SECTION 3

NON-BANK PRIVATE MORTGAGE SERVICERS WHO HAVE ALREADY RECEIVED MORE THAN $1 BILLION FROM TREASURY ARE INCREASING THEIR PARTICIPATION IN HAMP, WHICH RAISES RISKS TO HOMEOWNERS AND THE NEED FOR SIGNIFICANT OVERSIGHT

INTRODUCTION

Mortgage servicers are the single largest factor in determining whether homeowners applying for, or participating in, TARP's signature foreclosure prevention program HAMP are given a fair shot, and whether the program runs effectively and efficiently. This is because Treasury has contracted with mortgage servicers to play a predominant role in HAMP, by making the day-to-day decisions related to HAMP that have enormous implications for homeowners seeking relief. Mortgage servicers decide whether homeowners are eligible for HAMP, whether homeowners get a trial run in the program, and whether that trial run should result in the servicer permanently modifying the homeowners' mortgages. Mortgage servicers decide how the mortgage will be modified, such as whether a homeowner will get a lower interest rate, and if so, what rate. Mortgage servicers decide how much the homeowner will have to pay each month. Mortgage servicers also apply payments they receive, and they make decisions on whether a homeowner should be terminated from the program.[1] Because of this outsized role, all mortgage servicers are required to comply with HAMP rules, and federal laws. Following HAMP rules and federal laws is necessary to protect homeowners from harm.

Non-banks who service mortgages have increased their participation in HAMP, and now play a larger role in HAMP than bank servicers, but that was not always the case.[2] By the end of 2010, the first full year of the program, six of the ten largest servicers in HAMP were large banks. These large banks serviced mortgages for more than 65% of all homeowners in HAMP. That figure does not even include smaller banks servicing mortgages for homeowners in HAMP.[3] Non-banks now service 56% of all homeowners' mortgages in HAMP, and large banks are only responsible for servicing 39% of all HAMP mortgages. Non-banks have been increasing their role in HAMP. Last year alone, non-banks serviced 63% of all mortgages for homeowners new to HAMP.[4,i]

HAMP and its related programs have become a lucrative business and reliable source of income for non-bank servicers. Treasury pays mortgage servicers for every homeowner who receives a permanent mortgage modification in HAMP. Non-bank mortgage servicers have received $1.1 billion in Federal TARP dollars from Treasury through the HAMP program.[5]

As non-bank servicers increase their role in HAMP, the risk to homeowners has also increased. Non-bank servicers have less federal regulation than banks that service mortgages.[6] Some of the largest non-bank servicers have already been found to have violated laws in their treatment of homeowners, and have been the subject of enforcement actions by the federal or a state government. Some of the largest non-bank servicers also have been found to have violated HAMP's rules in their treatment of homeowners. This increased risk to homeowners must be met with increased oversight to ensure that homeowners are treated fairly, and that HAMP and its related programs are effective and efficient.

[i] Unless otherwise noted, all figures presented in the report are as of 12/31/2015. Due to timing differences, numbers presented in this report may not match the latest programmatic data in other parts of the report.

NON-BANK MORTGAGE SERVICERS HAVE LESS FEDERAL OVERSIGHT THAN BANK SERVICERS

Homeowners whose mortgages are serviced by banks have additional protection through oversight of the banks by bank examiners, who do not have oversight over non-bank servicers. The bank servicers in HAMP are regulated by, typically, at least two federal bank examiners, including the Federal Reserve ("Federal Reserve"), Office of the Comptroller of the Currency ("OCC"), or Federal Deposit Insurance Corporation ("FDIC"). Banks servicers in HAMP are also subject to oversight by state banking regulators.[7] Non-bank servicers are not regulated by state or federal bank examiners. With a relatively new Consumer Financial Protection Bureau ("CFPB"), the oversight of non-bank servicers is still developing.[8]

