

# Delaware Borrowers To Benefit From National Settlement With HSBC To Address Mortgage Loan Abuses

*Agreement to provide certain Delaware borrowers with loan modifications; foreclosed HSBC loans may be eligible for payments for past abuse*

A state-federal settlement with mortgage lender and servicer HSBC will provide direct payments to Delaware 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.

Attorney General Matt Denn joined the federal government and other state attorneys general today in announcing the settlement with HSBC to address mortgage origination, servicing, and foreclosure abuses.

The settlement includes Delaware and 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).

“This settlement provides relief to previous and current Delaware borrowers and compels HSBC to treat its borrowers much more fairly in the future,” Attorney General Matt Denn said. “This company will have to change its practices and raise its standards for how it treats consumers, as other companies have through others settlements in recent years. The irresponsible practices of the mortgage industry that led to the housing crisis and recession are continuing to change as a result of actions like these.”

## **Loan Modifications and Payments to Borrowers**

The HSBC agreement requires the company to provide eligible Delaware 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.

Approximately 240 eligible Delaware 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 a 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; impose penalties of up to \$1 million per violation (or up to \$5 million for certain repeat violations); and issue public reports that identify whether HSBC complied or fell short of the standards imposed by the settlement.

### **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.

### **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 Delaware, 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.

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

The HSBC settlement regarding mortgage loan activities is separate and distinct from the settlement reached with some banks over securities related activities. There is no direct payment to the State of Delaware in the settlement announced Friday; all relief in Delaware is directed to consumers.