

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

UNITED STATES OF AMERICA,)	
<i>et. al.,</i>)	
)	
Plaintiffs,)	
)	
v.)	Civil Action No. 16-0199
)	
HSBC NORTH AMERICA HOLDINGS)	
INC., <i>et al.,</i>)	
)	
Defendants.)	
)	
)	

**MONITOR’S FINAL CONSUMER RELIEF REPORT REGARDING DEFENDANTS
HSBC NORTH AMERICA HOLDINGS INC., ET AL.**

The undersigned, Joseph A. Smith, Jr., in my capacity as Monitor under the Consent Judgment (Case 1:16-cv-00199; Document 8) filed in the above-captioned matter on March 14, 2016 (“Judgment”), respectfully files this Final Consumer Relief Report (“Report”) regarding the satisfaction by HSBC North America Holdings Inc. (“HNAH”), HSBC Bank USA, N.A. (“HBUS”), HSBC Finance Corporation (“HBIO”), and HSBC Mortgage Services Inc. (“HMSI”) (collectively, “HSBC”), as of September 30, 2016,¹ of its Consumer Relief obligations under the Judgment, as such obligations are set forth with more particularity in Exhibits D and D-1, as modified by Exhibit I. This Report is filed in response to a request made to me by HSBC pursuant to Section D.6 of Exhibit E to the Judgment.

¹ HSBC implemented all creditable activity on or before June 30, 2016.

I. Definitions

This section defines words or terms that are used throughout this Report. Words and terms used and defined elsewhere in this Report will have the meanings given to them in the Sections of this Report where defined. Any capitalized terms used and not defined in this Report will have the meanings given them in the Judgment or the Exhibits attached thereto, as applicable. For convenience, a copy of the Judgment, without the signature pages of the Parties and including only Exhibits D, D-1, E, and I, is attached to this Report as Attachment 1.

In this Report:

i) *Actual Credit Amount* has the meaning given to the term in Section III.E.2 of this Report;

ii) *Consumer Relief* has the meaning given to the term in Section II.A of this Report and consists of one or more of the forms of consumer relief set out in Exhibits D and D-1, as modified by Exhibit I;

iii) *Consumer Relief Report* means Servicer's formal, written assertion as to the amount of Consumer Relief credit earned, which report is given to the IRG and is the basis on which the IRG performs a Satisfaction Review;

iv) *Consumer Relief Requirements* means Servicer's obligations in reference to Consumer Relief as set forth in Exhibits D and D-1, as modified by Exhibit I;

v) *Court* means the United States District Court for the District of Columbia;

vi) *Enforcement Terms* means the terms and conditions of the Judgment in Exhibit E;

vii) *Exhibit* or *Exhibits* mean any one or more of the exhibits to the Judgment;

viii) *Exhibit D* means Exhibit D to the Judgment;

- ix) *Exhibit D-1* means Exhibit D-1 to the Judgment;
- x) *Exhibit E* means Exhibit E to the Judgment;
- xi) *Exhibit I* means Exhibit I to the Judgment;
- xii) *First Testing Period* will have the meaning given to the term in Section III.G.1 of this Report and is the period from July 1, 2013 through April 30, 2016;
- xiii) *Interim Report* means the Interim Consumer Relief Report I filed with the Court on December 15, 2016, regarding Servicer's creditable Consumer Relief through April 30, 2016;
- xiv) *Internal Review Group* or *IRG* means an internal quality control group established by Servicer that is independent from Servicer's mortgage servicing operations, as required by paragraph C.7 of Exhibit E;
- xv) *IRG Assertion*, which is more fully defined in Section III.A of this Report, refers to a certification given to me by the IRG regarding the credit amounts reported in Servicer's Consumer Relief Report;
- xvi) *LTV* means loan-to-value ratio and is the quotient of the relevant mortgage loan amount divided by the fair market value of property that is subject to a mortgage;
- xvii) *Monitor* means and is a reference to the person appointed under the Judgment to oversee, among other obligations, Servicer's satisfaction of the Consumer Relief Requirements, and the Monitor is Joseph A. Smith, Jr., who will be referred to in this Report in the first person;
- xviii) *Monitor Report* or *Report* means this report;
- xix) *Monitoring Committee* means the Monitoring Committee referred to in Section B of Exhibit E;

xx) *Non-Creditable Requirements* means Servicer's additional obligations or commitments pertaining to Consumer Relief that are not subject to crediting, which obligations and commitments are set out in Exhibit D, as modified by Exhibit I;

xxi) *Primary Professional Firm* or *PPF* means BDO Consulting, a division of BDO USA, LLP, and the Primary Professional Firm will sometimes be referred to as BDO;

xxii) *Professionals* mean the Primary Professional Firm and any other accountants, consultants, attorneys, and other professional persons, together with their respective firms, I engage from time to time to represent or assist me in carrying out my duties under the Judgment;

xxiii) *Reported Credit Amount* has the meaning given to the term in Section III.E.2 of this Report;

xxiv) *Satisfaction Review* means a review conducted by the IRG to determine Servicer's satisfaction of the Consumer Relief Requirements, as required in paragraph C.7 of Exhibit E;

xxv) *Second Testing Period* will have the meaning given to the term in Section II.E of this Report and is the period from July 1, 2013, through September 30, 2016;

xxvi) *Servicer* means, for purposes of Consumer Relief, HSBC;

xxvii) *State Report* is the quarterly report Servicer transmits to each state that includes general statistical data on Servicer's Consumer Relief activities, such as aggregate and state-specific information regarding the number of borrowers assisted and credited activities conducted pursuant to the Consumer Relief Requirements;²

² Exhibit E, ¶ D.2

xxviii) *System of Record* or *SOR* means Servicer's business records pertaining primarily to its mortgage servicing operations and related business operations, which records are primarily electronic but also include non-electronic data and other information storage systems;

xxix) *Testing Population* has the meaning given to the term in Section III.E.1 of this Report;

xxx) *Work Papers* mean the documentation of the test work and assessments by the IRG with regard to Servicer's satisfaction of the Consumer Relief Requirements, which documentation is required to be sufficient for the PPF to substantiate and confirm the accuracy and validity of the work and conclusions of the IRG; and

xxxi) *Work Plan* means the work plan established by agreement between Servicer and me pursuant to paragraphs C.11 through C.14 of Exhibit E.

II. Consumer Relief Requirements

A. Forms of Consumer Relief

As reported in the Interim Report, under the terms of the Judgment, Servicer is required to provide mortgage loan consumer relief through one or more of the forms of Consumer Relief set out in Exhibits D and D-1, as modified by Exhibit I ("Consumer Relief"). In this Report, the Consumer Relief reported on is first lien mortgage modifications through first lien principal forgiveness ("First Lien Principal Forgiveness"), forgiveness of forbearance of deferred interest ("Forgiveness of Forbearance"), short sales ("Short Sales"), and deeds-in-lieu of foreclosure ("Deeds-in-Lieu").³

³ Exhibit D, ¶ 4; Exhibit D-1, ¶ 4. In this Report, creditable loss mitigation transaction types in the context of short sales and deeds-in-lieu are acceptance of a short sale, forgiveness of a deficiency and release of lien on a first lien loan or second lien loan (including extinguishment of an owned second lien) in connection with a successful short sale or deed-in-lieu (Exhibit D-1, ¶ 4.ii, iii, and iv).

B. Consumer Relief Eligibility Criteria and Credits

1. Eligibility Criteria. As reflected in Exhibits D and D-1, as modified by Exhibit I, Consumer Relief, in the forms of First Lien Principal Forgiveness, Forgiveness of Forbearance, Short Sales, and Deeds-in-Lieu, each have unique eligibility criteria and modification requirements. In order for Servicer to receive credit for a form of Consumer Relief with respect to a mortgage loan, the eligibility criteria and modification requirements relating to such form of relief must be satisfied with respect to the mortgage loan and such satisfaction has to be validated by me in accordance with Exhibits E and D and D-1, as modified by Exhibit I. As shown in the Interim Report, the credits earned can vary based on timing, the form of Consumer Relief, and the transaction type within each form.

