfer complete information about his payments and loan modification to the new servicer. As a result, the new servicer refused to recognize the borrower's loan modification and stated that

the borrower owed more than $10,000 in past due payments. When the borrower complained to Ocwen, it admitted in a letter that the borrower had made his required modification payments but that Ocwen failed to properly apply the funds. Ocwen also admitted that it had been attempting to correct its payment application error through a reversal request on the borrower's account so it could reapply the borrowers' payments, but had incorrectly processed the reversal request. And then before Ocwen could complete its second attempt at a reversal request to fix its error, Ocwen transferred the loan to the new servicer. Instead of alerting the new servicer to its mistakes, Ocwen simply transferred the borrower's loan, leaving the $19,182.69 in payments that the borrower had made pursuant to his loan modification agreement in a suspense account.

V. OCWEN FAILED TO SUFFICIENTLY REMEDIATE HARM TO BORROWERS

185. Ocwen was aware that its servicing failures caused significant harm to borrowers and that these failures could have devastating consequences.

186. Despite its awareness of the harm it caused, Ocwen had no consistent policy, procedure, or practice for providing borrower remediation during the Relevant Time Period, even when it identified a systemic failure that could harm numerous borrowers.

187. During the Relevant Time Period, Ocwen also lacked a systematic process to track and analyze errors it learned of through borrower complaints or notices of error to determine whether other borrowers may have been harmed by the same errors. As a result, Ocwen typically only corrected errors or provided remediation to those borrowers who complained (assuming Ocwen recognized the call as an actual complaint,

investigated, and/or made a correction) or submitted a notice of error, but generally did not correct the same or similar errors for other borrowers who did not complain.

188. During the Relevant Time Period, Ocwen also did not have policies or procedures requiring it to determine whether a risk item on its Risk Convergence Reports impacted or harmed borrowers, or whether borrower remediation was required, before it "close[d]" that risk item.

189. Instead, Ocwen focused on operational remediation to correct the error and prevent any *future* impact on borrowers. As a result, in many instances, Ocwen failed to identify the borrower population that was impacted by a given risk item or to provide full remediation to that population. Instead, Ocwen generally provided borrower remediation only when a borrower complained to Ocwen or when a court or regulator required Ocwen to provide a borrower with relief.

190. As Ocwen's former Head of Servicing Compliance testified in May of 2016:

> The company didn't have a policy or a protocol [for borrower remediation]. And with all of the issues, you saw how many issues there were [on the Risk Convergence Report], there just wasn't an appetite to back up and create an approach to this. Would I have liked that to have happened, I would have loved it, but it did not happen and there wasn't an appetite for it.

191. During the Relevant Time Period, Ocwen's "appetite" for borrower remediation appears to have been further diminished when the remediation could have a significant financial impact on Ocwen. For example, in one email, Ocwen personnel discussed Ocwen's auditors' findings that Ocwen lacked "processes to review and ensure compliance with state laws for negative amortization" relating to adjustable rate mortgages, and whether to review impacted loans and provide borrowers with remediation. After analyzing the potential $21 million in costs for Ocwen to remediate,

Ocwen declined to do so due to the "substantial, negative financial impact and Legal confirmation that [Privileged material redacted] is sufficient justification to forego the lookback."

192. Ultimately, Ocwen's former Head of Compliance conceded in 2016 testimony that Ocwen should have remediated borrowers who were harmed by Ocwen's errors and suffered potential harm. When asked if Ocwen did so, she conceded: "Could the company have done more? Absolutely."

VIOLATIONS OF THE CONSUMER FINANCIAL PROTECTION ACT

193. Sections 1031 and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531 and 5536(a)(1)(B), prohibit covered persons from engaging "in any unfair, deceptive, or abusive act or practice."

194. Acts or practices are unfair under the CFPA if "the act or practice causes or is likely to cause substantial injury to consumers which are not reasonably avoidable by consumers" and "such substantial injury is not outweighed by countervailing benefits to consumers or competition." 12 U.S.C. § 5531(c).

195. An act or practice is deceptive if it misleads or is likely to mislead the consumer; the consumer's interpretation is reasonable under the circumstances; and the misleading act or practice is material.

196. Section 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(B), prohibits covered persons from committing any act or omission in violation of a Federal consumer financial law.

