

PUBLIC DISCLOSURE

November 7, 2018

MORTGAGE LENDER COMMUNITY INVESTMENT PERFORMANCE EVALUATION

Ocwen Loan Servicing, LLC

ML1852

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Division of Banks

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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this mortgage lender. The rating assigned to this mortgage lender does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this mortgage lender.

GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Ocwen Loan Servicing, LLC (the Lender or Ocwen)** pursuant to the Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, prepared by the Division, the Lender's supervisory agency, as of **November 7, 2018**.

SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA guidelines. A review of the Division's records, as well as the mortgage lender's public CRA file, did not reveal any complaints related to CRA.

The CRA examination included a comprehensive review and analysis, as applicable, of Ocwen's:

- (a) origination of loans and other efforts to assist low- and moderate-income (LMI) residents, without distinction, to be able to acquire or to remain in affordable housing at rates and terms that are reasonable considering the lender's history with similarly-situated borrowers, the availability of mortgage loan products suitable for such borrowers, and consistency with safe and sound business practices;
- (b) origination of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;
- (c) efforts working with delinquent residential mortgage customers to facilitate a resolution of the delinquency; and
- (d) other efforts, including public notice of the scheduling of examinations and the right of interested parties to submit written comments relative to any such examination to the Commissioner, as, in the judgment of the Commissioner, reasonably bear upon the extent to which a mortgage lender is complying with the requirements of fair lending laws and helping to meet the mortgage loan credit needs of communities in the Commonwealth of Massachusetts (Commonwealth).

CRA examination procedures were used to evaluate Ocwen's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Ocwen's lending and community development activities for the period of January 1, 2016 through December 31, 2017. The data and applicable timeframes for the Lending Test and the Service Test are discussed below.

The Lending Test evaluates the mortgage lender's community investment performance pursuant to the following five criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, fair lending, and loss of affordable housing.

Home mortgage lending for 2016 and 2017 is presented in the geographic distribution, lending to borrowers of different incomes. Comparative analysis of the mortgage lender's lending performance for 2016 and 2017 is provided as those are the most recent years for which aggregate HMDA lending data is available. The aggregate lending data is used for comparison purposes within the evaluation and is a

measure of loan demand. It includes lending information from all HMDA reporting mortgage lenders which originated loans in the Commonwealth.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the CRA examination also reflects an in depth review of the entity's mortgage lending using qualitative analysis, which includes, but is not limited to: an assessment of the suitability and sustainability of the mortgage lender's loan products by reviewing the lender's internally maintained records of delinquencies and through other sources available to the examination team. The examination included inspection of individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluates the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products, the extent and innovativeness of its community development services, and, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

MORTGAGE LENDER'S CRA RATING

The Lender is rated "Satisfactory" for CRA performance.

Lending Test: "Satisfactory"

- The geographic distribution of the Lender's loans reflects a reasonable dispersion in LMI census tracts as compared to the distribution of owner occupied housing in those tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects a reasonable record of servicing the credit needs among individuals of different income levels.
- Ocwen offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals.
- The lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable. The Lender demonstrates the ability to work with delinquent borrowers to facilitate a resolution of delinquency.
- Fair lending policies are considered adequate.

Service Test: "High Satisfactory"

- Ocwen provided a number of community development activities within the Commonwealth.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Ocwen Loan Servicing, LLC was organized in the state of Delaware in 2002 and licensed in Massachusetts by the Division as a mortgage lender and debt collector in 2004. Ocwen Loan Servicing, LLC is wholly owned by Ocwen Mortgage Servicing, Inc.. The Lender is headquartered in West Palm Beach, Florida and has no Massachusetts locations. During the examination period, the Lender engaged in origination and servicing of residential mortgage loans. Origination activity was conducted through its wholesale (broker) channel. As of the time of the examination, the Lender has ceased mortgage origination activity but continues to service loans, purchase servicing rights, and subservice for other entities.

During the examination period of 2016 and 2017, Ocwen originated 2,311 loans totaling approximately \$614 million in Massachusetts.