2. Credits. With respect to credit against Servicer's Consumer Relief Requirements under the Judgment, the amount of credit Servicer earns is derived by multiplying the actual relief afforded to the borrower on a mortgage loan by a multiplier. The multiplier for Consumer Relief in the form of First Lien Principal Forgiveness is one dollar in credit for each dollar of principal forgiven, if the pre-modification loan-to-value ratio is less than or equal to 175%. If the pre-modification loan-to-value ratio is greater than 175%, Servicer receives one dollar in credit for each dollar of principal forgiven attributable to the pre-modification loan-to-value that is less than or equal to 175% and \$0.50 in credit for each dollar of principal forgiven attributable to the pre-modification loan-to-value that is greater than 175%. The multiplier for Consumer Relief in the form of Forgiveness of Forbearance is \$0.40 in credit for each dollar forgiven, and is \$0.45 in credit for each dollar forgiven in the form of a Short Sales or Deeds-in-Lieu.

C. Servicer's Obligations

Under the terms of the Judgment, Servicer is obligated to provide a total of \$370,000,000 in Consumer Relief.⁴ At least \$88 million of Servicer's Consumer Relief must be through First Lien Principal Forgiveness modifications of the type reported in the Interim Report and an additional \$104 million of Consumer Relief must be through a combination of the forms of Consumer Relief specified in Paragraph 9.vi.b of Exhibit I, which include First Lien Principal Forgiveness modifications that are not counted toward the aforementioned \$88 million and Forgiveness of Forbearance of the type reported in the Interim Report⁵. In addition to Servicer's obligations regarding creditable Consumer Relief, Servicer has certain Non-Creditable Requirements, as more fully discussed in Section IV below.

D. Monitor's Obligations

The Judgment requires that I determine whether Servicer has satisfied the Consumer Relief Requirements in accordance with the authority provided in the Judgment and report my findings to the Court in accordance with the provisions of Sections C.5 and D.5 of Exhibit E. Under Section D.5 of Exhibit E, I am required to file my report with the Court after each Satisfaction Review and I am required to include in my report the number of borrowers assisted and credited activities conducted by Servicer pursuant to the Consumer Relief Requirements. I am also required to

⁴ Servicer is obligated to provide \$320,000,000 in Consumer Relief, as set forth in the Consumer Relief Requirements for Exhibit D, as modified by Exhibit I. Servicer is also obligated to provide an additional \$50,000,000 in Consumer Relief to consumers who meet the eligibility criteria in any of the forms described in Paragraphs 1-9 of Exhibit D, as amended by Exhibit I. The caps and minimums set forth in Exhibits D and D-1, as amended by Exhibit I, do not apply to the additional \$50,000,000. *See* Exhibit I, ¶ 3

⁵ The forms of Consumer Relief set out in Paragraph 9.vi of Exhibit I that may be counted toward the \$104 million obligation include: first lien principal forgiveness modifications; second lien modifications and extinguishments; forgiveness of forbearances for deferred interest, taxes, etc.; first lien loan modifications pursuant to a special form of Consumer Relief available to Servicer under Exhibit I with respect to mortgage loans that are current at the time of their modification and satisfy interest rate and loan-to-value criteria set out in Exhibit I (capped at not more than \$60 million in Consumer Relief); extinguishment of first lien loan balances in full; and extinguishment of reverse mortgages (capped at not more than \$15 million).

include in my report any material inaccuracies identified in prior State Reports filed by Servicer.⁶ In addition, under Section D.6 of Exhibit E, at the request of the Servicer and provided that I am satisfied that Servicer has discharged its obligations in regard to the Consumer Relief Requirements, I am required to certify that Servicer has, in fact, discharged those obligations.

In the Interim Report, I reported that Servicer had earned, through April 30, 2016, the following Consumer Relief Credit:⁷

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
Total Consumer Relief Programs	6,458	\$222,601,311

E. Servicer's Request

On November 15, 2016, after completing a Satisfaction Review, the IRG submitted to me an IRG Assertion on the amount of Consumer Relief credit that Servicer had claimed to have earned from July 1, 2013 through September 30, 2016⁸ ("Second Testing Period"). Servicer has requested that, in addition to reporting on the IRG Assertion, I review its crediting activity for the Second Testing Period, validate that the amount of credit claimed in the IRG Assertion is accurate

⁶ Exhibit E, ¶ D.5. The Judgment requires that the Servicer, following the end of each quarter, "transmit to each state a report ("State Report") including general statistical data on Servicer's servicing performance, such as aggregate and state-specific information regarding the number of borrowers assisted and credited activities conducted pursuant to the Consumer Relief Requirements, as described in Schedule Y. Exhibit E, ¶ D.2.

⁷ In addition, in the Interim Report, I found that: (i) I had no reason to believe that Servicer had failed to comply with all of the requirements of Exhibits D and D-1, as modified by Exhibit I, to the Judgment, including those that are not subject to crediting (the "Non-Creditable Requirements"), for the period extending from July 1, 2013 to April 30, 2016; and (ii) I had not identified any material inaccuracies in the State Reports filed by Servicer for the quarter ending June 30, 2016.

⁸ HSBC implemented all creditable activity on or before June 30, 2016.

and in accordance with Exhibits D and D-1, as modified by Exhibit I, and certify that it has fully satisfied its Consumer Relief Requirements.

III. Review – Satisfaction

A. Overview

The IRG is charged with performing, among other reviews, a Satisfaction Review after Servicer asserts that it has satisfied its Consumer Relief Requirements.⁹ In a Satisfaction Review, the IRG performs test work to assess whether Servicer has reported the correct amount of Consumer Relief credit under the terms of the Judgment for the period covered by the review. Once the IRG completes its test work, the IRG is required to report the results of that work to me through an IRG Assertion. When I receive an IRG Assertion, it is my responsibility to review the IRG Assertion. I undertake this review with the assistance of my Primary Professional Firm. After completing the necessary confirmatory due diligence and validation of Servicer's claimed Consumer Relief credits as reflected in the IRG Assertion, I am required to file with the Court a report regarding my findings. As noted above in Section II.E, this Report pertains to my findings regarding an IRG Assertion covering the Second Testing Period. Also, as noted above, at Servicer's request, this Report includes my determination regarding Servicer's satisfaction of its Consumer Relief Requirements.

B. Consumer Relief Satisfaction Review Process

1. Work Plan. As required by Exhibit E and in order to better accomplish the processes outlined in Section III.A above, Servicer and I agreed upon, and the Monitoring Committee did not object to, a Work Plan that, among other things, sets out the testing methods, procedures, and

⁹ Exhibit E, ¶ C.7

methodologies that are to be used relative to confirmatory due diligence and validation of Servicer's claimed Consumer Relief under Exhibits D and D-1, as modified by Exhibit I.

2. Testing Definition Templates. As contemplated in, and in furtherance of, the Work Plan, Servicer and I also agreed upon testing definition templates ("Testing Definition Templates") that outline the testing methods and process flows to be utilized to assess whether, and the extent to which, the credits Servicer would be claiming for its Consumer Relief activities were earned credits, that is, credits that could be applied toward satisfaction of Servicer's Consumer Relief Requirements. The testing methods and process flows are described in detail in Section III.B of the Interim Report, and as set out in that Section, they entail the examination and testing by each of the IRG and the PPF of creditable activities, together with calculations based on the results of those examinations.

3. Test Plans. Based upon the Testing Definition Templates, the IRG developed detailed test plans, tailored to Servicer's System of Record and business practices in the areas of mortgage loan servicing. These test plans offered a step-by-step approach to testing mortgage loans for the forms of Consumer Relief for which Servicer intended to seek credit. These test plans were reviewed and commented on by me and other Professionals engaged by me.

