



## **Ocwen Offering Mortgage Modifications That Restore Equity for Underwater Borrowers but Let Loan Investors Share in Appreciation When Market Recovers**

### **Servicer's SAM Program Addresses Dual Problem of Higher Defaults Among Underwater Borrowers and Risk of Rewarding Delinquency; Borrowers Have Financial Incentive to Stay Current, Yet Must Share Market Upside With Loan Investors**

WASHINGTON, July 26, 2011 -- **Ocwen Financial Corporation** (NYSE:OCN), servicer of residential mortgages, has initiated a loan modification program designed to help distressed homeowners who owe more than their houses are worth and, at the same time, mitigate the likelihood of "rewarding" borrower delinquency.

Ocwen's **Shared Appreciation Modification (SAM)** program reduces delinquent customers' principal owed but also compels them to share some of the appreciation with the mortgage's owner (not the servicer) if the house increases in value by the time they sell or refinance it.

With a SAM, the principal of the loan is written down to 95% of the current market value of the home. The written-down portion is forgiven in one-third increments over the next three years, so long as the homeowner stays current on the modified mortgage. When the house is later sold or refinanced, the borrower must share 25% of the appreciation with the investors that own the loan; borrowers keep 75% of the gain.

"Like all modifications, SAMs help homeowners avoid foreclosure. But they also restore equity. That's a significant benefit to the customer and, we believe, the economy and housing market. Psychologically, it's important too. Our analytics tell us that an underwater mortgage is one-and-a-half to two-times more likely to default than one with at least some positive equity," said Ocwen CEO Ronald Faris.

He added, "Investors who own the mortgages benefit too. SAM modifications keep loans performing and, equally important, they will deliver additional returns once the housing market rebounds."

Ocwen launched the SAM program on a pilot basis in August, 2010. "The results of our initial pilot were extremely positive -- 79% borrower acceptance rate with only 2.63% redefaults," said Mr. Faris. Ocwen has since ramped up the program and now has regulatory clearance to make it available to qualified customers in 33 states. "We think this program can make a real impact on curing the negative equity problem and are working hard to obtain approvals for SAMs in all jurisdictions," added Mr. Faris.

"Ocwen is to be applauded for this visionary program. They have created a win-win situation for all involved," said Marcia Griffin, President of HomeFree-USA, a leading community-based homeownership development organization. "The homeowner benefits from a stable housing situation and the investor is positioned to share in the future appreciation of the home's value. In addition, communities nationwide will benefit from fewer foreclosures."

Ocwen is a foreclosure prevention leader. Since the start of the mortgage crisis, Ocwen has saved over 200,000 homes from foreclosure, modifying loans so they're affordable for homeowners and also perform for investors. Ocwen has produced 25 times as many modifications per loan serviced as the servicing industry overall.

John Taylor, President and CEO of the National Community Reinvestment Coalition, said, "This innovative modification program offers meaningful help for underwater borrowers. The simplicity and rationale of the SAM is striking: the homeowner maintains the equity that would otherwise be lost in the foreclosure process, and servicers and investors maintain a performing asset. Ocwen has found a way to align the interests of borrowers, servicers and investors, making the program a win-win for all involved."

Mr. Taylor added, "We hope this innovative effort inspires other mortgage servicers to follow suit, because fixing the housing market is the best way to bring back jobs and revitalize the American economy."

Ocwen currently has a \$74 billion residential servicing portfolio and is expanding as financial institutions exit the servicing market. Last year Ocwen acquired the HomeEq servicing business from Barclays' Bank and earlier this year Ocwen announced it reached agreement to acquire Litton Loan Servicing from Goldman Sachs.

### **About Ocwen**

Ocwen Financial Corporation is a leading provider of residential and commercial loan servicing, special servicing and asset management services. Ocwen is headquartered in Atlanta, Georgia, with additional offices in West Palm Beach and Orlando, Florida and Washington, DC, with support 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 [www.Ocwen.com](http://www.Ocwen.com).

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