NON-BANK MORTGAGE SERVICERS HAVE ALREADY RECEIVED MORE THAN $1 BILLION IN FEDERAL DOLLARS FROM TREASURY

Non-bank mortgage servicers have already received more than $1 billion in Federal dollars from Treasury for their role in HAMP, and some have received more if they are also the investor in the mortgage. Treasury has paid $2.9 billion in TARP dollars to those who own the mortgages (investors), sending that money through the servicer.[9] When a servicer is also the investor in the mortgage, the servicer keeps those associated TARP dollars. If the servicer is not the investor, the servicer will collect the federal dollars from Treasury and remit them to the investor.[10]

TABLE 3.1

TARP DOLLARS RECEIVED BY NON-BANK SERVICERS AND INVESTORS FROM TREASURY

Name of Institution	Investors	Servicer	Total Payments to Investors and Servicers to Date
Total Payments to non-bank servicers*	**$2,863,766,860**	**$1,115,848,487**	**$3,979,615,348**
Ocwen Loan Servicing, LLC	$1,589,011,733	$462,442,541	$2,051,454,275
Select Portfolio Servicing, Inc.	357,704,677	192,227,164	549,931,841
Nationstar Mortgage LLC	351,476,797	137,103,352	488,580,149
Homeward Residential, Inc.	133,893,684	94,837,607	228,731,291
Bayview Loan Servicing LLC	88,723,650	36,223,930	124,947,580
Ditech Financial LLC	57,787,189	20,204,737	77,991,926
Specialized Loan Servicing LLC	51,291,653	30,550,264	81,841,916
Saxon Mortgage Services Inc	41,738,413	39,413,598	81,152,011

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TARP DOLLARS RECEIVED BY NON-BANK SERVICERS AND INVESTORS FROM TREASURY (CONTINUED)

Name of Institution	Investors	Servicer	Total Payments to Investors and Servicers to Date
Carrington Mortgage Services, LLC	$43,169,659	$28,033,499	$71,203,158
Litton Loan Servicing, LP	35,353,126	27,530,414	62,883,540
PennyMac Loan Services, LLC	36,311,330	13,256,088	49,567,419
Fay Servicing, LLC	17,722,829	4,691,698	22,414,526
Rushmore Loan Management Services LLC	13,077,119	2,778,700	15,855,819
Residential Credit Solutions, Inc.	10,549,686	4,467,454	15,017,140
Servis One, Inc., dba BSI Financial Services, Inc.	8,962,834	3,173,973	12,136,807
New Penn Financial, LLC dba Shellpoint Mortgage Servicing	6,361,139	1,804,911	8,166,051
HomEqServicing	3,036,319	5,272,500	8,308,819
Caliber Home Loans, Inc.	3,744,759	2,915,445	6,660,204
21st Mortgage Corporation	3,032,057	626,526	3,658,582
Selene Finance, LP	1,228,842	1,822,494	3,051,336
MorEquity, Inc.	2,305,003	1,977,321	4,282,324
Resurgent Capital Services L.P.	1,696,731	797,665	2,494,395
Marix Servicing LLC	970,197	839,633	1,809,830
RoundPoint Mortgage Servicing Corporation	981,805	642,938	1,624,743
Franklin Credit Management Corporation	658,318	743,024	1,401,341
Gregory Funding, LLC	777,494	136,752	914,246
Clearspring Loan Services, Inc.	542,234	398,564	940,798
Quantum Servicing Corporation	332,061	179,984	512,046
Seneca Mortgage Servicing LLC	315,899	172,491	488,390
Statebridge Company, LLC	249,889	105,392	355,281
OwnersChoice Funding, Incorporated	214,240	113,529	327,770
PHH Mortgage Corporation	133,993	70,400	204,392
FCI Lender Services, Inc.	139,095	53,612	192,707
SN Servicing Corporation	98,141	40,982	139,123
Idaho Housing and Finance Association	34,821	33,025	67,847
Lenderlive Network, Inc	69,770	8,000	77,770
NJ Housing & Mortgage Finance	—	32,888	32,888
Kondaur Capital Corporation	24,747	26,239	50,986
Home Servicing, LLC	29,572	14,784	44,356
Aurora Financial Group, Inc		27,844	27,844

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TARP DOLLARS RECEIVED BY NON-BANK SERVICERS AND INVESTORS FROM TREASURY (CONTINUED)