4. Additional Preparatory Due Diligence. In addition to assisting in preparing the Work Plan and Testing Definition Templates and reviewing the IRG's test plan, as set out in Sections III.B.1, 2, and 3 above, the PPF and some of my other Professionals undertook telephonic and web-based meetings with the IRG during which the IRG explained, and responded to questions relative to, the IRG's testing methodologies to be used in applying the Testing Definition Templates and the test plans. During its own testing, the PPF had unfettered access to the IRG and the Work Papers the IRG developed in undertaking its confirmatory due diligence and validation

of Servicer's assertions relative to its Consumer Relief activities. This access included the ability to make inquiries and request additional supporting information as questions arose, and to resolve those questions on a regular basis in a manner that strengthened the overall review process. It also included access to databases reflecting total populations and loan-level information on loans in these populations, and access to other information the PPF deemed reasonably necessary to properly perform its work, including the IRGs' calculations related to Consumer Relief credits.

C. Servicer's Assertions

In Servicer's Consumer Relief Report submitted to the IRG, Servicer claimed that for the Second Testing Period it was entitled to claim credit in the amount of \$148,473,979 through 3,159 mortgage loans with Short Sales and 2,357 mortgage loans with Deeds-in-Lieu. Approximately 68% of Servicer's claimed credit was through Short Sales and nearly 32% was through Deeds-in-Lieu. A breakdown of the Consumer Relief credit by type of relief claimed by Servicer for the Second Testing Period is set forth in the table below.

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

D. Internal Review Group's Satisfaction Review

After submitting the IRG Assertion on November 15, 2016, the IRG reported to me the results of its Satisfaction Review, which concluded that:

i) the Consumer Relief asserted by Servicer for the Second Testing Period was based upon completed transactions that were correctly reported by Servicer;

ii) Servicer had correctly credited such Consumer Relief activities, so that the claimed amount of credit is correct;

iii) the claimed Consumer Relief correctly reflected the requirements, conditions, and limitations set forth in Exhibits D and D-1, as modified by Exhibit I; and

iv) Servicer had fully satisfied its Consumer Relief Requirements as set forth in Exhibits D and D-1, as modified by Exhibit I.

According to the IRG's report to me, its Satisfaction Review was based on a detailed review of Servicer's relevant records and on statistical sampling to a 99% confidence level.¹⁰ The report of the IRG with regard to its Satisfaction Review was accompanied by the IRG's Work Papers reflecting its review and analysis.

E. IRG Testing and Confirmation as to Consumer Relief Credit Earned

1. Population Definition/Sampling Approach. The IRG's testing of Servicer's Consumer Relief Report as to the amount of Consumer Relief credit earned first involved the IRG randomly selecting a statistically valid sample from all mortgage loans receiving Consumer Relief for which Servicer sought credit in the Second Testing Period (the "Testing Population"). The Testing Population included both Short Sales and Deeds-in-Lieu. The sample for the Testing Population was selected utilizing Microsoft Excel, which is a well-established and well-known database and data analysis software product. In determining the sample size, the IRG, in accordance with the Work Plan, utilized at least a 99% confidence level (one-tailed), 2.5% estimated error rate, and 2% margin of error approach ($99/2.5/2$). The total number of loans for

¹⁰ Confidence level is a measure of the reliability of the outcome of a sample. A confidence level of 99% in performing a test on a sample means there is a probability of at least 99% that the outcome from the testing of the sample is representative of the outcome that would be obtained if the testing had been performed on the entire population.

Short Sales and Deeds-in-Lieu was 5,516 for total reported credit amount of \$148,473,979. The number of loans tested by the IRG was 312, which was equal to the number the Servicer and I had contemplated when developing the Work Plan.

2. Approach to Testing Loans. For each of the loans in the sample drawn from the Testing Population, the IRG conducted an independent review to determine whether the loan was eligible for credit and whether the amount of credit reported by Servicer was calculated correctly. The IRG executed this review pursuant to and in accordance with the Testing Definition Templates and related test plans for the Testing Population by accessing from Servicer's System of Record the various data inputs required to undertake the eligibility determination and credit calculation for each loan. The IRG's process for testing is set out in Section III.E.2 of the Interim Report.

After verifying the eligibility and recalculating credit for all loans in the sample for the Testing Population, the IRG calculated the sum of the recalculated credits for the sample for the Testing Population ("Actual Credit Amount") and compared that amount against the amount of credit claimed by Servicer for the sample of the Testing Population ("Reported Credit Amount"). According to the Work Plan, if the Actual Credit Amount equals the Reported Credit Amount, or if the Reported Credit Amount is not more than 2.0% greater or less than the Actual Credit Amount for the Testing Population, the Reported Credit Amount will be deemed correct and Servicer's Consumer Relief Report will be deemed to have passed the Satisfaction Review and will be certified by the IRG to the Monitor. If, however, the IRG determined that the Reported Credit Amount for the Testing Population exceeded the Actual Credit Amount by more than 2.0%, the IRG would inform Servicer, which would then be required to perform an analysis of the data of all loans in the Testing Population from which the sample had been drawn, identify and correct any errors, and provide an updated Consumer Relief Report to the IRG. The IRG would then select a

new sample and test the Testing Population against the new report in accordance with the process set forth above. If the IRG determined that the Reported Credit Amount was less than the Actual Credit Amount by more than 2.0% for the Testing Population, Servicer would have the option of either (i) taking credit for the amount it initially reported to the IRG or (ii) correcting any underreporting of Consumer Relief credit and resubmitting the entire population of loans to the IRG for further testing in accordance with the process set forth above.

3. Results of IRG Testing. Utilizing the steps set forth above, the IRG determined that the difference between the Reported Credit Amount and the Actual Credit Amount for the Testing Population was within the 2.0% error threshold described above. The table below summarizes these finding by the IRG for the Testing Population:

Testing Population	Loans Sampled	Servicer Reported Credit Amount	IRG Calculated Actual Credit Amount	Amount Overstated/ (Understated)	% Difference
Short Sales/Deeds-in-Lieu	312	\$8,301,845	\$8,299,440	\$2,405 ¹¹	0.03%

Based upon the results set forth above, the IRG certified that the amount of Consumer Relief credit claimed by Servicer was accurate and conformed to the requirements in Exhibits D and D-1, as modified by Exhibit I. This certification was evidenced in the IRG Assertion attached to this Report as Attachment 2, which assertion is in the form required by the Work Plan.

F. Monitor's Review of the IRG's Qualifications and Performance

The Judgment requires that I conduct an ongoing review of the qualifications and performance of the IRG.¹² As described in Section III.F of the Interim Report, I conducted

¹¹ During its loan level testing, the IRG determined that Servicer had claimed incorrect credit for five of the loans in the sample. The net result was an overstatement of \$2,405 of credit.

¹² See Exhibit E, ¶ C.10

interviews of IRG management personnel, and the PPF and my other Professionals have observed and assessed, on an ongoing basis, the IRG's independence, competence, and performance. Throughout this process, I have not become aware of any facts that would lead me to question the independence, competence, and performance of the IRG. Based on the foregoing, and other information I received relative to the work of the IRG, including reports from my other Professionals, I determined that the IRG possessed, during the relevant periods covered by this Report, the independence, qualifications, and competence required by the Enforcement Terms and the Work Plan, and that the IRG's performance of its work met the requirements of the Enforcement Terms and the Work Plan.

G. Monitor's Review of the IRG's Assertion on Consumer Relief Credit.

1. Preliminary Review. As discussed in the Interim Report, preliminary to the PPF's review of the IRG's Consumer Relief testing for the period extending from July 1, 2013 through April 30, 2016 ("First Testing Period"), I, along with the PPF and some of my other Professionals, met with representatives of Servicer to gain an understanding of its mortgage banking operations, SOR and IRG program, and the IRG's proposed approach for Consumer Relief testing among other things. The knowledge gained during these meetings relative to the First Testing Period carried forward into the Second Testing Period and was supplemented by the PPF, as necessary or appropriate, through continued interaction with the IRG and Servicer.

