



NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Benjamin M. Lawsky  
Superintendent

April 21, 2014

Timothy Hayes  
General Counsel  
Ocwen Financial Corporation  
1661 Worthington Road, Suite 100  
West Palm Beach, FL 33409

Dear Mr. Hayes:

As you know, the Department has been reviewing business relationships between Ocwen Financial Corporation and its affiliated companies, including Altisource Portfolio Solutions S.A. (“Altisource Portfolio”). Our review has raised concerns surrounding conflicted business relationships between Ocwen and Altisource Portfolio. One particularly troubling issue is the relationship between Ocwen and Altisource Portfolio’s subsidiary, Hubzu, which Ocwen uses as its principal online auction site for the sale of its borrowers’ homes facing foreclosure, as well as investor-owned properties following foreclosure.

Hubzu appears to be charging auction fees on Ocwen-serviced properties that are up to three times the fees charged to non-Ocwen customers.<sup>1</sup> 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%. These higher fees, of course, ultimately get passed on to the investors and struggling borrowers who are typically trying to mitigate their losses and are not involved in the selection of Hubzu as the host site.

The relationship between Ocwen, Altisource Portfolio, and Hubzu raises significant concerns regarding self-dealing.<sup>2</sup> In particular, it creates questions about whether those companies are charging inflated fees through conflicted business relationships, and thereby negatively impacting homeowners and mortgage investors. Alternatively, if the lower fees are necessary to attract non-Ocwen business on the open market, it raises concerns about whether Ocwen-serviced properties are being funneled into an uncompetitive platform at inflated costs. As such, we are seeking certain information about Ocwen’s use of Hubzu, about the fees charged in connection with Hubzu auctions, and about the value that Hubzu’s “customers” gain in exchange for those fees:

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<sup>1</sup> Further illustrating the web of connections between the affiliated companies, the underlying HTML code for the Hubzu website appears to include a built-in notation stating “isOcwenSeller” – followed by a “Y” or “N” – for each individual property. For those properties where “Y” is noted, the auction fees typically appear to be higher.

<sup>2</sup> As you know, a number of key Ocwen personnel have individual equity ownership stakes in Altisource Portfolio.

1. It appears that a substantial portion of Ocwen's REO and short sale properties are marketed on Hubzu. Are investors and homeowners required to use Hubzu to market short sale and REO properties? What percentage of Ocwen-serviced REO and short sale properties is or has been listed or marketed on Hubzu (broken down by GSE, Agency, and Private Label)? What percentage is listed elsewhere and not on Hubzu?
2. Does Ocwen use any online auction site other than Hubzu? What percentage of Ocwen's online auction sales are on Hubzu, and what percentage are on another site?
3. It appears that the vast majority of Hubzu listings are of Ocwen-serviced properties. What percentage of Hubzu's listings is serviced by Ocwen? What percentage is non-Ocwen, i.e. open-market?
4. Hubzu appears to charge a \$299 technology fee. Is this fee charged on all Hubzu listings, regardless of whether the property is serviced by Ocwen and whether it is REO, short sale, private sale, etc.? What services are covered by this fee? What is the estimated actual cost to Hubzu for providing these services? Is any portion of this fee remitted directly or indirectly either to Ocwen, to another affiliate of Hubzu, or to an unaffiliated entity?
5. Please confirm that Hubzu charges a 4.5% auction fee on auctions of properties serviced by Ocwen and a 1.5% to 3.5% fee on auctions of properties not serviced by Ocwen. What services are covered by this fee? How do these services differ from those covered by the technology fee? What is the estimated actual cost to Hubzu for providing these services? Is any portion of this fee remitted directly or indirectly to Ocwen, to another affiliate of Hubzu, or to an unaffiliated entity?
6. Please confirm that each Ocwen REO or short sale listing on Hubzu includes an additional 3% seller's agent fee. What services are covered by the seller's agent fee? How do these services differ from the technology fee and the auction fee? Does Ocwen, Hubzu, or an affiliated entity receive, directly or indirectly, any portion of the seller's agent fee?
7. It appears that a single real estate agent employed by REALHome Services and Solutions, Inc., another subsidiary of Altisource Portfolio, is listed as the seller's agent for hundreds of properties located in New York – more than half of Ocwen's New York listings on Hubzu. This agent, whose calls are routed to a call center in another country, is based in Massachusetts, hundreds of miles away from the properties he is responsible for marketing. How does Ocwen or Hubzu select the seller's agent? What is the relationship, if any, between Ocwen or Hubzu and the seller's agents selected by Ocwen or Hubzu? Please identify the five seller's agents or agencies that Ocwen uses most for New York properties and indicate the following: (a) the location where such agent or agency is based, (b) how many Ocwen loans have been handled in the past year and are currently being handled by such agent or agency, (c) in the case of an agency, how many agents at such agency are assigned to Ocwen loans, (d) on average how many person-hours each agent or agency spends on each sale, (e) the average number of properties each agent is tasked with marketing, (f) the highest number of properties any one agent is tasked with marketing, (g) the approximate cost to the agent or agency of providing the services of the seller's agent, and (h) if any such agent or agency is based more than 100

miles outside of New York, the distance between the agent and the property, what expertise such agent has in the local real estate market, what if any in-state or on-location services are provided by the agent, and how such services are performed given the physical distance between the agent and the property.

8. Please confirm that each Ocwen REO or short sale listing on Hubzu includes an additional 3% buyer's agent fee. What happens to this fee if the buyer is not represented by an agent?

We request a response by April 28, 2014. If you have any questions, please contact Executive Deputy Superintendent Daniel Burstein at (212) 709-1651 or [daniel.burstein@dfs.ny.gov](mailto:daniel.burstein@dfs.ny.gov).

Sincerely,



Benjamin M. Lawsky  
Superintendent of Financial Services