Name of Institution	Investors	Servicer	Total Payments to Investors and Servicers to Date
Allstate Mortgage Loans & Investments, Inc	$12,610	$8,036	$20,645
James B. Nutter and Company	—	17,124	17,124
Marsh Associates, Inc.	—	10,649	10,649
Quicken Loans, Inc.	—	7,000	7,000
Plaza Home Mortgage, Inc	—	3,000	3,000
Mortgage Investors Group	—	2,917	2,917
California Housing Finance Agency	2,516	2,800	5,316
First Mortgage Corporation	—	3,000	3,000
Land/Home Financial Services, Inc.	232	1,000	1,232
Georgia Housing & Finance Authority DBA State Home Mortgage	—	1,000	1,000

*Includes servicer and investor incentive payments.

Source: Treasury, TARP Housing Transactions Reports – MHA Incentive Payments, through December 2015, www.treasury.gov/initiatives/financial-stability/reports/Pages/TARP-Housing-Transaction-Reports.aspx, accessed on 4/7/2016.

The increase in non-bank servicers' role in HAMP has, not surprisingly, led to an increase in the Federal dollars they are receiving. Of all of the Federal dollars Treasury paid to non-bank servicers, 31% of that ($1.2 billion) was paid in 2015.[ii]

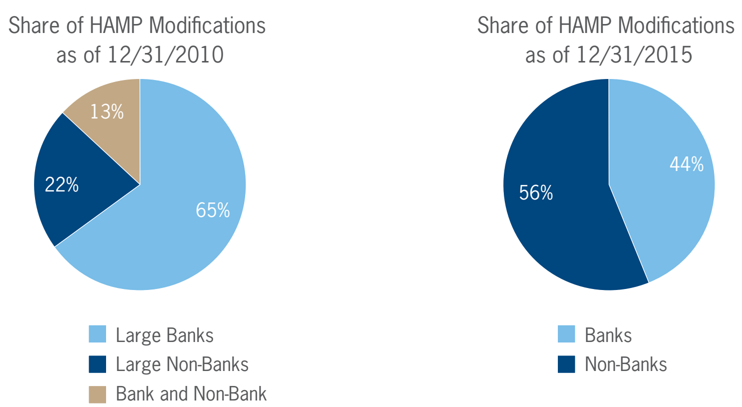
[ii] Figures include only servicer and investor incentives payments, homeowner incentive payments are not included.

NON-BANK SERVICERS NOW SERVICE MORTGAGES FOR 56% OF ALL HOMEOWNERS IN HAMP, WHICH INCLUDES SERVICING MORTGAGES FOR 63% OF HOMEOWNERS NEW TO HAMP LAST YEAR

A significant number of HAMP homeowner mortgages in HAMP, or eligible for HAMP, have been transferred from banks to less-regulated non-bank servicers. Non-bank servicers now have a significantly larger role in HAMP than they have in years past. See Figure 3.1 below for details.

FIGURE 3.1

NON-BANK PARTICIPATION IN HAMP OVER TIME



Note: Treasury's December 2010 reporting of HAMP activity by servicer only included the top 15 individual servicers and grouped all other servicer activity into "Other" categories, without dividing it by bank or non-bank.

Sources: Treasury, Making Home Affordable Program Performance Report – December 2010, January 31, 2011, www.treasury.gov-/initiatives/financial-stability/reports/Pages/Making-Home-Affordable-Program-Performance-Report.aspx, accessed 3/31/2016; SIGTARP analysis of Treasury HAMP data as of 12/31/2015.

As a result non-bank servicers now administer HAMP for approximately 56% of all homeowners in HAMP. Within the last year, this shift has escalated. A total of 63% of all homeowners new to HAMP in 2015 have their mortgage serviced by a non-bank. Since 2010, banks have significantly decreased their role in HAMP. As shown in Table 3.2, twenty-one of the largest 25 HAMP servicing transfers were transfers to non-banks.[11] Additionally, as discussed in SIGTARP's January 2016 Quarterly Report to Congress, as of December 31, 2015, a total of 259,193 homeowners with HAMP related modifications saw their servicing transferred, 81% of those homeowners (209,059) saw their mortgage transferred to a non-bank servicer.