Demographic Information

The CRA regulation requires mortgage lenders to be evaluated on their performance within the Commonwealth of Massachusetts. Demographic data is provided below to offer contextual overviews of economic climate along with housing and population characteristics for the Commonwealth of Massachusetts.

2010 CENSUS DEMOGRAPHIC INFORMATION						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,474	11.1	19.0	40.6	27.9	1.4
Population by Geography	6,547,629	9.2	18.0	42.4	30.2	0.2
Owner-Occupied Housing by Geography	1,608,474	3.1	13.0	48.3	35.6	0.0
Family Distribution by Income Level	1,600,588	22.2	16.5	20.6	40.7	0.0
Distribution of LMI Families	619,565	15.7	25.9	40.9	17.5	0.0
Median Family Income		\$86,272	Median Housing Value			\$373,206
Households Below Poverty Level		11.1%	Unemployment Rate			3.5*
2016 HUD Adjusted Median Family Income		\$86,904	2017 HUD Adjusted Median Family Income			\$91,119

*Source: 2010 US Census; *as of 12/31/2017*

Based on the 2010 Census, the Commonwealth's population was above 6.5 million people with a total of 2.8 million housing units. Of the total housing units, 1.6 million or 57.7 percent are owner occupied, 904,078 or 32.5 percent are rental-occupied, and 9.8 percent are vacant units.

According to the 2010 Census there are 2.5 million households in the Commonwealth with a median of household income of \$69,101. Over 39 percent of households are now classified as LMI. Over 11 percent of the total number households are living below the poverty level. Individuals in these categories may find it difficult to qualify for traditional mortgage loan products.

Households classified as “families” totaled slightly over 1.6 million. Of all family households, 22.2 percent were low-income, 16.5 percent were moderate-income, 20.6 percent were middle-income, and 40.7 percent were upper-income. The median family income reported by the 2010 Census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income was \$86,904 in 2016 and increased to \$91,119 in 2017. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contained 1,474 Census tracts. Of these, 164 or 11.1 percent are low-income; 281 or 19.0 percent are moderate-income; 598 or 40.6 percent are middle-income; 411 or 27.9 percent are upper-income; and 20 or 1.4 percent are NA or have no income designation. The tracts with no income designation are located in areas that contain no housing units and will not be included in this evaluation since they provide no lending opportunities. These areas are made up of correctional facilities, universities, military installations, and uninhabited locations such as the Boston Harbor Islands.

Low-income is defined as individual income that is less than 50 percent of the area median income. Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the area median income. Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the area median income. Upper-income is defined as individual that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$373,206 according to the 2010 Census. The unemployment rate for the Commonwealth of Massachusetts as of December 31, 2017, stood at 3.5 percent, which was an increase from December 31, 2016, at which time it stood at 3.1 percent. Employment rates would tend to affect a borrower’s ability to remain current on mortgage loan obligations and also correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Lending performance is rated under six performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss Mitigation Efforts, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of Ocwen.

Ocwen's Lending Test performance was determined to be **"Satisfactory"** at this time.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Ocwen is addressing the credit needs throughout the Commonwealth of Massachusetts' low-, moderate-, middle-, and upper-income census tracts. The table below shows the distribution of HMDA-reportable loans by census tract income level. The lending activity is compared with the percent of owner-occupied housing units based on U.S. Census demographics, and Ocwen's 2016 and 2017 home mortgage lending performance comprised of loans originated and purchased by Ocwen. This lending performance is compared to aggregate lending performance in 2016 and 2017.

