

Fitch Affirms Residential Servicer Ratings for Ocwen Financial Corp. Ratings

30 Nov 2010 3:19 PM (EST)

Fitch Ratings-New York-30 November 2010: Fitch Ratings takes the following rating actions on the U.S. residential servicer ratings for Ocwen Financial Corp. (Ocwen):

---U.S. Residential Primary Servicer Rating for subprime product affirmed at 'RPS2';

---U.S Residential Special Servicer Rating affirmed at 'RSS2'.

The rating actions reflect Ocwen's solid operational and default management capabilities, reliable technology platform and experienced and tenured senior management team. The ratings also reflect the financial condition of Ocwen which is rated 'B+' with a Stable Outlook by Fitch. In addition, the ratings were determined in accordance with Fitch's criteria 'Rating U.S. Residential Mortgage Servicers', dated Nov. 29, 2006 and 'Global Rating Criteria for Structured Finance Servicers' dated Aug. 16, 2010, which are available on the Fitch Ratings website at 'www.fitchratings.com'.

Originally organized in February 1988, Ocwen is a diversified financial services holding company. The company operates its servicing platform from sites in West Palm Beach, FL, Orlando, FL, and global servicing offices in Bangalore and Mumbai, India and Montevideo, Uruguay. Ocwen continues to expand its offshore strategy with nearly 80% of its servicing operations located in Bangalore, Mumbai, and Montevideo, including a majority of customer facing functions. All of the worldwide operations are wholly owned and operated by Ocwen.

As of May 31, 2010, Ocwen serviced a portfolio of nearly 368,000 loans with a UPB of over \$54 billion vs. 298,000 loans with a UPB of over \$39.9 billion at Fitch's prior review. The portfolio consists of 82% subprime, 10% Freddie Mac, and 7% Alt-A product by loan volume.

Subsequent to Fitch's review on May 28, 2010, Barclays Bank, PLC (Barclays) and Ocwen announced that Barclays had agreed to sell HomEq Servicing, its U.S. mortgage servicing business to Ocwen. As of July 31, 2010 HomEq serviced loans with a UPB of over \$24.9 billion. On Sept. 1, 2010, Ocwen and Barclays closed the transaction and the combined platforms, totaling approximately 490,000 loans with a UPB of over \$74.9 billion, were under Ocwen ownership.

Since Fitch's prior review, Ocwen continued to make incremental improvements across the servicing platform to enhance loss mitigation and default management process. Ocwen implemented best time to call logic and an early delinquency indicator tool for improved outbound collection contact rates. However, call metrics for customer service and collections hold times remain high at 90 and 100 seconds, respectively.

Fitch has reviewed the company's servicing operations and believes that Ocwen has the operational and default processes, controls, and technology in place to manage its servicing portfolio. However, Fitch will continue to monitor Ocwen's ability to reduce call hold times and manage its large-scale offshore operations.

On Nov 4, 2010, Fitch assigned a Negative Outlook for the entire U.S. Residential Mortgage Servicer ratings sector on increased concerns surrounding alleged procedural defects in the judicial foreclosure process. Responses to Fitch's recent survey of its rated servicers regarding internal procedures used to verify and execute foreclosure affidavits indicate that all servicers are taking this matter seriously and are continuing to work to resolve any issues uncovered. Fitch may place an individual servicer's ratings on Rating Watch Negative and/or downgrade the ratings if the servicer does not diligently and timely review its processes and take immediate corrective action to remediate any foreclosure action or documentation failures. Fitch may take similar actions on a servicer's ratings if the impact of the additional costs that must be borne by the servicer significantly affects its financial condition. Until those conclusions are reached, the Negative Outlook on the sector impacts all U.S. RMBS servicers.

Fitch rates residential mortgage primary, master, and special servicers on a scale of 1 to 5, with 1 being the highest rating. Within some of these rating levels, Fitch further differentiates ratings by plus (+) and minus (-) as well as the flat rating. For more information on Fitch's residential servicer rating program, please see Fitch's report 'Rating U.S. Residential Mortgage Servicers', dated Nov. 29, 2006, which is available on the Fitch Ratings web site at 'www.fitchratings.com'.

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Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

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