2. Review. At my direction, the PPF conducted an extensive review of the testing conducted by the IRG relative to Consumer Relief crediting for the Second Testing Period. This review of Consumer Relief crediting began in November 2016, and continued, with only minimal interruption, until the filing of this Report.

The principal focus of the review was the PPF's testing of the entire sample of loans in the Testing Population, following the processes and procedures set out in the Work Plan, Testing Definition Template, and the IRG's test plan. This review was of the same type as those undertaken by the PPF in performing its confirmatory work for the First Testing period and included access to information of the type substantially identical to that to which it was afforded access relative to its confirmatory work for the First Testing Period.

3. Results of the PPF's Testing of Reported Consumer Relief Credit. In its review of the IRG's work for the Second Testing Period, as explained above, the PPF conducted detailed re-testing of the entire sample of 312 loans originally tested by the IRG. As described above, throughout its testing process, the PPF interacted extensively with the IRG to resolve questions that arose during the testing process. These questions included the following, among others: (i) the specifics of Servicer's valuation policy and procedure; (ii) the evidence required for Housing Price Index valuations; and (iii) the evidence to demonstrate borrower contributions to the transactions.

After completing the loan-level testing, the PPF determined that the IRG had correctly validated the Consumer Relief credit amount reported by Servicer in the Testing Population. The results of the PPF's loan-level testing are set forth below:

Testing Population	Loans Sampled	Servicer Reported Credit Amount	PPF Calculated Actual Credit Amount	Amount Overstated/ (Understated)	% Difference
Short Sales/Deeds-in-Lieu	312	\$8,301,845	\$8,299,440	\$2,405 ¹³	0.03%

¹³ See Footnote 11. The PPF concurred with the IRG determination.

For the sample tested, the PPF determined that the Reported Credit Amount was within the allowable tolerance in the Work Plan.¹⁴ In addition, the PPF's credit calculation and the IRG's credit calculation were the same.

The PPF documented its findings in its work papers and has reported them to me. I then undertook an in-depth review of the IRG's work papers with the PPF, as well as the PPF's work papers.

IV. Monitor's Review of Non-Creditable Consumer Relief Requirements

As described in Section IV of the Interim Report, as part of my review of Servicer's Consumer Relief activities, I have undertaken an inquiry into whether Servicer complied with the Non-Creditable Requirements of Exhibit D, as modified by Exhibit I. As part of that inquiry, the PPF and I interviewed certain members of Servicer's management who possessed knowledge concerning the processes and procedures that Servicer utilized to (i) select the borrowers to whom it provided the Consumer Relief credit pursuant to the Judgment and (ii) ensure that it is complying with the Non-Creditable Requirements.

Based upon the aforementioned, in conjunction with the above-described loan-level testing undertaken by the PPF, I have no reason to believe that, in providing the Consumer Relief claimed, Servicer has:

i) Implemented any of the Consumer Relief Requirements through policies that are intended to (1) disfavor a specific geography within or among states that are a party to the Judgment or (2) discriminate against any protected class of borrowers;¹⁵

¹⁴ See Section III.E.2

¹⁵ Exhibit D, Introduction

ii) Required borrowers to waive or release legal claims and defenses as a condition of approval for loss mitigation activities under these Consumer Relief requirements;¹⁶

iii) Failed to adjust the credits it claimed for Consumer Relief implemented pursuant to the Settlement by any incentive payments (federal or state funds) that are the source of the Servicer's credit claim;¹⁷ or

iv) In the case of an owned portfolio first lien, failed to waive any deficiency amount remaining after an eligible servicemember sells his or her principal residence in a short sale conducted in accordance with Servicer's then customary short sale process, so long as the deficiency amount is less than \$250,000.¹⁸

V. State Reports/Reported Credit Amounts

In order to meet my obligation of identifying any material inaccuracies in State Reports filed by Servicer,¹⁹ I conducted a comparison of the information contained in Servicer's Consumer Relief Report regarding Consumer Relief granted in the Second Testing Period to the data contained in Servicer's State Report filed for the quarter ending September 30, 2016. That comparison revealed that there were no material inaccuracies in the aggregate amount of relief reported by Servicer in its Consumer Relief Report submitted to the IRG and the amount of relief reported by Servicer in its State Reports filed for the quarter ending September 30, 2016.

¹⁶ Exhibit D, Introduction The Judgment contains an exception to this requirement that permits Servicer to require a waiver or release of legal claims and defenses with respect to a Consumer Relief activity offered in connection with the resolution of a contested claim, when the borrower would not otherwise have received as favorable terms or when the borrower receives additional consideration.

¹⁷ Exhibit D, ¶¶ 1.j.ii and 2.d.i

¹⁸ Exhibit D, ¶ 8.b.i

¹⁹ Exhibit E, ¶ D.5

VI. Total Consumer Relief Credit Earned by Servicer

A. Validated Consumer Relief Credit

Based upon the procedures described above and in the Interim Report, from the Start Date through September 30, 2016,²⁰ Servicer is entitled to claim credit in the amount of \$371,075,290 pursuant to Exhibits D and D-1, as modified by Exhibit I. All of the credit was a result of relief afforded to borrowers on loans in Servicer's mortgage loan portfolio that is held for investment. Approximately 58% of Servicer's earned credit has been through First Lien Principal Forgiveness and approximately 2% has been through Forgiveness of Forbearance. Short Sales and Deeds-in-Lieu make up approximately 40% of Servicer's earned credit. A breakdown of the Consumer Relief credit, by type of relief, earned by Servicer from the Start Date through September 30, 2016, is set forth in table 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

B. Servicer's Compliance with Caps and Minimums

At my direction, the PPF has conducted an analysis of the credit claimed by Servicer from the Start Date through September 30, 2016, and determined that, in meeting its Consumer Relief Requirements, Servicer has complied with the caps and minimums in Exhibits D and D-1,

²⁰ See Footnote 1.

as modified by Exhibit I. A summary of the PPF's findings regarding each of these caps and minimums is set forth below.

1. GSE-Conforming Loan Requirement for First Lien Mortgage Modifications.

Exhibit D requires that 85% of the first lien mortgages on occupied properties for which Servicer may get credit for First Lien Mortgage Modifications must have an unpaid principal balance before capitalization at or below the highest GSE conforming loan limit caps as of January 1, 2010.²¹ The PPF analyzed the entire population of First Lien Mortgage Modifications for which Servicer has sought credit and determined that \$214,243,302, or over 99% of the credit, was in relation to loans that had an unpaid principal balance before capitalization at or below the highest GSE conforming loan limit caps as of January 1, 2010.²²

2. First Lien Principal Forgiveness and Forgiveness of Forbearance. Exhibits D and D-1, as modified by Exhibit I, require that at least \$88 million of Servicer's Consumer Relief must be through First Lien Principal Forgiveness modifications and an additional \$104 million of Consumer Relief must be through a combination of the forms of Consumer Relief specified in Paragraph 9.vi.b of Exhibit I, which include First Lien Principal Forgiveness modifications that are not counted toward the aforementioned \$88 million and Forgiveness of Forbearance of the type reported on in the Interim Report.²³

As discussed in the Interim Report, Servicer earned \$214,614,828 in credit through First Lien Principal Forgiveness. This credit amount is greater than the \$88 million in credit required in order for Servicer to satisfy its obligation as specified in Paragraph 9.vi.a of Exhibit I. In addition, by applying the excess credit of \$126,614,828 earned through its First Lien Principal Forgiveness

²¹ Exhibit D, ¶ 1.b.

²² GSE conforming loan limit caps as of January 1, 2010 are: 1 Unit - \$729,750; 2 Units - \$934,200; 3 Units - \$1,129,250; and 4 Units - \$1,403,400.

²³ See Footnote 5.

modification, Servicer satisfied the requirement that HSBC provide an additional \$104 million of Consumer Relief through a combination of the forms of Consumer Relief specified in Paragraph 9.vi.b of Exhibit I.

