



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

February 26, 2014

Timothy Hayes
General Counsel
Ocwen Financial Corporation
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409

Dear Mr. Hayes:

The Department's ongoing review of Ocwen's mortgage servicing practices has uncovered a number of potential conflicts of interest between Ocwen and other public companies with which Ocwen is closely affiliated. Indeed, the facts our review has uncovered to date cast serious doubts on recent public statements made by the company that Ocwen has a "strictly arms-length business relationship" with those companies. We are also concerned that this tangled web of conflicts could create incentives that harm borrowers and push homeowners unduly into foreclosure. As such, we are demanding additional information on these issues as part of our review.

Pursuant to the December 4, 2012 Consent Order between Ocwen and the Department, we have engaged an independent on-site compliance monitor at Ocwen to conduct a comprehensive review of Ocwen's servicing operations. It is in the course of the monitorship that we uncovered these potential conflicts between and among Ocwen, Altisource Portfolio Solutions, S.A. ("Altisource Portfolio"), Altisource Residential Corporation, Altisource Asset Management Corporation, and Home Loan Servicing Solutions Ltd. (together, the "affiliated companies"), all of which are chaired by William C. Erbey, who is also the largest shareholder of each and the Executive Chairman of Ocwen.

As you recall, Altisource Portfolio's Chief Risk Officer was removed as a result of the Monitor's review. During its review, the Monitor discovered that Ocwen's Chief Risk Officer also served as the Chief Risk Officer of Altisource Portfolio, and reported directly to Mr. Erbey in both capacities. This individual seemed not to appreciate the potential conflicts of interest posed by this dual role, which was particularly alarming given his role as Chief Risk Officer. He told the Monitor that Ocwen paid his entire salary, but he did not know and had apparently never asked which company paid his risk management staff. Indeed, it remains unclear whether Altisource Portfolio paid any compensation for the Chief Risk Officer's services. Although he has since been removed as Altisource Portfolio's Chief Risk Officer, his and Ocwen's failure to affirmatively recognize this conflict demonstrates that the relationship between Ocwen and the affiliated companies warrants further examination.

Presently, Ocwen's management owns stock or stock options in the affiliated companies. This raises the possibility that management has the opportunity and incentive to make decisions

concerning Ocwen that are intended to benefit the share price of affiliated companies, resulting in harm to borrowers, mortgage investors, or Ocwen shareholders as a result.¹

Accordingly, we request that Ocwen provide the following information and documents to the Monitor for its review:

1. Detailed information about the financial interests (e.g., equity ownership, stock options, and other compensation arrangements) of Ocwen officers, directors, and employees in the affiliated companies.
2. Detailed information about the financial interests in Ocwen of officers, directors, and employees at the affiliated companies.
3. Documents sufficient to show the nature and extent of services provided to Ocwen by each of the affiliated companies, including all agreements for such services.
4. (a) All agreements between Ocwen and the affiliated companies concerning procurement of third party services, (b) documents sufficient to demonstrate how the affiliated companies manage Ocwen's procurement process, (c) documents sufficient to show whether any affiliated company bids in any procurement process that it or another affiliate manages for Ocwen, and (d) information concerning how borrowers are charged for third-party services and whether such charges are dependent upon the pricing secured through these procurement processes.
5. All agreements concerning Ocwen's outsourcing of its information management to the affiliated companies, including documents that show the impact this outsourcing has on Ocwen's ability to access its borrowers' loan files or other critical data.
6. All documents, including all studies, analyses, business plans, and agreements, concerning the financial, servicing, and vendor relationships between Ocwen and the affiliated companies.
7. All policies, procedures, and practices employed by Ocwen and the affiliated companies to avoid or mitigate potential conflicts of interest.

¹ The Department's review of Ocwen's mortgage servicing practices has also found that Ocwen relies extensively on affiliated companies for its information management system (from the programming of comment codes to functioning as Ocwen's IT help desk), as well as procurement of third party services. This further demonstrates the interconnected nature of Ocwen's relationship with the affiliated companies.

We intend to fully review all of the issues raised above. We expect that Ocwen will preserve all documents concerning the relationships discussed in this letter.

Sincerely,



Benjamin M. Lawsky
Superintendent of Financial Services

cc: William C. Erbey, Executive Chairman, Ocwen Board of Directors
Ronald M. Faris, Ocwen Board of Directors
Ronald J. Korn, Ocwen Board of Directors
William H. Lacy, Ocwen Board of Directors
Wilbur L. Ross, Jr., Ocwen Board of Directors
Robert A. Salcetti, Ocwen Board of Directors
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