TABLE 3.2

TOP 25 SERVICING TRANSFERS, AS OF 12/31/2015

Seller	Buyer	Transfer Period	HAMP Trial and Permanent Modifications Transferred
Servicing Transfers to Non-Banks			
American Home Mortgage Servicing, Inc.	Ocwen Loan Servicing, LLC	2013	27,665
GMAC Mortgage, LLC	Ocwen Loan Servicing, LLC	2013-2014	24,323
OneWest Bank	Ocwen Loan Servicing, LLC	2013-2014	18,346
Saxon Mortgage Services, Inc.	Ocwen Loan Servicing, LLC	2010-2012	17,254
Bank of America, N.A.	Nationstar Mortgage LLC	2010-2016	15,679
Bank of America, N.A.	Select Portfolio Servicing, Inc.	2010-2016	11,634
Litton Loan Servicing, LP	Ocwen Loan Servicing, LLC	2011-2013	11,592
JPMorgan Chase Bank, N.A.	Ocwen Loan Servicing, LLC	2012-2014	10,950
Aurora Loan Services, LLC	Nationstar Mortgage LLC	2012	10,818
JPMorgan Chase Bank, N.A.	Select Portfolio Servicing, Inc.	2013-2016	9,673
HomEqServicing	Ocwen Loan Servicing, LLC	2010	5,969
Ocwen Loan Servicing, LLC	Select Portfolio Servicing, Inc.	2014-2016	5,430
Bank of America, N.A.	Specialized Loan Servicing, LLC	2010-2015	4,504
CitiMortgage, Inc.	Bayview Loan Servicing, LLC	2011-2015	3,868
JPMorgan Chase Bank, N.A.	Bayview Loan Servicing, LLC	2011-2015	2,871
CitiMortgage, Inc.	Rushmore Loan Management Services LLC	2012-2015	2,368
CitiMortgage, Inc.	Select Portfolio Servicing, Inc.	2014-2015	2,038
Wells Fargo Bank, N.A.	Bayview Loan Servicing, LLC	2010-2015	1,984
Bank of America, N.A.	Bayview Loan Servicing, LLC	2011-2016	1,946
Wells Fargo Bank, N.A.	Specialized Loan Servicing, LLC	2010-2015	1,417
Bank of America, N.A.	Selene Finance, LP	2014-2015	1,414
Servicing Transfers to Banks			
Wilshire Credit Corporation	Bank of America, National Association	2010	8,938
EMC Mortgage Corporation	JPMorgan Chase Bank, N.A.	2011	7,343
Home Loan Services, Inc.	Bank of America, National Association	2010	4,327
Specialized Loan Servicing, LLC	Bank of America, National Association	2012-2015	1,579

Note: Includes non-GSE HAMP and FHA HAMP trial and permanent modifications transferred.

Source: SIGTARP analysis of Treasury's HAMP Servicing Transfers data.

As banks play a declining role in HAMP and related programs, a handful of large non-bank servicers have significantly increased their role in HAMP. Ocwen, Nationstar, and SPS have significantly increased their role in HAMP as homeowners saw their mortgage servicing transferred to these non-banks. More than half of all homeowners in HAMP whose loans were transferred saw their mortgage transferred to two large non-bank servicers. Ocwen received 117,226 HAMP transfers (45% of all HAMP transfers), Nationstar received 31,037 HAMP transfers (12% of all HAMP transfers), and SPS received 30,658 HAMP transfers (12% of all HAMP transfers).[12]

INCREASED RISK TO HOMEOWNERS

Homeowners who are harmed when their TARP paperwork is lost in the shuffle of a mortgage transfer

As SIGTARP has reported, many homeowners were harmed when mortgage servicers did not follow HAMP's rules in transferring their mortgage to another servicer.[iii] Delays, omissions, or miscommunications between current servicers and new servicers during the transfer can seriously delay, deny, or decrease relief provided to HAMP-eligible homeowners. For struggling homeowners seeking or receiving temporary or permanent assistance under HAMP, the harmful effects of their HAMP documentation getting lost in the shuffle could be particularly drastic. Homeowners' applications for HAMP relief may be "lost," delaying the determination of whether they get relief, all while their financial hardships continue. For those in a HAMP trial or permanent modification, their lower mortgage payment may not be honored, or payments may be misapplied due to missing paperwork or miscoding of HAMP data. This could result in mortgages reverting to the original terms that they previously could not afford, or accruing late fees or interest that they also cannot afford. A homeowner may erroneously be deemed delinquent or in default, which may lead to foreclosure proceedings even though the homeowner is current on their HAMP-modified mortgage payments.

