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A Message from Jeffrey Chalmers:  
"Bye Bye Ocwen Financial! Who's next?"

Ocwen Sued, Shut Down in Multiple States

There are bad days, and worse days, and there are days like Ocwen Financial Corporation (OFC) had on Thursday. The company was not only sued on multiple grounds by both the Consumer Financial Protection Bureau (CFPB) and the State of Florida, but saw its **operations effectively shut down** by the North Carolina Commissioner of Banks.

According to CFPB, Ocwen, headquartered in West Palm Beach, Fla., is one of the nation's largest nonbank mortgage servicers. As of Dec. 31, 2016, it serviced almost 1.4 million loans with an aggregate unpaid principal balance of \$209 billion. It services loans for borrowers in all 50 states and the District of Columbia.

First, the North Carolina commissioner, Ray Grace, issued a **cease and desist order** against the company after a determination that it "has engaged in, or is engaging in, or is about to engage in, acts of practices constituting violations of state and federal law and applicable regulations."

Grace acted under the authority of the Multi-State Mortgage Committee (MMC), composed of state mortgage regulators who agreed to collectively address their concerns over OFC's operations. On February 28, 2015, Florida, Maryland, Massachusetts, Mississippi, Montana, and Washington conducted a multi-state examination of the company covering operations from January 1, 2013 to the examination date. That examination identified several violations of state and federal law including **consumer escrow accounts** that could not be reconciled and willful and ongoing unlicensed activity in certain states. The examination also found that the company's financial condition was **deteriorating**.

The order alleges the company subsequently **failed to respond** to requests for information on its apparent unlicensed activity and company executives were warned the violations were unacceptable and would not be tolerated. OFC partially addressed these violations after a lapse of two years, but the Commissioner's order states that unlicensed activity is believed to continue in some jurisdictions.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.28%	-0.09	0.00
15 Yr. Fixed	6.75%	-0.07	0.00
30 Yr. FHA	6.70%	-0.12	0.00
30 Yr. Jumbo	7.48%	-0.07	0.00
5/1 ARM	7.35%	-0.07	0.00

Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00

Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/3

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

In addition to being unable to reconcile consumer escrow accounts (used to hold consumer funds for payment of insurance and taxes), the examination also found OFC had **failed to make disbursements** from the accounts on numerous loans. The company also appeared to routinely send customers inaccurate confusing and misleading escrow statements.

In December 2016 OFC and state regulators entered into a Memorandum of Understanding (MOU) which required OFC to retain an **independent auditing firm** to perform a comprehensive audit and reconciliation of all escrow accounts with a report submitted to and approved by the MMC by January 13, 2017. On that date, the company informed the MMC that the \$1.5 billion cost of that audit was beyond its financial capability and asked to sample 457 accounts out of the 2.5 million it had serviced over the initial audit period. The company has also failed to provide a suitable going-forward business plan to address its financial condition.

The Cease and Desist Order requires OFC to **immediately cease acquiring new mortgage servicing rights** and acquiring or originating new residential mortgages until it provides a sufficient analysis of its financial condition and provides state regulators with a reconciliation of its escrow accounts showing that consumer funds are appropriately collected, accounted for, and distributed. OFC has 20 days in which to request a hearing.

The CFPB suit was filed against OFC and its subsidiaries "for failing borrowers at every stage of the mortgage servicing process." The Bureau alleges that the company's years of "widespread errors, shortcuts, and runarounds cost some borrowers money and others their homes."

In addition to the problems with unreconciled escrow accounts and unpaid tax and insurance bills outlined in the state regulators' order, CFPB accuses OFC of a **litany of other abuses** against its consumers.

- It allegedly loaded inaccurate and incomplete information into its servicing system. The system generated errors with even accurate data through system failures and deficient programing. It then used this faulty information to service borrowers' loans.
- The Bureau alleges that OFC has wrongfully initiated foreclosure proceedings on at least 1,000 people, and has wrongfully held foreclosure sales. It has initiated the foreclosure process before completing a review of borrowers' loss mitigation applications, asked borrowers to submit additional information, but foreclosed on the borrowers before the deadline for doing so, and foreclosed on borrowers who were fulfilling their obligations under a loss mitigation agreement.
- The company allegedly failed to appropriately credit payments made by numerous borrowers, failed to send accurate periodic statements and failed to correct billing and payment errors.
- It allegedly enrolled some consumers in add-on products through deceptive solicitations and without their consent, then billed and collected payments from these consumers.
- It is alleged that, since 2014, OFC has routinely failed to properly acknowledge and investigate complaints, or make necessary corrections. In April 2015, OFC attempted to rectify its call center problems, adopting a policy wherein borrowers have to complain at least five times in nine days before their complaint is escalated to be resolved. Since April 2015, OFC has received more than 580,000 notices of error and complaints from more than 300,000 different borrowers.
- The company has allegedly failed to include complete and accurate borrower information when it sold its rights to service thousands of loans to new mortgage servicers. This has hampered the new servicers' efforts to comply with laws and investor guidelines.

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

The suit filed by the State of Florida makes similar allegations as the CFPB filing.

## Because Integrity Matters™

Jeffrey has spent the last three decades perfecting an Honest, Open and Transparent (HOT™) loan and closing process that is laser-focused on enhancing the consumer mortgage experience. By combining old-school, trustworthy customer service with real-time, mobile-friendly technology, he has successfully built thousands of loyal, raving fans.

**Jeffrey Chalmers**