3. Credit Completion within Two Years of Start Date. Exhibit D, as amended by Exhibit I, requires Servicer to complete 75% of its initial \$320,000,000 Consumer Relief Requirement credits within two years of July 1, 2013.²⁴ Servicer completed \$349,575,955 in credit prior to June 30, 2015, representing greater than 100% of its requirement. As such, Servicer satisfied its timeliness requirement under Exhibit D, as amended by Exhibit I.

VII. Summary and Conclusions

On the basis of the information submitted to me and the work described in this Report:

- i) I find that the amount of Consumer Relief set out in Servicer's Consumer Relief Report for the period extending from July 1, 2013, to September 30, 2016, is correct and accurate within the tolerances permitted under the Work Plan, and
- ii) I have not identified any material inaccuracies in the State Reports filed by Servicer for the period of July 1, 2013, through September 30, 2016.

Based upon my findings in subparagraphs (i) and (ii) of this Section VII, and my findings in the Interim Report, I conclude that Servicer has substantially complied with the material terms of Exhibits D and D-1, as modified by Exhibit I, and has satisfied the minimum requirements and obligations, including Non-Creditable Requirements, imposed upon it under Section III, paragraph 5 of the Judgment to provide Consumer Relief under and pursuant to Exhibits D and D-1, as modified by Exhibit I.

²⁴ See Exhibit D, ¶ 10.c and Exhibit I, ¶ 3

Prior to the filing of this Report, I have conferred with Servicer and the Monitoring Committee about my findings, and I have provided each with a copy of my Report. Immediately after filing this Report, I will provide a copy of this Report to Servicer's Board of Directors, or a committee of the Board designated by Servicer.²⁵

I respectfully submit this Report to the United States District Court for the District of Columbia, this 14th day of March, 2017.

s/ Joseph A. Smith, Jr.
Joseph A. Smith, Jr., Monitor
P.O. Box 2091
Raleigh, NC 27602
Telephone: (919) 825-4748
Facsimile: (919) 825-4650
Joe.smith@mortgageoversight.com

²⁵ Exhibit E, ¶ D.4

CERTIFICATE OF SERVICE

I hereby certify that on this date I have filed a copy of the foregoing using the Court's CM/ECF system, which will send electronic notice of filing to the persons listed below at their respective email addresses.

This the 14th day of March, 2017.

s/ Joseph A. Smith, Jr.

Joseph A. Smith, Jr.

SERVICE LIST

Gillian Lorraine Andrews
DELAWARE DEPARTMENT OF
JUSTICE
820 N. French Street
5th Floor
Wilmington, DE 19801
(302) 577-8844
gillian.andrews@state.de.us
Assigned: 05/05/2016

representing

**STATE OF
DELAWARE**
(Plaintiff)

Richard L. Bischoff
OFFICE OF ATTORNEY GENERAL
STATE OF TEXAS
401 E. Franklin
Suite 530
El Paso, TX 79901
(915) 834-5801
richard.bischoff@texasattorneygeneral.gov
Assigned: 05/19/2016

representing

STATE OF TEXAS
(Plaintiff)

Benjamin Travis Brown
TENNESSEE OFFICE OF THE
ATTORNEY GENERAL
315 Deaderick Street
20th Floor
Nashville, TN 37203
(615) 741-3533
travis.brown@ag.tn.gov
Assigned: 05/12/2016

representing

**STATE OF
TENNESSEE**
(Plaintiff)

Victoria Ann Butler

OFFICE OF THE FLORIDA ATTORNEY
GENERAL PAM BONDI

Consumer Protection Division

3507 E. Frontage Road

Suite 325

Tampa, FL 33607

(813) 287-7950

(813) 281-5515 (fax)

Victoria.Butler@myfloridalegal.com

Assigned: 04/21/2016

representing

**STATE OF
FLORIDA**
(Plaintiff)

Tina Charoenpong

CALIFORNIA DEPARTMENT OF
JUSTICE

300 South Spring Street

Suite 1702

Los Angeles, CA 90013

(213) 897-2000

tina.charoenpong@doj.ca.gov

Assigned: 06/06/2016

representing

**STATE OF
CALIFORNIA**
(Plaintiff)

Keith Clayton

NORTH CAROLINA DEPARTMENT OF
JUSTICE

Consumer Protection

114 W. Edenton Street

Raleigh, NC 27602

(919) 716-6373

kclayton@ncdoj.gov

Assigned: 05/18/2016

representing

**STATE OF NORTH
CAROLINA**
(Plaintiff)

Brian P. Hudak

U.S. ATTORNEY'S OFFICE

Civil Division

555 Fourth Street, NW

Washington, DC 20530

(202) 252-2549

(202) 252-2599 (fax)

brian.hudak@usdoj.gov

Assigned: 02/05/2016

representing

**UNITED STATES OF
AMERICA**
(Plaintiff)

Scott Hiromi Ikeda

MINNESOTA ATTORNEY GENERAL'S
OFFICE

445 Minnesota Street
Suite 1100
St. Paul, MN 55101-2128
(651) 757-1385
scott.ikeda@ag.state.mn.us
Assigned: 06/06/2016

representing

**STATE OF
MINNESOTA**
(Plaintiff)

David B. Irvin

OFFICE OF VIRGINIA ATTORNEY
GENERAL

Antitrust and Consumer Litigation Section
900 East Main Street
Richmond, VA 23219
(804) 786-4047
dirvin@oag.state.va.us
Assigned: 05/06/2016

representing

**COMMONWEALTH
OF VIRGINIA**
(Plaintiff)

Theresa C. Leshner

COLORADO ATTORNEY GENERAL'S
OFFICE

1300 Broadway
Ralph L. Carr Colorado Judicial Center - 7th
Floor
Denver, CO 80203
(720) 508-6231
terri.lesher@coag.gov
Assigned: 05/10/2016

representing

**STATE OF
COLORADO**
(Plaintiff)

Robert Richmond Maddox

BRADLEY ARANT BOULT CUMMINGS
LLP

One Federal Place
1819 Fifth Avenue North
Birmingham, AL 35203
(205) 521-8454
(205) 488-6454 (fax)
rmaddox@babc.com
Assigned: 02/05/2016

representing

**HSBC BANK USA
NATIONAL
ASSOCIATION**
(Defendant)

**HSBC FINANCE
CORPORATION**
(Defendant)

**HSBC MORTGAGE
SERVICES, INC.**
(Defendant)

**HSBC NORTH
AMERICA
HOLDINGS INC.**
(Defendant)

Gabriela Ivonne Martinez
OFFICE OF THE TEXAS ATTORNEY
GENERAL'S OFFICE
401 E. Franklin
Suite 530
El Paso, TX 79901
(915) 834-5806
gabriela.martinez@texasattorneygeneral.gov
Assigned: 05/19/2016

representing

STATE OF TEXAS
(Plaintiff)

Jennifer Corinne Miner Dethmers
COLORADO DEPARTMENT OF LAW
1300 Broadway
7th Floor
Denver, CO 80203
(720) 508-6228
jennifer.dethmers@state.co.us
Assigned: 05/10/2016

representing

**STATE OF
COLORADO**
(Plaintiff)

James Bradley Robertson

BRADLEY ARANT BOULT CUMMINGS
LLP

One Federal Place
1819 Fifth Avenue North
Birmingham, AL 35203
(205) 521-8188
(205) 488-6188 (fax)
brobertson@babbc.com

Assigned: 02/25/2016

PRO HAC VICE

representing

**HSBC BANK USA
NATIONAL
ASSOCIATION**
(Defendant)

**HSBC FINANCE
CORPORATION**
(Defendant)

**HSBC MORTGAGE
SERVICES, INC.**
(Defendant)

**HSBC NORTH
AMERICA
HOLDINGS INC.**
(Defendant)

Jeffrey W. Stump

GEORGIA DEPARTMENT OF LAW

Regulated Industries
40 Capitol Square, SW
Atlanta, GA 30334
(404) 656-3337

jstump@law.ga.gov

Assigned: 05/05/2016

representing

**STATE OF
GEORGIA**
(Plaintiff)

ATTACHMENT 1

Judgment and Exhibits D, D-1, E and I

See attached.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FILED

MAR 14 2016

Clerk, U.S. District & Bankruptcy
Courts for the District of Columbia

UNITED STATES OF AMERICA,)
et al.,)

Plaintiffs,)

v.)

