



Mortgage Servicer Ocwen, in Congressional Testimony, Recommends Improvements to HAMP Program That Could Help More Distressed Homeowners

Through Technology, Ocwen Continues to Outperform Industry in Converting Trial Modifications to Permanent Solutions and Avoiding Re-Defaults Under HAMP

WASHINGTON, March 3, 2010 -- Ocwen Financial Corporation (NYSE:OCN) President Ronald M. Faris, testifying before Congress, voiced the mortgage servicer's support of the Administration's Home Affordable Modification Program (HAMP) and recommended enhancements that Ocwen believes would make the program more effective at preventing foreclosures and helping distressed homeowners.

"Almost a year into HAMP, too many homeowners facing foreclosure are having difficulty getting their loans modified. In our view, this is due mainly to a lack of sufficient capacity and expertise in the industry to handle the volume," Mr. Faris told the Domestic Policy Subcommittee of the House Oversight and Government Reform Committee. He said that Ocwen was the first servicer to adopt a comprehensive loan modification program and has used it to save more than 100,000 homes from foreclosure since the beginning of the mortgage crisis.

In his testimony, Mr. Faris noted that HAMP is a "well designed response to the mortgage crisis" and commended "the Treasury Department for its aggressive implementation of the program." He recommended the following enhancements to HAMP:

- **Lower the borrower debt-to-income (DTI) ratio for modifications to below 31%; in other words, allow for lower monthly payments on modifications.** "One out of every four HAMP applicants is rejected for failing to meet this standard. Usually these are families struggling with higher household expenses for food, clothing and education. HAMP should instead use a flexible 'residual income approach' to determine a payment that the homeowner can actually afford. Alternatively, there should be either an across-the-board DTI of 28% or a sliding-scale DTI that varies based on the number of dependents...", Mr. Faris told the Subcommittee.
- **Allow for principal reductions on modified loans.** "Principal reduction modifications are needed to overcome the 'negative equity' problem. This is a primary driver of defaults on mortgages and re-defaults on modified mortgages...In Ocwen's experience, negative equity [when more is owed on the home than it's worth] increases the chance of a re-default by 1.5 to two times. Approximately 15% of all of our loan modifications have involved some element of principal reduction," Mr. Faris said.
- **Make additional funding available for housing counseling groups.** "Grass-roots organizations...are providing much needed homeowner outreach and counseling. We urge financial support for any HUD-certified counseling organization assisting homeowners through a successful permanent modification under HAMP," he said.
- **Require underperforming servicers in HAMP to outsource to servicers that perform.** "Whether for lack of effort or just an inability to handle the volume, too many banks are not producing the results needed to achieve program goals. Treasury should be empowered to redirect servicing to those with a proven track record and available capacity to execute trial [mortgage] modifications and convert them to permanent solutions," Mr. Faris said.

Mr. Faris described Ocwen's success in modifying mortgages for distressed homeowners in such a way that the loans are affordable for the homeowner on a sustainable basis and also result in more cash flow for investors than they would get from a foreclosure. He pointed out that Ocwen has invested over \$100 million in R&D to build loans servicing technology that incorporates behavioral science for effective customer communication and is also scalable for high volumes.

He said that the technology and approach have enabled Ocwen to convert trial modifications to permanent solutions at a rate that is 10 to 20 times higher than that of the big banks in the HAMP program. Further, Ocwen's three-month re-default rate on HAMP modifications is well below the industry's average range: under 5% for Ocwen, versus 18.7% to 33.7%.

"We share [the]...sense of urgency to find a lasting solution to our nation's daunting foreclosure crisis...[and have a] continuing commitment to make HAMP a success...", Mr. Faris told the Subcommittee.

About Ocwen Financial Corporation

Ocwen Financial Corporation is a leading provider of residential and commercial loan servicing, special servicing and asset management services. Ocwen is headquartered in West Palm Beach, Florida with offices in California, the District of Columbia, Florida and Georgia and global operations in India and Uruguay. Utilizing our global infrastructure, proprietary technology, world-class training and processes, we provide solutions that make our clients' loans worth more. Additional information is available at <http://www.ocwen.com/>">www.Ocwen.com.

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