Geographic Distribution of HMDA Loans by Census Tract						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	3.1	3.5	78	5.2	18,051	4.5
2017	3.4	4.8	47	5.9	10,750	5.0
Moderate						
2016	13.0	12.9	241	15.9	54,408	13.7
2017	13.8	15.9	124	15.6	30,960	14.3
Middle						
2016	48.3	47.0	766	50.6	199,935	50.2
2017	44.4	43.5	363	45.5	95,611	44.2
Upper						
2016	35.6	36.6	429	28.3	125,810	31.6
2017	38.3	35.7	262	32.9	78,835	36.5
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.1	0.1	1	0.1	102	0.0
Totals						
2016	100.0	100.0	1,514	100.0	398,204	100.0
2017	100.0	100.0	797	100.0	216,258	100.0
<i>Source: 2016 & 2017 HMDA Data and 2010 U.S.</i>						

As shown in the above table, lending in LMI geographies during 2016 and 2017 was above the Commonwealth's demographics and the performance of aggregate data. The Lender's overall lending performance in LMI geographies is considered reasonable at this time.

II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the mortgage lender is addressing the credit needs of the Commonwealth's residents. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level, that were reported by Ocwen during 2016 and 2017, and compares this activity to the 2016 and 2017 aggregate lending data and the percentage of families by income level within the assessment area using U.S. Census demographics.

Distribution of HMDA Loans by Borrower Income							
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%	
Low							
2016	22.2	4.2	70	4.6	11,323	2.8	
2017	23.3	5.2	52	6.5	9,288	4.3	
Moderate							
2016	16.5	14.9	316	20.9	72,305	18.2	
2017	16.4	17.6	197	24.7	46,721	21.6	
Middle							
2016	20.6	22.5	419	27.7	112,986	28.4	
2017	19.4	23.3	210	26.3	59,739	27.6	
Upper							
2016	40.7	44.4	415	27.4	129,248	32.5	
2017	40.9	40.8	243	30.5	78,087	36.1	
Not Available							
2016	0.0	14.0	294	19.4	72,342	18.2	
2017	0.0	13.0	95	11.9	22,423	10.4	
Totals							
2016	100.0	100.0	1,514	100.0	398,204	100.0	
2017	100.0	100.0	797	100.0	216,258	100.0	

Source: 2016 & 2017 HMDA Data and 2010 U.S. Census

As shown in the above table, Ocwen's rate of loan originations to LMI borrowers during 2016 and 2017 was above aggregate data. In addition, the percentage of lending to moderate-income borrowers was above the percentage of moderate-income families in both years. Ocwen's LMI lending also increased from 2016 to 2017, while overall lending decreased. The Lender's overall lending performance to LMI borrowers is considered reasonable at this time.

III. Innovative or Flexible Lending Practices

Ocwen originated flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals and geographies. During the exam period Ocwen offered products insured by the Department of Housing and Urban Development (HUD) through their FHA loan program. FHA loans provide flexible underwriting criteria, generally competitive interest rates, and smaller down

payments for LMI first time homebuyers and existing homeowners. Examples of products which may have helped LMI families included flexible loan to value (LTV), including up to 97 percent LTV FHA options, 3.5 percent down payment FHA purchases, and Streamline refinance transactions. During the review period, Ocwen originated 818 FHA loans totaling \$214.4 million. Of these, 269 or 33 percent were originated to LMI borrowers, and 219 or 27 percent originated in LMI geographies.

IV. Loss Mitigation Efforts

The Division reviews mortgage lenders' efforts to work with delinquent home mortgage loan borrowers to facilitate a resolution of the delinquency, including the number of loan modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures.

Ocwen services a portfolio of loans in Massachusetts. During the exam period, the majority of originations were sold on the secondary market with servicing rights retained. Ocwen also purchases loans for servicing. Lending and servicing practices did not show an undue concentration or systematic pattern of lending resulting in mortgage loans that were not sustainable. In addition, Ocwen's servicing department provides assistance to delinquent borrowers by offering various options to resolve the delinquency.

V. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The mortgage lender's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. The review included, but was not limited to, written policies and procedures and interviews with mortgage lender personnel.

Ocwen has established an adequate record relative to fair lending policies and practices. No evidence of discriminatory or other illegal credit practices was identified.

Minority Application Flow

Examiners reviewed Ocwen's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics.