HSBC NORTH AMERICA HOLDINGS)
INC., *et al.*,)

Defendants.)

Civil Action No. 16-0199

CONSENT JUDGMENT

WHEREAS, Plaintiffs, the United States of America and the States of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin, Wyoming, the Commonwealths of Kentucky, Massachusetts, Pennsylvania and Virginia, and the District of Columbia (collectively, the States, Commonwealths, and the District of Columbia are referred to as the “States”) filed their complaint on February 5, 2016, alleging that HSBC North America Holdings Inc. (“HNAH”), HSBC Bank USA, N.A. (“HBUS”), HSBC Finance Corporation (“HBIO”), and HSBC Mortgage Services Inc. (“HMSI”) (collectively, “Defendants”) violated, among other laws, the Unfair and Deceptive Acts and Practices laws of the Plaintiff States, the

False Claims Act, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and the Bankruptcy Code and Federal Rules of Bankruptcy Procedure;

WHEREAS, the parties have agreed to resolve their claims without the need for litigation;

WHEREAS, Defendants, by their attorneys, have consented to entry of this Consent Judgment without trial or adjudication of any issue of fact or law and to waive any appeal if the Consent Judgment is entered as submitted by the parties;

WHEREAS, Defendants, by entering into this Consent Judgment, do not admit the allegations of the Complaint other than those facts deemed necessary to the jurisdiction of this Court;

WHEREAS, the intention of the United States and the States in effecting this settlement is to remediate harms allegedly resulting from the alleged unlawful conduct of the Defendants;

AND WHEREAS, Defendants have agreed to waive service of the complaint and summons and hereby acknowledge the same;

NOW THEREFORE, without trial or adjudication of issues of fact or law, without this Consent Judgment constituting evidence against Defendants, and upon consent of Defendants, the Court finds that there is good and sufficient cause to enter this Consent Judgment, and that it is therefore ORDERED, ADJUDGED, AND DECREED:

I. JURISDICTION

1. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331, 1345, 1355(a), and 1367, and under 31 U.S.C. § 3732(a) and (b), and over Defendants. The Complaint states a claim upon which relief may be granted against Defendants. Venue is appropriate in this District pursuant to 28 U.S.C. § 1391(b)(2) and 31 U.S.C. § 3732(a).

II. SERVICING STANDARDS

2. Defendants shall comply with the Servicing Standards, attached hereto as Exhibit A, in accordance with their terms and Section A of Exhibit E, attached hereto.

III. FINANCIAL TERMS

3. *Payment Settlement Amounts.* Defendants shall pay the sum of one hundred million dollars (\$100,000,000.00), which shall be known as the “Direct Payment Settlement Amount.” Forty million and five hundred thousand dollars (\$40,500,000.00) (the “Federal Payment Settlement Amount”) of the Direct Payment Settlement Amount shall be paid by Defendants by electronic funds transfer within seven days after the date on which this Consent Judgment has been entered by the Court and has become final and non-appealable¹ (“Date of Entry”) pursuant to written instructions to be provided by the United States Department of Justice. The remaining fifty-nine million and five hundred thousand dollars (\$59,500,000.00) (the “State Payment Settlement Amounts”) of the Direct Payment Settlement Amount shall be paid into an interest bearing escrow account to be established for this purpose and shall be distributed in the manner and for the purposes specified in Exhibit B. Defendants shall pay the State Payment Settlement Amounts by electronic funds transfer, pursuant to written instructions to be provided by the State Members of the Monitoring Committee into an escrow account established in accordance with this Paragraph 3, within seven days of receiving notice that the escrow account has been established or within seven days of the Date of Entry of this Consent Judgment, whichever is later. After Defendants have made the required payments, Defendants shall no longer have any property right, title, interest or other legal claim in any funds, including those held in escrow. The interest bearing escrow account established by this Paragraph 3 is

¹ An order entering the Consent Judgment shall be deemed final and non-appealable for this purpose if there is no party with a right to appeal the order on the day it is entered.

intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation Section 1.468B-1 of the U.S. Internal Revenue Code of 1986, as amended. The State members of the Monitoring Committee established in Paragraph 8 shall, in their sole discretion, appoint an escrow agent (“Escrow Agent”) who shall hold and distribute funds as provided in Exhibit B. All costs and expenses of the Escrow Agent, including taxes, if any, shall be paid from the funds under its control, including any interest earned on the funds.

4. *Payments to Foreclosed Borrowers.* In accordance with written instructions from the State members of the Monitoring Committee, for the purposes set forth in Exhibit C, the Escrow Agent shall transfer from the escrow account to the Administrator appointed under Exhibit C fifty-nine million and three hundred thousand dollars (\$59,300,000) (the “Borrower Payment Amount”) to enable the Administrator to provide cash payments to borrowers whose homes were finally sold or taken in foreclosure by Defendants between and including January 1, 2008 and December 31, 2012; who submit claims allegedly arising from the Covered Conduct (as that term is defined in Exhibit G hereto); and who otherwise meet criteria set forth by the State members of the Monitoring Committee; and to pay the reasonable costs and expenses of a Settlement Administrator, including state and federal taxes and fees for tax counsel, if any. Defendants shall also pay or cause to be paid any additional amounts necessary to pay claims, if any, for borrowers whose data is provided to the Settlement Administrator by Defendants after Defendants warrant that the data is complete and accurate pursuant to Paragraph 3 of Exhibit C. The Borrower Payment Amount and any other funds provided to the Administrator for these purposes shall be administered in accordance with the terms set forth in Exhibit C.

5. *Consumer Relief.* Defendants shall provide three hundred and seventy million dollars (\$370,000,000.00) of relief to consumers who meet the eligibility criteria in the forms

and amounts described in Paragraphs 1-9 of Exhibit D, as amended by Exhibit I, to remediate harms allegedly caused by the alleged unlawful conduct of Defendants. Defendants shall receive credit towards its consumer relief obligations as described in Exhibit D as amended by Exhibit I.

IV. ENFORCEMENT

6. The Servicing Standards and Consumer Relief Requirements, attached as Exhibits A and D, are incorporated herein as the judgment of this Court and shall be enforced in accordance with the authorities provided in the Enforcement Terms, attached hereto as Exhibit E.

7. The Parties agree that Joseph A. Smith, Jr. shall be the Monitor and shall have the authorities and perform the duties described in the Enforcement Terms, attached hereto as Exhibit E.

8. The Parties agree that the Monitoring Committee established pursuant to certain Consent Judgments entered in *United States, et al. v. Bank of America Corp., et al.*, No. 12-civ-00361-RMC (April 4, 2012) (Docket Nos. 10-14) and referenced specifically in paragraph 8 of those Consent Judgments, shall be designated as the committee responsible for performing the role of the Administration and Monitoring Committee, as described in the Enforcement Terms. References to the "Monitoring Committee" in this Consent Judgment and related documents shall be understood to refer to the same Monitoring Committee as that established in the *Bank of America Corp.* case referenced in the preceding sentence, except that the Monitoring Committee will not include any non-signatories to this Consent Judgment, and the Monitoring Committee shall serve as the representative of the participating state and federal agencies in the administration of all aspects of this Consent Judgment and the monitoring of compliance with it by the Defendants.

V. RELEASES

9. The United States and Defendants have agreed, in consideration for the terms provided herein, for the release of certain claims and remedies, as provided in the Federal Release, attached hereto as Exhibit F. The United States and Defendants have also agreed that certain claims and remedies are not released, as provided in Paragraph 11 of Exhibit F. The releases contained in Exhibit F shall become effective upon payment of the Direct Payment Settlement Amount by Defendants.

