



## News Release

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### FOR IMMEDIATE RELEASE

#### **Morningstar Credit Ratings, LLC Lowers Residential Mortgage Servicer and Vendor Rankings for Ocwen; Assigns Residential Prime Mortgage Servicer Ranking**

NEW YORK, Oct. 30, 2014—Morningstar Credit Ratings, LLC today removed from Alert status and lowered its three outstanding operational risk assessment rankings for two Ocwen Financial Corporation (OFC) residential mortgage servicing subsidiaries, Ocwen Loan Servicing, LLC and Ocwen Financial Solutions Pvt. Ltd. (collectively, Ocwen). Morningstar also assigned its 'MOR RS2' residential prime mortgage servicer ranking to Ocwen Loan Servicing, LLC.

Morningstar lowered its outstanding residential nonprime mortgage servicer and residential mortgage special servicer rankings for Ocwen Loan Servicing, LLC to 'MOR RS2' from 'MOR RS1.' Morningstar also lowered its residential vendor ranking for Ocwen Financial Solutions Pvt. Ltd. to 'MOR RV2' from 'MOR RV1.'

Morningstar placed its outstanding residential mortgage servicer and residential vendor rankings for Ocwen on Alert in January 2014 following an announcement that Ocwen had entered into a \$2.1 billion settlement with the Consumer Financial Protection Bureau (CFPB) for alleged improper servicing practices involving Ocwen's residential mortgage servicing business as well as two predecessor mortgage servicing businesses acquired by OFC. In addition to new consumer-mortgage servicing rules and other consumer-protection requirements enacted by the CFPB effective in January 2014, OFC also is subject to the servicing standards established under the 2012 National Mortgage Settlement. Morningstar maintained an extended Alert for its OFC residential mortgage servicer rankings as it monitored OFC's residential mortgage servicing performance and practices, including the company's compliance with the CFPB settlement order and other regulatory requirements.

Morningstar removed its three outstanding residential rankings for Ocwen from Alert status and lowered them as a result of continuing regulatory scrutiny and allegations of improper servicing practices. The New York State Department of Financial Services (DFS) continues to investigate OFC's servicing practices and most recently alleged that there has been widespread backdating of loan modification denial letters mailed to borrowers. While Morningstar's review of OFC's loan-servicing performance metrics indicates better-than-average industry results, Morningstar believes this latest investigation by New York State DFS further raises concerns about the company's processes and systems and the effectiveness of its compliance-monitoring practices. A recent review of OFC's internal audit reports validates some of these ongoing concerns.

The forecast for the residential mortgage servicer, residential vendor, and residential prime mortgage servicer rankings is Unfavorable. Morningstar believes that continuing regulatory scrutiny could have further negative consequences for OFC's residential mortgage servicing business. Morningstar will continue to monitor regulatory developments and review the company's performance and may take further ranking actions as necessary.

As of June 30, 2014, OFC serviced a portfolio of approximately 972,331 nonprime residential mortgage loans with an aggregate unpaid principal balance (UPB) of approximately \$191 billion. Its residential mortgage special servicing portfolio consisted of 4,613 loans with an aggregate UPB of approximately \$1.1 billion, and its prime residential mortgage servicing portfolio consisted of more than 1,087,991 loans with an aggregate UPB of approximately \$191 billion.

To access Morningstar's operational risk assessment methodology and all published reports, please visit <https://ratingagency.morningstar.com>.

#### **About Morningstar Credit Ratings, LLC and Morningstar, Inc.**

Morningstar Credit Ratings, LLC is a Nationally Recognized Statistical Rating Organization (NRSRO) that specializes in structured credit research and ratings and offers a wide array of services including new-issue ratings and analysis, operational risk assessments, surveillance services, data, and technology solutions.

Morningstar Credit Ratings' rankings, forecasts, and assessments contained in this press release are evaluations and opinions of noncredit related risks, and therefore, are not credit ratings within the meaning of Section 3 of the Securities Exchange Act of 1934 ("Exchange Act") or credit ratings subject to the

Exchange Act requirements and regulations promulgated thereunder with respect to credit ratings issued by NRSROs.

Morningstar Credit Ratings, LLC is a subsidiary of Morningstar, Inc. (NASDAQ: MORN), a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. Morningstar provides data on approximately 479,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 13 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. Morningstar also offers investment management services through its investment advisory subsidiaries and had approximately \$169 billion in assets under advisement and management as of Sept. 30, 2014. The company has operations in 27 countries.

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