

## **A.G. Schneiderman Announces \$470 Million Joint State-Federal Settlement With HSBC To Address Mortgage Loan Origination, Servicing, And Foreclosure Abuses**

### *Agreement To Provide Certain New York Borrowers With Loan Modifications; Foreclosed HSBC Loans May Be Eligible For Payments For Past Abuse*

NEW YORK – Attorney General Eric Schneiderman today announced a \$470 million joint state-federal settlement with mortgage lender and servicer HSBC to address mortgage origination, servicing, and foreclosure abuses.

The settlement provides direct payments to New York borrowers for past foreclosure abuses, loan modifications, and other relief for borrowers in need of assistance, rigorous mortgage servicing standards, and grants oversight authority to an independent monitor. It is estimated that New York State has nearly 136,000 HSBC loans, nearly 31% of HSBC's total portfolio.

The settlement includes New York, 48 other states, the District of Columbia, the U.S. Department of Justice (DOJ), the U.S. Department of Housing and Urban Development (HUD), and the Consumer Financial Protection Bureau (CFPB).

“There has to be one set of rules for everyone, no matter how rich or how powerful, and that includes lenders who engage in abusive business practices,” said **Attorney General Schneiderman**. “The settlement announced today is a joint partnership that will create tough new servicing standards that will ensure fair treatment for HSBC's borrowers and provide relief to customers across New York State and across the country.”

### **HSBC Agreement Closely Mirrors National Mortgage Settlement**

The agreement's mortgage servicing terms largely mirrors the 2012 [National Mortgage Settlement \(NMS\)](#) reached in February of 2012 between the federal government, 49 state attorneys general, including New York, and the five largest national mortgage servicers. That agreement provided consumers nationwide with more than \$50 billion in direct relief, created new servicing standards, and implemented independent oversight.

A subsequent [state-federal agreement with SunTrust Mortgage Inc.](#) worth nearly \$1 billion was announced in June of 2014.

Attorney General Schneiderman previously announced a national, [multi-billion settlement with mortgage servicing giant OCWEN](#) in December of 2013.

## **Loan Modifications**

The HSBC agreement requires the company to provide certain New York borrowers with loan modifications or other relief. The modifications, which HSBC chooses through an extensive list of options, include principal reductions and refinancing for underwater mortgages. HSBC decides how many loans and which loans to modify, but must meet certain minimum targets. Because HSBC receives only partial settlement credit for many types of loan modifications, the settlement will provide relief to borrowers that will exceed the overall minimum amount.

## **Payments to Borrowers**

Nearly 136,000 eligible New York borrowers whose loans were serviced by HSBC and who lost their home to foreclosure from January 1, 2008 through December 31, 2012 and encountered servicing abuse will be eligible for a payment from the national \$59.3 million fund for payments to borrowers. The borrower payment amount will depend on how many borrowers file claims.

Eligible borrowers will be contacted about how to qualify for payments.

## **Mortgage Servicing Standards**

The settlement requires HSBC to substantially change how it services mortgage loans, handles foreclosures, and ensures the accuracy of information provided in federal bankruptcy court.

The terms will prevent past foreclosure abuses, such as robo-signing, improper documentation and lost paperwork.

The settlement's consumer protections and standards include:

- Making foreclosure a last resort by first requiring HSBC to evaluate homeowners for other loss mitigation options;
- Restricting foreclosure while the homeowner is being considered for a loan modification;
- Procedures and timelines for reviewing loan modification applications;
- Giving homeowners the right to appeal denials;
- Requiring a single point of contact for borrowers seeking information about their loans and maintaining adequate staff to handle calls.

## **Independent Monitor**

The National Mortgage Settlement's independent monitor, Joseph A. Smith Jr., will oversee HSBC agreement compliance for one year. Smith served as the North Carolina Commissioner of Banks from 2002 until 2012, and is also the former Chairman of the Conference of State Banks Supervisors (CSBS). Smith will

oversee implementation of the servicing standards required by the agreement and issue public reports that identify whether HSBC complied or fell short of the standards imposed by the settlement. If HSBC is alleged to have violated terms of the agreement, the states and federal agencies can seek relief through the court.

### **Additional Terms**

The agreement resolves potential violations of civil law based on HSBC's deficient mortgage loan origination and servicing activities. The agreement does not prevent state or federal authorities from pursuing criminal enforcement actions related to this or other conduct by HSBC, or from punishing wrongful securitization conduct that is the focus of the Residential Mortgage-Backed Securities Working Group. Additionally, the agreement does not prevent any action by individual borrowers who wish to bring their own lawsuits.

The agreement will be filed as a consent judgment in the U.S. District Court for the District of Columbia.