During 2016 and 2017, Ocwen received 2,768 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. Of these applications, 229 or 8.3 percent were received from racial minority applicants, and 172 or 75 percent resulted in originations. For the same period, Ocwen received 183 or 6.6 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 133 or 73 percent were originated. This compares to the 83.4 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 71.4 percent approved by the aggregate group.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 23.9 percent of total population as of 2010 Census. Racial minorities consisted of 6.0 percent Black; 5.3 percent Asian/Pacific Islander; 0.2 percent American Indian/Alaskan Native; and 2.8 percent identified as Other Race. Ethnic minorities consisted of 9.6 percent Hispanic or Latino.

Refer to the following table for information on the mortgage lender’s minority application flow as well as a comparison to aggregate lenders throughout the Commonwealth of Massachusetts. The comparison of this data assists in deriving reasonable expectations for the rate of applications the mortgage lender received from minority applicants.

MINORITY APPLICATION FLOW						
RACE	2016		2016	2017		2017
	Lender		Aggregate Data	Lender		Aggregate Data
	#	%	% of #	#	%	% of #
American Indian/ Alaska Native	0	0.0	0.2	1	0.1	0.3
Asian	43	2.4	5.4	28	2.9	5.5
Black/ African American	83	4.6	3.6	42	4.4	4.1
Hawaiian/Pac Isl.	0	0.0	0.2	3	0.3	0.2
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	22	1.2	1.3	7	0.7	1.4
Total Minority	148	8.2	10.8	81	8.4	11.6
White	1,309	72.6	68.8	724	75.0	66.9
Race Not Available	346	19.2	20.4	160	16.6	21.5
Total	1803	100.0	100.00	965	100.0	100.00
ETHNICITY						
Hispanic or Latino	94	5.2	4.4	66	6.8	5.3
Not Hispanic or Latino	1350	74.9	74.5	732	75.9	72.4
Joint (Hisp/Lat /Not Hisp/Lat)	17	0.9	1.1	6	0.6	1.1
Ethnicity Not Available	342	19.0	20.0	161	16.7	21.2
Total	1803	100.0	100.0	965	100.0	100.0
<i>Source: 2016 & 2017 HMDA Data and 2010 U.S. Census</i>						

In 2016 and 2017, Ocwen’s racial application flow was below the aggregate’s performance. For the same time period, Ocwen’s ethnic minority application flow was above the aggregate’s performance for ethnic minority applicants of Hispanic origin. In addition, the percentage of racial and ethnic minority applications increased from 2016 to 2017.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Ocwen by taking into account delinquency and default rates of the mortgage lender and those of the overall marketplace. Information provided by the mortgage lender was reviewed, as were statistics available on delinquency and default rates for mortgage loans.

A review of information and documentation, from both internal and external sources as partially described above, did not reveal lending practices or products that showed an undue concentration or a systematic pattern of lending, including a pattern of early payment defaults, resulting in the loss of affordable housing units.

SERVICE TEST

The Service Test evaluates a mortgage lender's record of helping to meet the mortgage credit needs in the Commonwealth by analyzing both the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products; the extent and innovativeness of its community development services; and loss mitigation services to modify loans or otherwise keep delinquent home loan borrowers in their homes. Community development services must benefit the Commonwealth or a broader regional area that includes the Commonwealth.

Ocwen's Service Test performance was determined to be "**High Satisfactory**" during the evaluation period.

Community Development Services

A community development service is a service that:

- (a) has as its primary purpose community development; and
- (b) is related to the provision of financial services, including technical services

The Commissioner evaluates community development services pursuant to the following criteria:

- (a) the extent to which the mortgage lender provides community development services; and
- (b) the innovativeness and responsiveness of community development services.

Ocwen provides a number of qualified community development services to homeowners in Massachusetts. Ocwen provides loan modifications and other resolutions to help families avoid foreclosure. During 2016 and 2017, Ocwen completed more than 3,100 loan modifications for Massachusetts loans being serviced by Ocwen with homeowners having difficulty affording their monthly mortgage payments. These loan modifications included more than \$109.2 million in debt forgiveness.