10. The Plaintiff States and Defendants have agreed, in consideration for the terms provided herein, for the release of certain claims and remedies, as provided in the State Release, attached hereto as Exhibit G. The State Plaintiffs and Defendants have also agreed that certain claims and remedies are not released, as provided in Part IV of Exhibit G. The releases contained in Exhibit G shall become effective upon payment of the Direct Payment Settlement Amount by Defendants.

VI. OTHER TERMS

11. In the event that the Defendants (a) do not complete the Consumer Relief Requirements set forth in Exhibit D, as amended by Exhibit I, and (b) do not make the Consumer Relief Payments (as that term is defined in Exhibit F (Federal Release)) and fail to cure such non-payment within thirty days of written notice by the party, the United States and any State Plaintiff may withdraw from the Consent Judgment and declare it null and void with respect to the withdrawing party.

12. This Court retains jurisdiction for the duration of this Consent Judgment to enforce its terms. The parties may jointly seek to modify the terms of this Consent Judgment,

subject to the approval of this Court. This Consent Judgment may be modified only by order of this Court.

13. The Effective Date of this Consent Judgment shall be the date the Consent Judgment is executed by all parties.

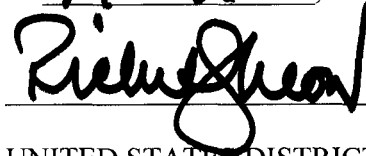
14. This Consent Judgment shall remain in full force and effect until four Quarters of compliance testing have been completed, which shall be no later than December 31, 2016 (the “Term”), at which time the Defendants’ obligations under the Consent Judgment shall expire, except that, pursuant to Exhibit E, Defendants shall submit a final Quarterly Report for the last Quarter or portion thereof falling within the Term and cooperate with the Monitor’s review of said report and the Monitor’s review and certification that Defendant has completed its consumer relief obligations, if not already certified, all of which shall be concluded no later than June 30, 2017. Defendants’ obligations to submit a final Quarterly Report and cooperate with the Monitor’s review of said report and Defendant’s consumer relief obligations shall expire June 30, 2017, but the Court shall retain jurisdiction for purposes of enforcing or remedying any outstanding violations, including any violations that are identified in the final Monitor Report and that have occurred but not been cured during the Term, and to enforce HSBC’s consumer relief obligations, to the extent that the Monitor has not already certified that HSBC has satisfied its consumer relief obligations. The Parties have agreed to a shortened term in recognition of the fact that HBIO has steadily decreased its servicing portfolio over the last several years, and has moved a significant portion of its remaining serviced loans to held-for-sale status, ultimately intending to exit servicing.

15. Except as otherwise agreed in Exhibit B, each party to this litigation will bear its own costs and attorneys’ fees associated with this litigation.

16. Nothing in this Consent Judgment shall relieve Defendants of their obligation to comply with applicable state and federal law.

17. The sum and substance of the parties' agreement and of this Consent Judgment are reflected herein and in the Exhibits attached hereto. In the event of a conflict between the terms of the Exhibits and paragraphs 1-17 of this summary document, the terms of the Exhibits shall govern.

SO ORDERED this 14th day of March, 2016



UNITED STATES DISTRICT JUDGE

EXHIBIT D

Consumer Relief Requirements

Any Servicer as defined in the Servicing Standards set forth in Exhibit A to this Consent Judgment (hereinafter “Servicer” or “Participating Servicer”) agrees that it will not implement any of the Consumer Relief Requirements described herein through policies that are intended to (i) disfavor a specific geography within or among states that are a party to the Consent Judgment or (ii) discriminate against any protected class of borrowers. This provision shall not preclude the implementation of pilot programs in particular geographic areas.

Any discussion of property in these Consumer Relief Requirements, including any discussion in Table 1 or other documents attached hereto, refers to a 1-4 unit single-family property (hereinafter, “Property” or collectively, “Properties”).

Any consumer relief guidelines or requirements that are found in Table 1 or other documents attached hereto, are hereby incorporated into these Consumer Relief Requirements and shall be afforded the same deference as if they were written in the text below.

For the avoidance of doubt, subject to the Consumer Relief Requirements described below, Servicer shall receive credit for consumer relief activities with respect to loans insured or guaranteed by the U.S. Department of Housing and Urban Development, U.S. Department of Veterans Affairs, or the U.S. Department of Agriculture in accordance with the terms and conditions herein, provided that nothing herein shall be deemed to in any way relieve Servicer of the obligation to comply with the requirements of the U.S. Department of Housing and Urban Development, U.S. Department of Veterans Affairs, and the U.S. Department of Agriculture with respect to the servicing of such loans.

Servicer shall not, in the ordinary course, require a borrower to waive or release legal claims and defenses as a condition of approval for loss mitigation activities under these Consumer Relief Requirements. However, nothing herein shall preclude Servicer from requiring a waiver or release of legal claims and defenses with respect to a Consumer Relief activity offered in connection with the resolution of a contested claim, when the borrower would not otherwise have received as favorable terms or when the borrower receives additional consideration.

Programmatic exceptions to the crediting available for the Consumer Relief Requirements listed below may be granted by the Monitoring Committee on a case-by-case basis.

To the extent a Servicer is responsible for the servicing of a mortgage loan to which these Consumer Relief Requirements may apply, the Servicer shall receive credit for all consumer relief and refinancing activities undertaken in connection with such

mortgage loan by any of its subservicers to the same extent as if Servicer had undertaken such activities itself.*

1. First Lien Mortgage Modifications

- a. Servicer will receive credit under Table 1, Section 1, for first-lien mortgage loan modifications made in accordance with the guidelines set forth in this Section 1.
- b. First liens on occupied¹ Properties with an unpaid principal balance (“UPB”) prior to capitalization at or below the highest GSE conforming loan limit cap as of January 1, 2010 shall constitute at least 85% of the eligible credits for first liens (the “Applicable Limits”).
- c. Eligible borrowers must be at least 30 days delinquent or otherwise qualify as being at imminent risk of default due to borrower’s financial situation.
- d. Eligible borrowers’ pre-modification loan-to-value ratio (“LTV”) is greater than 100%.
- e. Post-modification payment should target a debt-to-income ratio (“DTI”)² of 31% (or an affordability measurement consistent with HAMP guidelines) and a modified LTV³ of no greater than 120%, provided that eligible borrowers receive a modification that meets the following terms:
 - i. Payment of principal and interest must be reduced by at least 10%.
 - ii. Where LTV exceeds 120% at a DTI of 31%, principal shall be reduced to a LTV of 120%, subject to a minimum DTI of 25% (which minimum may be waived by Servicer at Servicer’s sole

* If a Servicer holds a mortgage loan but does not service or control the servicing rights for such loan (either through its own servicing operations or a subservicer), then no credit shall be granted to that Servicer for consumer relief and refinancing activities related to that loan.

¹ Servicer may rely on a borrower’s statement, at the time of the modification evaluation, that a Property is occupied or that the borrower intends to rent or re-occupy the property.

² Consistent with HAMP, DTI is based on first-lien mortgage debt only. For non-owner-occupied properties, Servicer shall consider other appropriate measures of affordability.

³ For the purposes of these guidelines, LTV may be determined in accordance with HAMP PRA.

discretion), provided that for investor-owned loans, the LTV and DTI need not be reduced to a level that would convert the modification to net present value (“NPV”) negative.

