

Office of
Mortgage Settlement
Oversight

HSBC Consumer Relief Report

A Report from the Monitor of the National Mortgage Settlement



December 15, 2016

Executive Summary

The following is an overview of the report I filed with the U.S. District Court for the District of Columbia on the progress of HSBC under the National Mortgage Settlement (NMS or Settlement). This report includes my review and crediting of the relief HSBC distributed to consumers through April 30, 2016.

Earlier this year, I [released](#) HSBC's self-reported gross data for this time period. Since then, I have reviewed the credit HSBC claimed for this relief.

As a result, I have credited HSBC with \$222,601,311 in consumer relief toward its total obligation of \$370 million.

In addition to monitoring HSBC's consumer relief obligations, I continue to review HSBC's compliance with the servicing standards set forth by the Settlement. Those findings can be found in my recent report [here](#).

Sincerely,



Joseph A. Smith, Jr.

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Consumer Relief Testing

Under the NMS, HSBC is required to provide \$370,000,000 in relief to consumers. This relief can be in the form of:

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

HSBC’s internal review group (IRG), an independent group within the organization, tests the credit HSBC claims for the relief provided to borrowers. The IRG reported to me that HSBC claims credit for \$222,601,311 as a result of 6,458 first lien mortgage modifications completed on or before April 30, 2016. HSBC asserted that it had met approximately 60 percent of its consumer relief credit obligation.

My Primary Professional Firm (PPF), BDO Consulting, a division of BDO USA, LLP, reviewed the IRG’s assertion. After completing loan-level retesting, my professionals determined that HSBC’s IRG correctly validated the consumer relief amounts. The table below sets forth the results of this retesting.

Testing Population	Loans Reviewed by PPF	Credit Amount HSBC Reported	Actual Credit Amount PPF Calculated	Amount Overstated	Percent Difference
First Lien					
First Lien Principal Forgiveness	309	\$13,609,412	\$13,608,897	\$515	0.00%
Forgiveness of Forbearance	274	\$1,342,809	\$1,334,333	\$8,476	0.64%

Consumer Relief Results

Both 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 \$222,601,311 toward its consumer relief obligation.

Type of Relief	Loan Count	Claimed
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
Total Consumer Relief Programs	6,458	\$222,601,311

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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. Further, the servicer shall waive any deficiency amount remaining after an eligible service member sells his or her residence in a short sale, so long as the deficiency amount is less than \$250,000.

I have conducted additional due diligence procedures to ascertain whether HSBC is complying with these non-creditable requirements of the Settlement. Those procedures lead me to conclude 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 has filed through April 30, 2016.

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HSBC is making progress toward its consumer relief requirements. I will continue to work closely with HSBC to monitor its compliance with the requirements for servicing standards and consumer relief set forth in the Settlement. I will report my findings on its compliance with servicing standards to the Court and the public later this year.

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