

The Virgin Islands Consortium

St. Croix EDA Company Stock Falls More Than 25% As Chairman Resigns

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Ocwen Financial Corp.'s Executive Chairman William C. Erbey has agreed to a \$150 million settlement after a prolonged investigation into the company that he helped bring to prominence revealed what is being called by the New York Department of Financial Services, "serious servicing misconduct and conflict of interest issues." The company, which is part of the Virgin Islands Economic Development program (VIEDA), employs over 100 people on St. Croix.

Ocwen's shares fell sharply by 25 percent in trading Monday as the news startled shareholders, according to a report on the [Wall Street Journal](#). Another reason for the stock's steep drop is the importance of Erbey's involvement in the company, as he "was

the main architect of the corporate structure we see today," wrote Kevin Barker, an analyst with Compass Point Research and Trading, in a note to clients.

"His resignation will surely cause some of the investor base to question whether they will continue to support the company, given that Erbey will not be there to steer the company through the new regulatory landscape," Barker said.

Ocwen has been mired in a probe by the New York regulator, saying the mortgage-servicing company backdated thousands of letters to borrowers that prevented them from being able to promptly correct problem loans.

In a strongly worded letter sent in October to Ocwen, which has its headquarters in Atlanta, New York's Superintendent of Financial Services Benjamin Lawskey said that even after an employee at the firm discovered and reported instances of backdating, Ocwen ignored discrepancies for months and to date hasn't corrected them, nearly a year after they were initially found, the [Wall Street Journal](#) report added.

"Ocwen's indifference to such a serious matter demonstrates a troubling corporate culture that disregards the needs of struggling borrowers," Lawskey wrote.

The company said it will record a \$50 million charge in the fourth quarter to cover the settlement's final cost. It had already taken a \$100 million charge in the third quarter to boost its legal reserves in anticipation of the settlement.

Ocwen said in a statement that Erbey will be replaced by Barry Wish, a current Ocwen director, on January 16.

"We believe this agreement is in the best interests of our shareholders, employees, borrowers and mortgage investors," said the company's CEO, Ronald Faris, in a statement.

Erbey, who has been chairman of Ocwen since 1996, is also resigning from positions as the chairman of the board of four related companies.

As part of the settlement, Ocwen has agreed to make changes to its system to better serve clients, and an independent monitor will oversee its operations for three years, the regulator said. Ocwen will also be prevented from buying the rights to collect more mortgage payments and expanding until it satisfies the state of New York that it has reformed its systems to protect the rights of New York borrowers.

Ocwen Financial Corp., which goes by [Ocwen Mortgage Servicing, Inc](#) in the Virgin Islands, officially opened its doors in St. Croix on Dec. 11, 2012. The company provides a range of benefits for its employees in the territory, including the opportunity to make additional income aside from salary, full healthcare coverage, discounts on products from various brands, and more.

Despite its problems, Ocwen has conducted more loan modifications under the Treasury Department's program for helping distressed borrowers than any other company in the same field. According to the Treasury's data, Ocwen has modified more than 300,000 loans as of the end of the third quarter, including principal reductions and other modifications, as well as short sales, keeping many of those homeowners in their homes.

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