SIGTARP reported in October 2014, that there were significant issues with non-bank servicers Ocwen (the largest HAMP servicer), and Nationstar (the 4th largest HAMP servicer) complying with HAMP's rules on transferring mortgages to another servicer.[13] Additionally, CFPB found that both Ocwen and another large non-bank HAMP servicer, Green Tree Servicing, LLC (now Ditech Financial, LLC ("Ditech")) failed to honor modifications for mortgages that they received after a transfer.[14]

Risk to homeowners when other HAMP rules are not followed

Treasury has also found that several non-bank servicers violated HAMP rules – rules designed to protect struggling homeowners. Treasury found in both

[iii] See SIGTARP January 29, 2014 special report, "Homeowners Can Get Lost In The Shuffle And Suffer Harm When Their Servicer Transfers Their Mortgage But Not The HAMP Application or Modification." at: www.sigtarp.gov/Quarterly%20Reports/October_29_2014_Report_to_Congress.pdf.

the second and third quarter of 2015 that Nationstar needed to substantially improve its compliance with HAMP's rules and performance metrics. Treasury found that Nationstar failed to follow HAMP rules for considering and evaluating homeowners for HAMP. Based on a review of Treasury's compliance evaluations over the past year, SIGTARP identified at least 19 instances where Nationstar failed to provide homeowners struggling to make their mortgage payments with a HAMP application package, and, in the alternative, offered the homeowner a much less favorable repayment plan.[15] Repayment plans are not as advantageous to the homeowner as HAMP. These plans typically result in a temporary increase in the homeowners monthly mortgage payment (as they pay off the past due balance), while HAMP brings the loan current and permanently reduces the monthly payment.[16] A fundamental problem with repayment plans is that homeowners that could not afford the original payment will likely have an even harder time making the higher payments that a repayment plan will require. Repayment plans may not be very effective for homeowners that have not fully recovered from their financial hardship or face financial uncertainty going forward and may make it more likely that a homeowner will default on their loan, whereas HAMP's goal is that the homeowner's new payment should be sustainable.

Treasury built rules into HAMP requiring that servicers offer HAMP prior to placing struggling homeowners into a potentially detrimental repayment plan, but Nationstar broke those rules repeatedly. Nationstar failed to provide struggling homeowners with HAMP packages that provide basic information about HAMP – including how to apply – so that these homeowners could make an informed decision on how to keep their home or at least know all the options available.[17]

Treasury also recently found that non-bank servicers in HAMP, Ocwen and Select Portfolio Services, Inc. ("SPS"), violated HAMP rules designed to give homeowners the best chance of success in HAMP. For example, in 2015 Treasury found that, on several occasions, Ocwen failed to put forth "reasonable efforts" to offer struggling homeowners HAMP. In four of the past eight quarters, Treasury found that SPS failed to consistently follow HAMP's rules on the calculation of homeowner income, which is used to determine eligibility and HAMP modification terms.[18]

Risk to homeowners of being terminated out of HAMP

One of HAMP's goals was that homeowners' mortgages be modified so that they were not only affordable, but sustainable.[19] However, SIGTARP has reported that of the 1,565,723 homeowners who have received a permanent mortgage modification in HAMP, 507,359 of them (32.4%) have fallen out of the program.[iv] In some instances, the homeowners were not able to continue making their mortgage payment, even at a reduced level. Non-bank servicers have a higher rate of homeowners falling out of HAMP than bank servicers. HAMP homeowners continue to suffer negative consequences as 34% of HAMP modifications serviced by non-bank servicers end with the homeowner falling out of HAMP, compared to only 28% of HAMP modifications serviced by banks.[20] However, in some instances, it is not the fault of the homeowner, but instead a servicer's failure to

[iv] As of 12/31/2015.

follow HAMP's rules. In January, 2016, SIGTARP reported on the results of recent Treasury on-site exams of servicers, which revealed disturbing violations of HAMP rules: the two largest non-bank servicers of HAMP modifications, Ocwen and Nationstar, had both improperly terminated multiple homeowners from HAMP who should have been allowed to stay in the program.

