

## NEWS RELEASE

# Luther Strange

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FOR IMMEDIATE RELEASE

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### AG STRANGE ANNOUNCES \$470 MILLION JOINT STATE-FEDERAL SETTLEMENT WITH HSBC TO ADDRESS MORTGAGE LOAN ORIGINATION, SERVICING AND FORECLOSURE ABUSES

(MONTGOMERY)--Attorney General Luther Strange 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 Alabama 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.

The settlement includes Alabama and 49 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).

"This agreement provides much-needed relief to eligible Alabama borrowers, and puts a stop to many of the bad practices that have harmed consumers," said Attorney General Strange. "Through tough servicing standards, this agreement compels HSBC to abide by more fair procedures."

#### **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 Alabama, 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.

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## **Loan Modifications**

The HSBC agreement requires the company to provide certain 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**

Approximately 1,094 eligible Alabama 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 by a settlement administrator 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 also is 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.