197. Section 1002(14) of the CFPA, 12 U.S.C. § 5481(14), defines the FDCPA, RESPA, and TILA as Federal consumer financial laws.

COUNT I
Ocwen's Use of Inaccurate and Incomplete Information to Service Loans Was Unfair

198. The Bureau incorporates by reference the allegations of Paragraphs 10–148, and 183–192.

199. In numerous instances during the Relevant Time Period, Ocwen serviced loans and collected debts from borrowers, as alleged in Paragraphs 24–26.

200. In numerous instances during the Relevant Time Period, Ocwen used inaccurate and incomplete information to service borrowers' loans and collect upon borrowers' debts because:

a. It input inaccurate and incomplete information about borrowers into its REALServicing system of record, as set forth in Paragraphs 34–47, 68–70, 81, 125, 128–131, and 134–135;

b. REALServicing generated inaccurate information about borrowers' loans due to system deficiencies and errors, as set forth in Paragraphs 34–35, 48–62, 68–70, 78–79, 82–83, 93, 100, 109, and 124;

c. Ocwen's manual processes themselves resulted in errors, as set forth in Paragraphs 34–35, 63–70, 73–74, 78–79, 82, 93, 107, and 110;

201. This inaccurate and incomplete information related to borrowers':

a. Loan terms, including interest rate(s), balloon payments, and maturity dates, as set forth in Paragraphs 34–47, 62, 69, 70, and 81;

b. Amounts received from and owed by borrowers, including monthly payments, payoff amounts, and reinstatement amounts, as set forth in Paragraphs 69–70, 72, 78–83, 85–94, 98–103, 105–110, 114–119, 124–125, 128–131, 133–135, 148, and 183–184;

c. Escrow amounts, including borrowers' monthly escrow amounts and escrow shortages, as set forth in Paragraphs 69–70, 82, 93–94, 98–103, 105–110, 114–119, 131, 135, 148, and 183;

d. Insurance coverage, disbursements, and amounts due, including premiums Ocwen charged to borrowers for hazard insurance, flood insurance, and purchase mortgage insurance, as set forth in Paragraphs 69–70, 94, 116–120, 124–125, 128–131, 133–135, and 148; and/or

e. Loss mitigation information, including terms of loan modification agreements, as set forth in Paragraphs 62, 69–70, 108, 116–119, and 183–184.

202. Ocwen's use of inaccurate or incomplete information to service loans and collect upon borrowers' debts caused or was likely to cause substantial injury to consumers, such as the unlawful commencement of foreclosures, unlawful foreclosure sales, improper handling of loss mitigation applications, misapplication of borrowers' payments, collection and billing of inaccurate and incorrect amounts, imposition of inappropriate fees and charges, inaccurate delinquency statuses, inaccurate negative credit reporting, and/or emotional distress, as set forth in Paragraphs 35, 68–70, 79, 85–92, 112–119, 133–135, 148, 183–184, and 201.

203. These injuries could not have been reasonably avoided by consumers, who do not choose their mortgage servicer, as set forth in Paragraphs 27, 70, 86–92, 114–119, 133–135, 139–148, and 183–192.

204. These injuries were not outweighed by countervailing benefits to consumers or competition, as set forth in Paragraphs 35, 68–71, 79, 85–92, 112–119, 133–135, 148, 183–192, and 201.

205. Ocwen's acts and practices as described in Paragraphs 198–204 constitute unfair acts and practices in violation of Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531(a) and (c) and 5536(a)(1)(B).

COUNT II
Ocwen's Deceptive Acts and Practices Regarding Loan Terms and Status

206. The Bureau incorporates by reference the allegations of Paragraphs 10–148, and 183–192.

207. In numerous instances during the Relevant Time Period, Ocwen serviced loans and collected upon debts from borrowers, as alleged in Paragraphs 24–26.

208. In numerous instances during the Relevant Time Period, Ocwen represented to borrowers, directly or indirectly, expressly or by implication, that their loans had:

a. Certain monthly amounts due, as alleged in Paragraphs 70, 72, 80–94, 98–103, 105–111, 114–119, 124–125, 128–132, 134–135, 148, and 183–184;

b. Certain reinstatement amounts due, as alleged in Paragraphs 70, 83–84, and 100;

c. Certain payoff amounts due, as alleged in Paragraphs 70, 83–84, 89, 92, and 100;

d. Certain escrow amounts due, as alleged in Paragraphs 69, 70, 93–94, 98–103, 105–111, 114–119, 132, 135, 148, and 183;

e. Certain insurance amounts due, as alleged in Paragraphs 70, 94, 116–120, 124–125, 128–132, 134–135, and 148.