The harm to a homeowner falling out of HAMP is significant. According to Treasury data:

- 23% of all homeowners who fell out of HAMP moved into foreclosure,
- 12% of homeowners who fell out of HAMP lost their homes through a short sale or deed in-lieu of foreclosure, and
- 28% of homeowners who fell out of HAMP received an alternative modification, usually a private sector modification that is less advantageous than a HAMP modification.

SEVERAL NON-BANK SERVICERS HAVE BEEN SUBJECT TO LAW ENFORCEMENT ACTIONS AS A RESULT OF THEIR FAILURE TO FOLLOW LAWS OR RULES RESULTING IN HARM TO HOMEOWNERS

The Department of Justice, Consumer Financial Protection Bureau, and other enforcement and regulatory agencies have found that several large non-bank servicers violated federal laws and regulatory rules, resulting in harm to homeowners.

Recent enforcement actions have found that non-bank servicers engaged in the following violations:

- Misleading struggling homeowners who sought loan modifications and other assistance to avoid foreclosure
- Abusive and illegal debt collection efforts to consumers
- Failure to honor loan modification agreements between consumers and their prior mortgage servicers
- Backdating modification denial letters
- Misrepresenting the amounts people owed
- Inflating insurance premiums by requiring forced place insurance and receiving kickbacks
- Misconduct at every stage of the foreclosure process
- Improper foreclosure activity
- Inadequate information systems and personnel
- Widespread conflicts of interest
- Failure to provide loan information to state regulators so that regulators could assess compliance with state laws.[21]

FIGURE 3.2

TIMELINE OF RECENT ENFORCEMENT AND LEGAL ACTIONS AGAINST NON-BANK SERVICERS

2013

12/4/2013 – PHH Mortgage Corporation ("PHH")agreed to a $6.25 million settlement with New Jersey for misleading struggling homeowners who sought assitance.

12/19/2013 – Ocwen was fined $2 billion for "systemic misconduct at every stage of the mortgage servicing process."

2014

12/22/2014 – Ocwen fined $150 million and its CEO was forced to resign, due to backdated modification denial letters, improper foreclosure activity, and widespread conflicts of interest.

2015

1/23/2015 – Ocwen was fined $2.5 million for failing to provide information needed to assess Ocwen's compliance with California's mortgage laws.

4/23/2015 – Green Tree Servicing, LLC settled for $63 million for illegal and abusive debt collection calls, misrepresenting amounts owed, and failing to honor modifications on loans obtained via servicing transfers.

4/27/2015 – Ocwen paid $150 million to settle on accusations of inflating of homeowners' hazard insurance premiums in exchange for kickbacks.

6/4/2015 – PHH was fined $109 million for illegally referring consumers to mortgage insurers in exchange for kickbacks.

7/16/2015 – Nationstar settled for $76 million to settle on accusations of inflating of homeowners' hazard insurance premiums in exchange for kickbacks.

7/30/2015 – Residential Credit Solutions agreed to pay $1.5 million for blocking consumers' attempts to save their home from foreclosure, misleading homeowners, and forcing homeowners to waive certain rights.

9/14/2015 – Select Portfolio Servicing Inc. settled for $5,000 per homeowner to settle on accusations of inflating of homeowners' hazard insurance premiums in exchange for kickbacks.

Sources: Various, Refer to Endnote 21.

