

Office of
Mortgage Settlement
Oversight

HSBC Consumer Relief Report

A Report from the Monitor of the National Mortgage Settlement



March 14, 2017

Executive Summary

The following report is an overview of my review of HSBC's consumer relief under the National Mortgage Settlement (NMS or Settlement) through September 30, 2016.

In December 2016, I filed an interim report on the progress of HSBC's consumer relief, in which I credited HSBC with \$222,601,311 in consumer relief through April 30, 2016.

I released HSBC's self-reported gross dollar consumer relief [data](#) for the third calendar quarter of 2016 earlier this year. I have now reviewed the credit claimed through the third quarter of 2016 and, as a result, have credited the servicer with an additional \$148,473,979 in consumer relief toward its total obligation of \$370 million.

In total, I have credited HSBC with \$371,075,290 in consumer relief and determined that HSBC has exceeded its consumer relief obligations.

As a result, this will be my final report on HSBC's consumer relief obligation. I will continue to monitor HSBC's compliance with the servicing standards set forth by the Settlement. The latest findings can be found in my recent report [here](#).

Sincerely,



Joseph A. Smith, Jr.

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Consumer Relief Testing

The Settlement requires HSBC to provide \$370 million in relief to consumers by June 30, 2016. HSBC can provide this in the following forms:

- First and Second Lien Modifications
- Enhanced Borrower Transactional Funds
- Short Sales and Deeds in Lieu of Foreclosure (Deeds-in-Lieu)
- Deficiency Waivers
- Forbearance for Unemployed Borrowers
- Anti-Blight Loss Mitigation
- Benefits for Service Members
- Extinguishment of Reverse Mortgages

HSBC claimed additional credit for \$148,473,979 as a result of 5,516 short sales and deeds-in-lieu implemented on or before June 30, 2016 and completed on or before September 30, 2016. An independent group within HSBC, the internal review group (IRG), tested the credit HSBC claimed for the relief provided to borrowers through Q3 of 2016. The IRG reported to me that HSBC had correctly claimed credit for \$148,473,979 as a result of 5,516 short sales and deeds-in-lieu completed on or before September 30, 2016.

With this report to me, HSBC asserted that it met its consumer relief credit obligation.

My Primary Professional Firm (PPF), BDO Consulting, a division of BDO USA, LLP, reviewed the IRG's assertion and determined that HSBC's IRG's loan-level retesting correctly validated the consumer relief amounts.

Type of Relief	Loan Count	Claimed Credit Amount
Short Sales and Deeds-in-Lieu	5,516	\$148,473,979
Short Sales	3,159	101,443,516
Deeds-in-Lieu	2,357	47,030,463
Total Consumer Relief	5,516	\$148,473,979

Consumer Relief Results

The IRG and my PPF validated that the amount of credit claimed by HSBC is correct under the Settlement terms.

BDO documented its findings in its work papers and reported them to me. After BDO and I conducted an in-depth review of both the IRG's and BDO's work papers, I found that HSBC is entitled to the credit claimed. As a result, I've credited HSBC with \$148,473,979 toward its consumer relief obligation.

As a result of this additional credit, HSBC is entitled to claim credit in the total amount of \$371,075,290, as shown below.

Type of Relief	Loan Count	Earned Credit Amount
First Lien Mortgage Modifications	6,458	\$222,601,311
First Lien Principal Forgiveness	4,859	214,614,828
Forgiveness of Forbearance	1,599	7,986,483
Other Creditable Items	5,516	\$148,473,979
Short Sales / Deeds-in-Lieu	5,516	148,473,979
Total Consumer Relief Programs	11,974	\$371,075,290

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Policies and Procedures

In addition to its consumer relief activities, HSBC is held to non-creditable requirements under the Settlement. These include requirements that the servicer’s policies may not disfavor borrowers in any specific geography or discriminate against any protected class of borrowers. The servicer also must not require a borrower to waive or release legal claims as a condition of approval for relief and may not receive any consumer relief credit for federal or state incentive payments HSBC received for modifications made under federal or proprietary programs. The servicer must waive a deficiency balance up to \$250,000 for service members after a completed short sale.

I have conducted additional due diligence procedures to ascertain whether HSBC has complied with these non-creditable requirements of the Settlement and have concluded that HSBC has met the policy and procedure requirements outlined in the NMS.

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State Reports

Under the Settlement, I am required to identify any material inaccuracies in the State Reports that HSBC files. As part of my review, I have undertaken procedures to identify any such material inaccuracies. Based on the results of those procedures, I have concluded that there are no material inaccuracies in the State Reports that HSBC filed through September 30, 2016.

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HSBC has completed its consumer relief obligation under the NMS. In total, HSBC has provided more than \$371 million in consumer relief and helped more than 11,000 borrowers. HSBC was subject to testing of its compliance with the NMS Servicing Standards through the end of 2016. I am committed to making sure HSBC has complied with the servicing standards under the Settlement through the completion of its obligations to do so, and I will report my findings of such compliance to the Court and the public later this year.

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