209. In truth and fact, in numerous instances the material representations set forth in the above-referenced Paragraph 208 were false, misleading, or were not substantiated at the time the representations were made, including but not limited to representations made where Ocwen had knowledge or reason to believe that:

a. The prior servicer data and records upon which it relied were inaccurate or missing but it failed to obtain or review information substantiating the accuracy of the data prior to collecting or foreclosing on borrowers' loans, as alleged in Paragraphs 34–47, 68–70, 81, and 84;

b. Its system of record contained inaccurate information due to system errors and limitations, manual entry errors, and incorrect information provided by service providers but it failed to obtain or review information substantiating the accuracy of the data prior to collecting or foreclosing on borrowers' loans, as alleged in Paragraphs 34–35, 48–70, 72–74, 78–79, 82–84, 93–94, 99–101, 103–105; 107–111, 124–125, 128–132, 134–135, and 148; and/or

c. Consumers disputed, challenged, or questioned the validity or accuracy of Ocwen's information but it failed to obtain or review information substantiating the accuracy of the information, or failed to consider the consumers' disputes, prior to collecting or foreclosing on borrowers' loans, as alleged in Paragraphs 70, 88–92, 114–119, 133–137, 139–148, and 183–184.

210. Ocwen's acts and practices as described in Paragraphs 206–209 constitute deceptive acts and practices in violation of Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531(a) and 5536(a)(1)(B).

COUNT III
Ocwen's Deceptive Foreclosure Communications

211. The Bureau incorporates by reference the allegations of Paragraphs 10–22, 149, 162, and 170–173.

212. In numerous instances during the Relevant Time Period, in connection with servicing mortgage loans, Ocwen misrepresented, directly or indirectly, expressly or by implication, that borrowers had a certain amount of time, typically 30 days, to submit additional information that Ocwen needed to complete and evaluate their loss mitigation applications and that borrowers would not be foreclosed on while that request was pending.

213. In truth and in fact, while Ocwen's requests for additional information it needed to complete and evaluate borrowers' loss mitigation applications were pending, Ocwen would foreclose on the borrowers.

214. The representations set forth in Paragraphs 212–213 were false or misleading and were material to borrowers' decisions relating to their mortgages.

215. Ocwen's acts and practices as described in Paragraphs 211–214 constitute deceptive acts and practices in violation of Sections 1031 and 1036 of the CFPA. 12 U.S.C. §§ 5531(a) and 5536(a)(1)(B).

VIOLATIONS OF THE TRUTH-IN-LENDING ACT

216. TILA and its implementing regulation, Regulation Z, at 12 C.F.R. § 1026.36(c)(1), prohibit certain acts and practices and contain certain

requirements relating to payment processing in connection "with a consumer credit transaction secured by a consumer's principal dwelling."

217. "Consumer credit" as defined by Regulation Z, 12 C.F.R. § 1026.2(a)(12) means, "credit offered or extended to a consumer primarily for personal, family, or household purposes."

218. "Credit" as defined by Regulation Z, 12 C.F.R. § 1026.2(a)(14) means "the right to defer payment of debt or to incur debt and defer its payment."

219. A "dwelling" as defined by Regulation Z, 12 C.F.R. § 1026.2(a)(19), means a "residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence."

220. From January 10, 2014 through February 26, 2017, Ocwen was a servicer of consumer credit secured by consumers' principal dwellings where it serviced mortgages that were extended to consumers primarily for personal, family, or household purposes and secured consumers' principal residential structures that contained one to four units.

<u>COUNT IV</u>
Ocwen's Periodic Statement Failures

221. The Bureau incorporates by reference the allegations of Paragraphs 10–22 68, 70, 72, 80–94, 98–103, 114–119, 124–125, 128–132, 134–135, 148, 183–184, and 220.