Ocwen has worked with Cambridge Credit Counseling, a HUD-approved housing counseling agency and HomeFree-USA affiliate. In 2016 and 2017, Ocwen and Cambridge Credit Counseling held six in-person borrower outreach events in Massachusetts. For each of these events, both Ocwen and Cambridge Credit Counseling conducted outreach campaigns to inform local customers about the event. Ocwen sent members of its Advocacy Team to each event to meet in-person with customers that attended. Over the two-year period, approximately 36 customers attended these events to receive assistance. Additionally, Cambridge Credit Counseling participates in Ocwen's targeted outreach program. Through this program, Cambridge Credit Counseling worked with approximately 74 Ocwen borrowers to submit complete Request for Mortgage Assistance applications during the review period.

Homeownership Preservation Foundation (HPF): HPF was founded in 2004 as an independent national nonprofit dedicated, among other things, to helping distressed homeowners navigate financial challenges and avoid foreclosure. HPF has a network of leading nonprofit counseling agencies and its 888-995-HOPE Hotline provides housing counseling services nationwide and serves as the national hotline for the Government's "Making Home Affordable" programs including HAMP and HARP. Ocwen has provided substantial support to HPF who has counseled numerous Ocwen customers struggling to afford their mortgage payments. In 2016 and 2017, HPF provided counseling to 9,760 Ocwen borrowers, including 280 borrowers in Massachusetts. More than 35 percent of the Massachusetts borrowers counseled through

this program identified as a minority and approximately 65 percent of the Massachusetts borrowers counseled were LMI borrowers.

Hope Loan Port (HLP) is a nonprofit that works with HUD-approved, housing counseling organizations nationwide to streamline the loss mitigation application process. Through its online portal, HLP allows housing counselors to submit modification applications and documentation online. These documents go directly to Ocwen's Advocacy Team, who can communicate directly with the counselors and provide real-time status updates via HLP's online portal. During the review period, Ocwen worked with 10 counseling organizations through HLP's portal to assist approximately 55 Massachusetts customers pursuing loan modifications or other resolutions to avoid foreclosure.

Ocwen has worked with Neighborhood Assistance Corporation of America (NACA), a HUD-certified counseling organization headquartered in Massachusetts, to assist Ocwen borrowers having difficulty with their mortgage payments for many years. Ocwen has also worked with nonprofit Boston Community Capital to assist them in their efforts to acquire real estate owned (REO) properties to assist homeowners in Massachusetts.

Mortgage Lending Services

The Commissioner evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage lending services to LMI geographies and individuals.

Ocwen provides an adequate level of mortgage lending services to LMI geographies and individuals through home purchase and refinance transactions and mortgage loan servicing in Massachusetts. During the examination period, Ocwen provided lending services through broker and correspondent lending channels. Through the wholesale channel, Ocwen had loan origination relationships with brokers doing business throughout the Commonwealth.

Ocwen also services loans originated in Massachusetts. Ocwen's servicing department is responsible for loss mitigation and delinquencies for the loans that are being serviced, works with delinquent homeowners to facilitate a resolution of delinquency, and provides available options, which may include loan modification, short sale, and forbearance.

Ocwen's loss mitigation department performs loss mitigation activities on delinquent loans to ensure that all possible options are considered to prevent foreclosure.

As described above, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable. Overall, the Lender provides an adequate delivery of mortgage lending services throughout the Commonwealth.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the Mortgage Lender Community Investment (CRA) regulation, requires all mortgage lenders to take the following actions within 30 business days of receipt of the CRA evaluation of their mortgage lender:

- 1) Make its most current CRA performance evaluation available to the public.
- 2) Provide a copy of its current evaluation to the public, upon request. The mortgage lender is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the mortgage lender's evaluation, as prepared by the Division of Banks, may not be altered or abridged in any manner. The mortgage lender is encouraged to include its response to the evaluation in its CRA public file.

The Division of Banks will publish the mortgage lender's Public Disclosure on its website no sooner than 30 days after the issuance of the Public Disclosure.