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## Lawsky Questions Ocwen on Charges of 'Self-Dealing'

Author: Colin Robins   April 22, 2014   0



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The industry watchdog best known for placing an indefinite hold on a \$2.7 billion deal between Ocwen and Wells Fargo turned his gaze to yet another of Ocwen's business dealings.

In a letter sent Monday to Ocwen Financial Corporation's General Counsel Timothy Hayes, New York State Department of Financial Service's (NYSDFS) superintendent Benjamin Lawsky questioned the financial giant on business dealings related to a relationship between Ocwen and Altisource Portfolio Solutions.

Specifically, the NYSDFS is looking into the relationship between Ocwen and a subsidiary of Altisource, Hubzu, which Ocwen uses as its principal online auction site for the sale of its borrowers' homes facing foreclosure.

The letter voices concerns over the two company's arrangement, mainly, "Hubzu appears to be charging auction fees on Ocwen-serviced properties that are up to three times the fees charged to non-Ocwen customers. In other words, when Ocwen selects its affiliate Hubzu to host foreclosure or short sale auctions on behalf of mortgage investors and borrowers, the Hubzu auction fee is 4.5%; when Hubzu is competing for auction business on the open market, its fee is as low as 1.5%."

This shift in fees raised eyebrows at the NYSDFS, who commented that the fees ultimately get passed onto investors and homeowners who are typically attempting to mitigate losses.

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The NYSDFS noted concerns over "self-dealing," citing in a footnote, "As you [Timothy Hayes] know, a number of key Ocwen personnel have individual equity ownership stakes in Altisource Portfolio Solutions."

Additionally, Lawsky commented that the relationship between the two companies raises questions about whether the inflated fees are through conflicted business relationships, and thus, negatively impact homeowners. Lawsky also noted, "Alternatively, if the lower fees are necessary to attract non-Ocwen business to the open market, it raises concerns about whether Ocwen-serviced properties are being funneled into an uncompetitive platform at inflated costs."

The letter requests answers to some key questions, including the percentage of Ocwen-serviced properties on Hubzu, whether investors and homeowners are required to use Hubzu for their REO and short sale properties, and a confirmation of the 4.5 percent auction fee on Ocwen properties compared to the lower fee on auctions of properties not serviced by Ocwen.

The NYSDFS requested answers to its inquiries by April 28, 2014.

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## ABOUT COLIN ROBINS



Colin Robins is the online editor for DSNews.com. He holds a Bachelor of Arts from Texas A&M University and a Master of Arts from the University of Texas, Dallas. Additionally, he contributes to the MReport, DS News' sister site.

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