222. Since January 10, 2014, Regulation Z generally has required that Ocwen must, subject to certain exceptions, provide borrowers with a monthly periodic statement or billing statement detailing information such as the amount due, how

Ocwen will break down and apply monthly payments, all payments received since the last statement, the total of all payments received since the beginning of the current calendar year, all transaction activity since the last statement, and the amount of payments in a suspense or unapplied funds account. 12 C.F.R. § 1026.41(d).

223. In numerous instances from January 10, 2014 through February 26, 2017, Ocwen failed to send borrowers periodic statements accurately detailing required information such as the monthly payment amount due, as described in Paragraphs 68, 70, 72, 80–94, 98–103, 106–108, 111, 114–119, 124–125, 128–132, 134–135, 148, and 183–184.

224. The acts and practices described in Paragraphs 221–223 constitute violations of 12 C.F.R. § 1026.41(d), and 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).

VIOLATIONS OF THE FAIR DEBT COLLECTION PRACTICES ACT

225. Section 808 of the FDCPA, 15 U.S.C. § 1692f, prohibits debt collectors, such as Ocwen, from engaging in unfair or unconscionable means to collect or attempt to collect any debt.

226. Section 807 of the FDCPA, 15 U.S.C. § 1692e, prohibits debt collectors, such as Ocwen, from using any false, deceptive, or misleading representation or means in connection with the collection of any debt. Section 807(2) prohibits the false representation of the character, amount, or legal status of the debt. Section 807(10) prohibits debt collectors from using any false representation or deceptive means to collect or attempt to collect any debt or to obtain information concerning a consumer.

227. The term "consumer" as defined in Section 803(3) of the FDCPA, 15 U.S.C. § 1692a(3), means "any natural person obligated or allegedly obligated to pay any debt."

228. The term "debt" as defined in Section 803(5) of the FDCPA, 15 U.S.C. § 1692a(5), means "any obligation or alleged obligation of a consumer to pay money arising out of a transaction in which the money, property, insurance or services which are the subject of the transaction are primarily for personal, family, or household purposes, whether or not such obligation has been reduced to judgment."

229. The term "debt collector" as defined by Section 803(6) of the FDCPA, 15 U.S.C. § 1692a(6) means, in relevant part, any person who "uses any instrumentality of interstate commerce or the mails in any business the principal purpose of which is the collection of any debts" or who "regularly collects or attempts to collect, directly or indirectly, debts owed or due or asserted to be owed or due another." It does not include a person collecting debts owed to another to the extent the debts were not in default at the time that the person obtained them. 15 U.S.C. § 1692a(6)(F)(iii).

230. During the Relevant Time Period, Ocwen acquired servicing rights to some mortgages that were in default at the time of transfer and proceeded to collect on those mortgages. With respect to those debts, Ocwen was a debt collector as defined by the FDCPA because it regularly collected or attempted to collect, directly or indirectly, debts owed or due or asserted to be owed or due another and its collection activities are covered by the FDCPA.

COUNT V
Ocwen's Use of Inaccurate and Incomplete Information to Service Loans Was Unfair

231. The Bureau incorporates by reference the allegations of Paragraphs 10–148, 183–192, and 230.

232. During the Relevant Time Period, Ocwen routinely acquired the servicing rights to mortgages that were in default at the time of transfer and, in connection with those mortgages, it regularly collected or attempted to collect, directly or indirectly, debts owed or due or asserted to be owed or due another, as alleged in Paragraphs 24–26.

233. With respect to the loans described in Paragraph 232, in numerous instances during the Relevant Time Period, Ocwen used inaccurate and incomplete information, including incorrect data and incomplete or missing documentation, to collect upon borrowers' debts because:

a. It input inaccurate and incomplete information about borrowers into its REALServicing system of record, as set forth in Paragraphs 34–47, 68–70, 81, 125, 128–131, and 134–135;

b. REALServicing generated inaccurate information about borrowers' loans due to system deficiencies and errors, as set forth in Paragraphs 34–35, 48–62, 68–70, 78–79, 82–83, 93, 100, 109, and 124;

c. Ocwen's manual processes themselves resulted in errors, as set forth in Paragraphs 34–35, 63–70, 73–74, 78–79, 82, 93, 107, and 110;