In December of 2013, Ocwen, the largest HAMP non-bank servicer, was fined $2 billion by the CFPB and various state attorney generals for systemic misconduct at every stage of the mortgage servicing process. Among the CFPB's key findings were that Ocwen had "Deceived consumers about foreclosure alternatives and improperly denied loan modifications", by providing homeowners false and misleading modification denial reasons, failing to honor trial modifications transferred from other servicers, and attempting to collect payments under the original loan terms on loans that had been modified to help struggling homeowners. Ocwen also "engaged in illegal foreclosure practices" by providing false and misleading information about the foreclosure status of loans belonging to homeowners seeking modifications and engaging in robo-signing of foreclosure documents. Additionally, Ocwen "took advantage of homeowners with servicing shortcuts and unauthorized fees" by failing to timely apply mortgage payments, charging borrowers unauthorized fees, and improperly imposing forced-placed insurance.[22]

In December 2014, the New York State Department of Financial Services ("NYDFS") fined Ocwen an additional $150 million and forced the company to remove its CEO. NYDFS found that Ocwen had widespread foreclosure violations, such as moving ahead with foreclosures on homeowners in the process of obtaining modifications. NYDFS found that Ocwen lacked adequate systems and personnel to properly service mortgages resulting in Ocwen backdating letters to homeowners saying they were denied for a modification. NYDFS also found that Ocwen had widespread conflicts of interest related to, among other issues, a forced place insurance scheme where an Ocwen affiliate received kickbacks for inflated insurance premiums whose costs were passed along to homeowners.[23] According to the Federal Housing Finance Agency Office of Inspector General, forced placed insurance is generally twice as expensive as typical hazard insurance policies and often provides less coverage for the homeowner.[24] Per NYDFS, forced place insurance schemes generally involve the following practice:

"…servicers' own insurance agencies had an incentive to purchase forced-placed insurance with high premiums because the higher the premiums, the higher the commissions kicked back by insurers to the servicers or their affiliates. The extra expense of higher premiums, in turn, can push already struggling families over the foreclosure cliff."[25,v]

When servicers use forced placed insurance it inflates the homeowner's monthly payments, which could lead to default for homeowners in a HAMP permanent modification, making it more difficult for a homeowner to afford their mortgage, even modified under HAMP. Inflated mortgage payments could work against Federal dollars Treasury is spending to prevent foreclosure under HAMP and the Hardest Hit Fund program (where Federal dollars pay off past due mortgage balances and pay the mortgage payments of unemployed homeowners).

[v] In addition to regulatory enforcement actions related to forced placed insurance against Ocwen, other large non-bank HAMP servicers, Nationstar and SPS, have settled large class action lawsuits over the past year related to force placed insurance abuses. In April of 2015 Ocwen agreed to pay out $140 million, in June of 2015 Nationstar agreed to pay out $76 million, and in December of 2015 SPS agreed to pay up to $5,000 per homeowner to victims of forced place insurance schemes. These settlements indicate a large number of homeowners were victimized by this practice.

INCREASED NEED FOR OVERSIGHT OF NON-BANK SERVICERS IN HAMP

The track record on some of the larger non-bank servicers in HAMP violating federal law and regulatory rules elevates the risk to homeowners in or applying to HAMP, heightening the need for strong oversight. While Treasury has found and continues to find that some of these non-bank servicers need to improve following HAMP rules and performance metrics, much more improvement and oversight is needed. Despite CFPB and NYDFS finding systemic and egregious violations by Ocwen, Treasury's oversight, including on-site reviews of Ocwen, did not uncover those same problems. Treasury continues to find that Nationstar needs substantial improvement in complying with HAMP's rules.[26,vi]

Taxpayers have already funded $1 billion to non-bank servicers, and will continue to fund more given the non-bank servicers increased role in HAMP. Strong oversight is critical to ensure that these non-bank servicers follow HAMP's rules and the law, give homeowners a fair shot at HAMP, and administer HAMP effectively and efficiently. Violations of the law and HAMP rules raises risks to homeowners. With less regulation, non-bank servicers making decisions in HAMP need strong oversight to ensure homeowners and this TARP program are protected.

[vi] Treasury has never permanently withheld, or clawed back, TARP dollars from any servicer, regardless of how frequent or how egregious their violations of HAMP's rules.