



## Operational Risk Assessment News Bulletin

### Ocwen Loan Servicing LLC and Ocwen Financial Solutions Pvt. Ltd. (India)

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**Morningstar Credit Ratings, LLC Affirms 'MOR RS1' Residential Non-Prime and 'MOR RS1' Residential Special Servicer rankings for Ocwen Loan Servicing LLC (Ocwen) and affirms its 'MOR RV1' (Offshore) Residential Vendor Ranking for Ocwen Financial Solutions Pvt. Lt. (India) in recognition of Ocwen's recent announcement that they are acquiring the loan servicing and origination businesses of Homeward Residential Holdings (Homeward). The forecast remains Stable for all rankings.**

The Homeward acquisition will add approximately 422,000 loans with an unpaid principal balance of \$77 billion to Ocwen's current loan servicing portfolio of more than 785,000 loans. As discussed in our September, 2012 Operational Risk Assessment report, Ocwen has experienced growth via the purchase of mortgage servicing rights, subservicing agreements, and mortgage servicing platform acquisitions. In 2010, Ocwen completed the acquisition of HomEq Servicing, a servicing business of Barclays Bank PLC, consisting of 134,000 mostly nonprime and distressed assets totaling \$22.4 billion in unpaid principal balances (UPB). In 2011, Ocwen acquired Litton Loan Servicing LP, a subsidiary of The Goldman Sachs Group, Inc. The Litton acquisition consisted of 245,000 residential mortgages with an aggregate unpaid principal balance of \$38.6 billion. More recently, Ocwen has completed the acquisition of SCI Servicing, Inc (Saxon Mortgage Services) representing about 103,000 loans totaling \$26.8 billion in UPB (\$10.8 billion of which was already subserviced by Ocwen). Ocwen also acquired the mortgage servicing rights to 82,000 loans from JP MorganChase totaling \$15 billion in UPB. In difficult market conditions, Ocwen has been able to leverage its special servicing expertise to bring a high number of distressed assets to re-performing status post-acquisition via various loan modification programs while maintaining low re-default rates. Additionally, the Homeward acquisition provides Ocwen with an additional platform in Pune, India from which to grow its offshore capacity as a vendor. We acknowledge that the size and scope of the Homeward acquisition is substantial, however, Ocwen's lengthy track record of successful loan servicing platform and portfolio acquisitions and integrations over the recent 24 month period provide a reliable framework for the Homeward acquisition as well.

Morningstar Operational Risk Assessment (ORA) analysts will continue to communicate with Ocwen leadership as the acquisition plan and integration framework further develop.

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