234. This inaccurate and incomplete information related to:

a. Loan terms, including interest rate(s), balloon payments, and maturity dates, as set forth in Paragraphs 34–47, 62, 69, 70, and 81;

b. Amounts received from and owed by borrowers, including monthly payments, payoff amounts, and reinstatement amounts, as set forth in Paragraphs 69–70, 72, 78–83, 85–94, 98–103, 105–110, 114–119, 124–125, 128–131, 133–135, 148, and 183–184;

c. Escrow amounts, including borrowers' monthly escrow amounts and escrow shortages, as set forth in Paragraphs 69–70, 82, 93–94, 98–103, 105–110, 114–119, 131, 135, 148, and 183;

d. Insurance coverage, disbursements, and amounts due, including premiums Ocwen charged to borrowers for hazard insurance, flood insurance, and purchase mortgage insurance, as set forth in Paragraphs 69–70, 94, 116–120, 124–125, 128–131, 133–135, and 148; and/or

e. Loss mitigation information, including terms of loan modification agreements, as set forth in Paragraphs 62, 69–70, 108, 116–119, and 183–184.

235. Ocwen's use of this inaccurate or incomplete information to collect upon debts caused or was likely to cause substantial injury to consumers, such as the unlawful commencement of foreclosures, unlawful foreclosure sales, improper handling of loss mitigation applications, misapplication of borrowers' payments, collection and billing of inaccurate and incorrect amounts, imposition of inappropriate fees and charges, inaccurate delinquency statuses, inaccurate negative credit reporting, and/or emotional distress, as set forth in Paragraphs 35, 68–70, 79, 85–92, 112–119, 133–135, 148, 183–184, and 234.

236. These injuries could not be reasonably avoided by consumers, who do not choose their mortgage servicer, as set forth in Paragraphs 27, 70, 86–92, 114–119, 133–135, 139–148, and 183–192.

237. These injuries were not outweighed by countervailing benefits to consumers or competition, as set forth in Paragraphs 35, 68–71, 79, 85–92, 112–119, 133–135, 148, 183–192, and 234.

238. Ocwen's acts and practices as described in Paragraphs 231–237 constitute unfair or unconscionable means to collect or attempt to collect a debt in violation of Section 808 of the FDCPA. 15 U.S.C. § 1692f, and § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).

COUNT VI
Ocwen's Deceptive Debt Collection Practices

239. The Bureau incorporates by reference the allegations of Paragraphs 10–148, 183–192, and 230.

240. During the Relevant Time Period, Ocwen routinely acquired the servicing rights to some mortgages that were in default at the time of transfer and, in connection with those mortgages, it regularly collected or attempted to collect, directly or indirectly, debts owed or due or asserted to be owed or due another, as alleged in Paragraphs 24–26.

241. During the Relevant Time Period, Ocwen represented to borrowers, directly or indirectly, expressly or by implication, that their debts referenced in Paragraph 240 had:

a. Certain monthly amounts due, as alleged in Paragraphs 70, 72, 80–94, 98–103, 105–111, 114–119, 124–125, 128–132, 134–135, 148, and 183–184;

b. Certain reinstatement amounts due, as alleged in Paragraphs 70, 83–84, and 100;

c. Certain payoff amounts due, as alleged in Paragraphs 70, 83–84, 89, 92, and 100;

d. Certain escrow amounts due, as alleged in Paragraphs 69, 70, 93–94, 98–103, 105–111, 114–119, 132, 135, 148, and 183;

e. Certain insurance amounts due, as alleged in Paragraphs 70, 94, 116–120, 124–125, 128–132, 134–135, and 148.

242. In truth and fact, in numerous instances the material representations set forth in the above-referenced Paragraph 241 were false, misleading, or were not substantiated at the time the representations were made, including but not limited to representations made where Ocwen had knowledge or reason to believe that:

a. The prior servicer data and records upon which it relied were inaccurate or missing but it failed to obtain or review information substantiating the accuracy of the data prior to collecting on borrowers' debt or foreclosing on borrowers' loans, as alleged in Paragraphs 34–47, 68–70, 81, and 84;

b. Its system of record contained inaccurate information due to system errors and limitations, manual entry errors, and incorrect information provided by service providers but it failed to obtain or review information substantiating the accuracy of the data prior to collecting on borrowers' debt or foreclosing on borrowers' loans, as alleged in Paragraphs 34–35, 48–70, 72–74, 78–79, 82–84, 93–94, 99–101, 103–105; 107–111, 124–125, 128–132, 134–135, and 148; and/or

c. Consumers disputed, challenged, or questioned the validity or accuracy of Ocwen's information but it failed to obtain or review information substantiating the accuracy of the information, or failed to consider the consumers' disputes, prior to collecting on borrowers' debt or foreclosing on borrowers' loans, as alleged in Paragraphs 70, 88–92, 114–119, 133–137, 139–148, and 183–184.

