

Fitch Affirms Ocwen's Primary Special RMBS Servicer Ratings; Assigns Master Servicer Rating

Written by Australian Business

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings has taken the following rating actions on the U.S. residential mortgage servicer ratings for Ocwen Loan Servicing, LLC (Ocwen):

--Residential primary servicer rating for Prime product affirmed at 'RPS3', Outlook Negative;

--Residential primary servicer rating for Alt-A product affirmed at 'RPS3', Outlook Negative;

--Residential primary servicer rating for Subprime product affirmed at 'RPS3', Outlook Negative;

--Residential primary servicer rating for HELOC product affirmed at 'RPS3', Outlook Negative;

--Residential primary servicer rating for Closed-end Second Lien product affirmed at 'RPS3', Outlook Negative;

--Residential special servicer rating affirmed at 'RSS3', Outlook Negative;

--Residential master servicer rating assigned at 'RMS3', Outlook Negative.

The affirmation of the primary and special servicer ratings is based on Ocwen's acquisition and on-going integration of an established residential mortgage servicing platform with an experienced management team and substantial investments in technology prior to and subsequent to the acquisition. The assignment of the master servicer rating is based on Ocwen's acquisition of an established master servicing platform with robust servicer oversight and investor reporting functions and experienced management team. All

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of the servicer ratings incorporate Ocwen's financial condition. Ocwen is rated 'B' with a Negative Outlook by Fitch.

In addition, the ratings reflect Fitch's overall concerns for the U.S. residential servicing industry, which include the ability to maintain high performance standards while addressing the rising cost of servicing and changes to industry practices mandated by regulators and other parties.

Ocwen Loan Servicing, LLC (Ocwen) acquired the residential primary and special servicing platform previously used by Residential Capital LLC's (ResCap) GMAC Mortgage LLC (GMAC Mortgage) and master servicing platform previously used by GMAC-RFC LLC (RFC) from the bankruptcy court on Feb. 15, 2013. Ocwen is currently operating two separate residential mortgage primary and special servicing platforms: its legacy platform utilizing its proprietary REALServicing system as its core servicing system and the platform acquired from GMAC Mortgage utilizing FiServ's LoanServ as its core servicing system. Ocwen's stated goal is to have its residential mortgage primary and special servicing portfolio on a single platform comprising both technology and business processes. Ocwen expects to complete the integration of the two platforms within the next 12 months. Prior to the acquisition, Ocwen did not have a master servicing operation.

The primary and special servicing platform acquired by Ocwen has operations located in Fort Washington PA, Waterloo IA, and Dallas TX. In addition, the acquired platform utilized offshore vendors in Manila, Philippines for call center and collections; Juarez and Mexico City, Mexico for call center and record services; and Guatemala City, Guatemala, Montego Bay, Jamaica, and Bangalore, India for certain non-customer facing functions. Since the acquisition, the primary and special servicing platform's Dallas office was consolidated with an office that Ocwen acquired from Homeward Residential. As of June 30, 2013, the primary and special servicing platform acquired by Ocwen was servicing over 1,675,000 loans totaling \$264.8 billion. The non-agency portfolio consisted of 5.1% Prime first lien, 6.1% Alt-A first lien, 7.1% Subprime first lien, and 5.5% Closed-end Second lien product by loan count. The Special Servicing portfolio consisted of over 65,000 loans totaling \$9.7 billion.

Although Ocwen has retained a larger on-shore presence following its acquisition of Homeward Residential in December 2012 and the platform acquired from GMAC Mortgage in February 2013, the majority of the primary and special servicing for Ocwen's non-agency RMBS loans is handled off-shore. Ocwen has begun transferring approximately 500,000 non-agency RMBS loans from its acquired platform to its legacy REALServicing platform,

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and expects to complete the transfers prior to year-end. Fitch will continue to monitor the integration of Ocwen's two primary and special servicing platforms as the company pursues its servicing initiatives.

The master servicing platform acquired by Ocwen is located in Burbank, CA and currently oversees 32 primary servicers, with six servicers on its watch list. The master servicing platform is leveraging the prior RFC servicer guide for its primary servicers, which has been enhanced to include additional oversight for national servicing standards, single point of contact, loss mitigation offers, elimination of dual tracking, and oversight of servicer compliance with MERS standards and certifications. In the past 12 months, the master servicing platform performed seven primary servicer on-site reviews that covered 97.1% of the master servicing portfolio and two limited scope reviews. As of June 30, 2013, the platform was master servicing over 364,000 loans totaling \$48.4 billion. Fitch will continue to monitor the master servicing platform's ability to maintain its performance as it is integrated into Ocwen's existing servicing infrastructure.

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 and Small Balance Commercial Mortgage Servicer Rating Criteria', dated Jan. 31, 2011, which is available on the Fitch Ratings web site at 'www.fitchratings.com'.

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

Applicable Criteria and Related Research:

--'Rating Criteria for Structured Finance Servicers' (Feb. 6, 2013);

--'U.S. Residential and Small Balance Commercial Mortgage Servicer Rating Criteria' (Jan. 31, 2011).

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U.S. Residential and Small Balance Commercial Mortgage Servicer Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=600065

Rating Criteria for Structured Finance Servicers

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=699690

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