243. The acts and practices described in Paragraphs 239–242 constitute violations of Sections 807(2) and (10) of the FDCPA, 15 U.S.C. §§ 1692e(2)(A) and 1692e(10), and § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).

VIOLATIONS OF THE REAL ESTATE SETTLEMENT PROCEDURES ACT

244. RESPA and its implementing regulation, Regulation X, apply to "federally related mortgage loans," including the servicing of those loans, the administration of their escrow accounts, error resolution procedures, force-placed insurance, general servicing policies and procedures, and loss mitigation procedures.

245. RESPA and Regulation X apply to the conduct of "servicers." Regulation X defines a servicer as a person "responsible for servicing of a federally related mortgage loan." Under Regulation X, "servicing" means "receiving any scheduled periodic payments from a borrower pursuant to the terms of any federally related mortgage loan . . . and making the payments to the owner of the loan or other third parties of principal and interest and such other payments with respect to the amounts received from the

borrower as may be required pursuant to the terms of the mortgage servicing loan documents or servicing contract."

246. From January 10, 2014 through February 26, 2017, Ocwen was a servicer under RESPA and Regulation X because it received payments from borrowers pursuant to the terms of federally related mortgage loans and was responsible for, among other things, distributing the payments of principal and interest to investors who own the borrowers' loans and, when borrowers' loans included escrow accounts, to the borrowers' taxing authorities or insurance companies.

COUNT VII
Ocwen's Escrow Violations

247. The Bureau incorporates by reference the allegations of Paragraphs 10–22, 93–94, 97–107, 112–114, 120, 123–127, and 246.

248. As of January 10, 2014, Section 6(g) of RESPA, 12 U.S.C. § 2605(g) states that "[i]f the terms of any federally related mortgage loan require the borrower to make payments to the servicer of the loan for deposit into an escrow account for the purpose of assuring payment of taxes, insurance premiums, and other charges with respect to the property, the servicer shall make payments from the escrow account for such taxes, insurance premiums, and other charges in a timely manner as such payments become due."

249. The requirements of Section 6(g) are further explained in Regulation X, 12 C.F.R. § 1024.17(k) and 34(a), which states "[i]f the terms of any federally related mortgage loan require the consumer to make payments to an escrow account, the servicer must pay the disbursements in a timely manner, that is, on or before the

deadline to avoid a penalty, as long as the borrower's payment is not more than 30 days overdue."

250. In numerous instances from January 10, 2014 through February 26, 2017, Ocwen failed to pay hazard insurance premiums in a timely manner on behalf of escrowed borrowers whose payments were no more than 30 days overdue, as alleged in Paragraphs 120 and 123–127.

251. Section 1024.17 of Regulation X requires servicers to:

a. Conduct annual escrow analyses for borrowers, 12 C.F.R. § 1024.17(c)(3) and (f)(1);

b. Provide borrowers with annual escrow statements within 30 days of the completion of the escrow account computation year, 12 C.F.R. § 1024.17(i); and

c. Only collect escrow shortages when a shortage, in fact, exists, 12 C.F.R. § 1024.17(f)(3).

252. In numerous instances from January 10, 2014 through February 26, 2017, Ocwen:

a. Failed to timely conduct annual escrow analyses for borrowers and, in some instances, failed to conduct the escrow analyses altogether, as set forth in Paragraphs 93–94, 97–102, and 112–114;

b. Failed to provide borrowers who were not delinquent, in foreclosure, or in bankruptcy with escrow statements within 30 days of the completion of the escrow account computation year and, in some instances, failed to provide the escrow statements at all, as alleged in Paragraphs 93–94, 97, and 103–105; and

c. Collected escrow shortages that did not exist because it failed to timely process borrowers' escrow shortage payments, as alleged in Paragraphs 93, 97, and 106–107.

253. The acts and practices described in Paragraphs 247, 250, and 252 constitute violations of Section 6(g) of RESPA and Regulation X, 12 C.F.R. §§ 1024.17(k), 1024.17(c)(3), 1024.17(i), 1024.17(f)(1) and (3), and 1024.34(a), and § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).

COUNT VIII
Ocwen's Servicing Policies and Procedures Violations

254. The Bureau incorporates by reference the allegations of Paragraphs 10–22, 136–137, 139–149, 158–168, 173–174, 176–184, and 246.

255. As of January 10, 2014, pursuant to Regulation X, which was promulgated under Section 19(a) of RESPA, 12 U.S.C. § 2617(a), Ocwen must maintain policies and procedures reasonably designed to ensure that it achieves the objectives set forth in 12 C.F.R. § 1024.38(b). 12 C.F.R. § 1024.38(a). These objectives include:

a. Investigating, responding to, and, as appropriate, making "corrections in response to complaints asserted by a borrower," 12 C.F.R. § 1024.38(b)(1)(ii);

b. Providing Ocwen's personnel with access to "accurate and current documents and information reflecting actions performed by service providers," 12 C.F.R. § 1024.38(b)(3)(i); and

c. Timely transferring all information and documents in Ocwen's possession or control relating to the transferred mortgage loans to a transferee or new servicer "in a form and manner that ensures the accuracy of the information and documents transferred" and enables the new servicer to comply with the new servicer's obligations to the owner or assignee of the mortgage loan and applicable law, 12 C.F.R. § 1024.38(b)(4)(i).

256. From January 10, 2014 through February 26, 2017, Ocwen failed to maintain policies and procedures reasonably designed to ensure that it investigated, responded to, and, as appropriate, made corrections in response to complaints asserted by a borrower, as alleged in Paragraphs 136–137 and 139–148.

257. From January 10, 2014 through February 26, 2017, Ocwen failed to maintain policies and procedures reasonably designed to ensure its personnel had access to accurate and current documents and information reflecting actions performed by service providers, namely Ocwen's foreclosure attorneys, as alleged in Paragraphs 149, 158–168, and 173, because Ocwen repeatedly failed to obtain from its foreclosure attorneys accurate and current information, such as scheduled foreclosure sale and publication dates. Ocwen also knew that such failures impacted its ability to place or timely place foreclosure holds on borrower accounts, resulting in harm or potential harm to borrowers.

258. From January 10, 2014 through February 26, 2017, Ocwen failed to maintain policies and procedures reasonably designed to ensure that it could transfer all information and documents in a form and manner that ensured new servicers had complete and accurate information and were able to comply with applicable laws by, as alleged in Paragraphs 174, and 176–184, failing to:

a. Maintain any such policies and procedures relating to mortgage servicing rights it transferred;

b. Transfer complete and accurate borrower loss mitigation and foreclosure information that new servicers needed to provide borrowers with protections to which they are entitled; and

c. Disclose known inaccuracies and errors that may have impacted the accuracy or completeness of the transferred borrower loan records and the new servicer's ability to comply with applicable law and investor guidelines.

259. The acts and practices described in Paragraphs 254, and 256–258 constitute violations of Sections 19(a) of RESPA, 12 U.S.C. § 2617(a) and Regulation X, §§ 12 C.F.R. 1024.38(a), 12 C.F.R. 1024.38(b)(1)(ii), and 1024.38(b)(4)(i), and § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).

COUNT IX
Ocwen's Foreclosure Violations

260. The Bureau incorporates by reference the allegations of Paragraphs 10–22, 149, 167, 169, 173, and 246.

261. As of January 10, 2014, Regulation X, which the Bureau promulgated pursuant to Sections 6(j)(3), 6(k)(1)(C), 6(k)(1)(E) and 19(a) of RESPA, 12 U.S.C. §§ 2605(j)(3), (k)(1)(C), and (k)(1)(E), and 12 U.S.C. § 2617(a), provides borrowers with a variety of protections during their loss mitigation application and foreclosure processes.

262. Under Regulation X, if a servicer receives a loss mitigation application, which is an oral or written request for a loss mitigation option that is accompanied by any information required by a servicer for evaluation for a loss mitigation option ("Loss

Mitigation Application"), from borrowers whose mortgage is secured by their principal residence, certain protections are triggered.

263. Under Regulation X, if a servicer receives a Loss Mitigation Application 45 days or more before a foreclosure sale or before a sale is scheduled, it must send the borrower an acknowledgement letter within five days that indicates if the application is complete and, if it is not, states the additional documents and information that the borrower must submit to complete the application ("Acknowledgment Letter"). A Loss Mitigation Application is complete under Regulation X when the servicer has received all of the information it requires from a borrower to evaluate the borrower's application for all available loss mitigation options ("Complete Application").

264. Regulation X also requires that, if a servicer receives a Complete Application more than 37 days before a foreclosure sale is scheduled or before any sale is scheduled, it must evaluate the borrower for all available loss mitigation options and provide the borrower with a written notice within 30 days indicating, among other things, whether it will offer the borrower any loss mitigation options ("Evaluation Notice"). After a borrower receives the Evaluation Notice, she may have further protections if she accepts a loss mitigation offer or appeals a denial of a loss mitigation offer set forth in the Evaluation Notice.

265. Regulation X also generally prohibits servicers from, among other things, commencing a first notice of filing of a foreclosure ("First Filing") if the servicer has timely received a Complete Application but has not yet evaluated the application and sent the borrower an Evaluation Notice.

266. From January 10, 2014 through February 26, 2017, the above Regulation X protections described in Paragraphs 262–265 did not apply if a servicer already

complied with the requirements of 12 C.F.R. § 1024.41 for a Complete Application. In other words, if a servicer received a Complete Application *and* complied with all requirements set forth in 12 C.F.R. § 1024.41, then a subsequent loss mitigation application would not be subject to Regulation X's requirements. Thus, the term "First Complete Application" refers to Complete Applications that Ocwen received on or after January 10, 2014 *and* for which Ocwen had not previously complied with the requirements of 12 C.F.R. § 1024.41 for a Complete Application.

267. From January 10, 2014 through February 26, 2017, and before any foreclosure sale dates were scheduled, Ocwen received Loss Mitigation Applications from borrowers whose mortgages were secured by their principal residences.

268. From January 10, 2014 through February 26, 2017, and before any foreclosure sale dates were scheduled, Ocwen received First Complete Applications from borrowers whose mortgages were secured by their principal residences.

269. As set forth in Paragraphs 149, 167, 169, and 173, in numerous instances from January 10, 2014 through February 26, 2017, and before any foreclosure sale dates were scheduled, Ocwen received borrowers' First Complete Applications. Ocwen commenced First Filings on these First Complete Applications even though Ocwen was still evaluating the Applications, namely, Ocwen had not yet sent the borrower an Evaluation Notice.

270. The acts and practices described in Paragraphs 260, and 267–269 constitute violations of Sections 6(j)(3), 6(k)(1)(C), 6(k)(1)(E) and 19(a) of RESPA, 12 U.S.C. §§ 2605(j)(3), (k)(1)(C), and (k)(1)(E), and 12 U.S.C. § 2617(a), and Regulation X, 12 C.F.R. §§ 1024.41(b)(2)(i)(B), 1024.41(c)(1)(i) and (ii), 1024.41(f)(2), and 1024.41(g), and § 1036(a)(1)(A) of the CFPA, 12 U.S.C. § 5536(a)(1)(A).

Prayer for Relief

Wherefore, the Bureau, pursuant to Sections 1054 and 1055 of the CFPA, 12 U.S.C. §§ 5564 and 5565, and the Court's own equitable powers, requests that the Court:

1. Permanently enjoin Defendants from committing future violations of the CFPA, FDCPA, RESPA, and TILA, and enter such other injunctive relief as appropriate, including ordering that, if any Defendant is found to be in material non-compliance with any injunction entered by the Court, the Defendant must claw back any non-salary bonuses or other compensation it has paid, or stock option it has granted, to any officer or director of the Defendant in connection with the time period during which the Defendant was not in compliance;
2. Award such relief as the Court finds necessary to redress injury to consumers, including, but not limited to, rescission or reform of contracts; refund of moneys; restitution; and payment of damages or other monetary relief;
3. Award such relief as the Court finds necessary to disgorge the Defendants of unlawful gains;
4. Impose civil money penalties against the Defendants;
5. Order the Defendants to pay costs and fees incurred in prosecuting this action; and
6. Award additional relief as the Court may deem just and proper.

Dated: April 19, 2021

Respectfully submitted,

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