- f. DTI requirements may be waived for first lien mortgages that are 180 days or more delinquent as long as payment of principal and interest is reduced by at least 20% and LTV is reduced to at least 120%.
- g. Servicer shall also be entitled to credit for any amounts of principal reduction which lower LTV below 120%.
- h. When Servicer reduces principal on a first lien mortgage via its proprietary modification process, and a Participating Servicer owns the second lien mortgage, the second lien shall be modified by the second lien owning Participating Servicer in accordance with Section 2.c.i below, provided that any Participating Servicer other than the five largest servicers shall be given a reasonable amount of time, as determined by the Monitor, after that Participating Servicer’s Start Date to make system changes necessary to participate in and implement this requirement. Credit for such second lien mortgage write-downs shall be credited in accordance with the second lien percentages and cap described in Table 1, Section 2.
- i. In the event that, in the first 6 months after Servicer’s Start Date (as defined below), Servicer temporarily provides forbearance or conditional forgiveness to an eligible borrower as the Servicer ramps up use of principal reduction, Servicer shall receive credit for principal reduction on such modifications provided that (i) Servicer may not receive credit for both the forbearance and the subsequent principal reduction and (ii) Servicer will only receive the credit for the principal reduction once the principal is actually forgiven in accordance with these Consumer Relief Requirements and Table 1.
- j. Eligible modifications include any modification that is made on or after Servicer’s Start Date, including:
 - i. Write-offs made to allow for refinancing under the FHA Short Refinance Program;
 - ii. Modifications under the Making Home Affordable Program (including the Home Affordable Modification Program (“HAMP”) Tier 1 or Tier 2) or the Housing Finance Agency Hardest Hit Fund (“HFA Hardest Hit Fund”) (or any other federal program) where principal is forgiven, except to the extent that state or federal funds paid to Servicer in its capacity as an investor are the source of a Servicer’s credit claim.

- iii. Modifications under other proprietary or other government modification programs, provided that such modifications meet the guidelines set forth herein.⁴

2. Second Lien Portfolio Modifications

- a. Servicer is required to adhere to these guidelines in order to receive credit under Table 1, Section 2.
- b. A write-down of a second lien mortgage will be creditable where such write-down facilitates either (a) a first lien modification that involves an occupied Property for which the borrower is 30 days delinquent or otherwise at imminent risk of default due to the borrower's financial situation; or (b) a second lien modification that involves an occupied Property with a second lien which is at least 30 days delinquent or otherwise at imminent risk of default due to the borrower's financial situation.

⁴ Two examples are hereby provided. Example 1: on a mortgage loan at 175% LTV, when a Servicer (in its capacity as an investor) extinguishes \$75 of principal through the HAMP Principal Reduction Alternative ("PRA") modification in order to bring the LTV down to 100%, if the Servicer receives \$28.10 in PRA principal reduction incentive payments from the U.S. Department of the Treasury for that extinguishment, then the Servicer may claim \$46.90 of principal reduction for credit under these Consumer Relief Requirements:

LTV Reduction Band:	HAMP-PRA Incentive Amount Received:	Allowable Settlement Credit:
175% LTV to 140% LTV	\$10.50 (35% LTV * \$0.30)	\$24.50 ((35% LTV-\$10.50) * \$1.00)
140% LTV to 115% LTV	\$11.30 (25% LTV * \$0.45)	\$13.70 ((25% LTV-\$11.30) * \$1.00)
115% LTV to 105% LTV	\$6.30 (10% LTV * \$0.63)	\$3.70 ((10% LTV-\$6.30) * \$1.00)
105% LTV to 100% LTV	None (no credit below 105% LTV)	\$5.00 (5% LTV * \$1.00)
Total:	\$28.10	\$46.90

Example 2: on a mortgage loan at 200% LTV, when a Servicer (in its capacity as an investor) extinguishes \$100 of principal through a HAMP-PRA modification in order to bring the LTV down to 100%, if the Servicer receives \$35.60 in PRA principal reduction incentive payments from Treasury for that extinguishment, then although the Servicer would have funded \$64.40 in principal reduction on that loan, the Servicer may claim \$55.70 of principal reduction for credit under these Consumer Relief Requirements:

LTV Reduction Band:	HAMP-PRA Incentive Amount Received:	Allowable Settlement Credit:
200% LTV to 175% LTV	\$7.50 (25% LTV * \$0.30)	\$8.80 ((25% LTV-\$7.50) * \$0.50)
175% LTV to 140% LTV	\$10.50 (35% LTV * \$0.30)	\$24.50 ((35% LTV-\$10.50) * \$1.00)
140% LTV to 115% LTV	\$11.30 (25% LTV * \$0.45)	\$13.70 ((25% LTV-\$11.30) * \$1.00)
115% LTV to 105% LTV	\$6.30 (10% LTV * \$0.63)	\$3.70 ((10% LTV-\$6.30) * \$1.00)
105% LTV to 100% LTV	None (no credit below 105% LTV)	\$5.00 (5% LTV * \$1.00)
Total:	\$35.60	\$55.70

c. Required Second Lien Modifications:

i. Servicer agrees that it must write down second liens consistent with the following program until its Consumer Relief Requirement credits are fulfilled:

1. A write-down of a second lien mortgage will be creditable where a successful first lien modification is completed by a Participating Servicer via a servicer's proprietary, non-HAMP modification process, in accordance with Section 1, with the first lien modification meeting the following criteria:

- a. Minimum 10% payment reduction (principal and interest);
- b. Income verified;
- c. A UPB at or below the Applicable Limits; and
- d. Post-modification DTI⁵ between 25% and 31%.

2. If a Participating Servicer has completed a successful proprietary first lien modification and the second lien loan amount is greater than \$5,000 UPB and the current monthly payment is greater than \$100, then:

- a. Servicer shall extinguish and receive credit in accordance with Table 1, Section 2.iii on any second lien that is greater than 180 days delinquent.
- b. Otherwise, Servicer shall solve for a second lien payment utilizing the HAMP Second Lien Modification Program ("2MP") logic used as of January 26, 2012.
- c. Servicer shall use the following payment waterfall:
 - i. Forgiveness equal to the lesser of (a) achieving 115% combined loan-to-value ratio ("CLTV") or (b) 30% UPB (subject to minimum forgiveness level); then
 - ii. Reduce rate until the 2MP payment required by 2MP logic as of January 26, 2012; then

⁵ Consistent with HAMP, DTI is based on first-lien mortgage debt only. For non-owner-occupied properties, Servicer shall consider other appropriate measures of affordability.

- iii. Extend term to “2MP Term” (greater of modified first or remaining second).
 - d. Servicer shall maintain an I/O product option consistent with 2MP protocols.
 - d. Eligible second lien modifications include any modification that is made on or after Servicer’s Start Date, including:
 - i. Principal reduction or extinguishments through the Making Home Affordable Program (including 2MP), the FHA Short Refinance Second Lien (“FHA2LP”) Program or the HFA Hardest Hit Fund (or any other federal program), except (to the extent) that state or federal funds are the source of a Servicer’s credit claim.
 - ii. Second lien write-downs or extinguishments completed under proprietary modification programs, are eligible, provided that such write-downs or extinguishments meet the guidelines as set forth herein.
 - e. Extinguishing balances of second liens to support the future ability of individuals to become homeowners will be credited based on applicable credits in Table 1.
3. Enhanced Borrower Transitional Funds
- Servicer may receive credit, as described in Table 1, Section 3, for providing additional transitional funds to homeowners in connection with a short sale or deed-in-lieu of foreclosure to homeowners for the amount above \$1,500.
4. Short Sales
- a. As described in the preceding paragraph, Servicer may receive credit for providing incentive payments for borrowers on or after Servicer’s Start Date who are eligible and amenable to accepting such payments in return for a dignified exit from a Property via short sale or similar program. Credit shall be provided in accordance with Table 1, Section 3.i.
 - b. To facilitate such short sales, Servicer may receive credit for extinguishing second liens on or after Servicer’s Start Date under Table 1, Section 4.
 - c. Short sales through the Home Affordable Foreclosure Alternatives (HAFA) Program or any HFA Hardest Hit Fund program or proprietary programs closed on or after Servicer’s Start Date are eligible.
 - d. Servicer shall be required to extinguish a second lien owned by Servicer behind a successful short sale/deed-in-lieu conducted by a Participating Servicer (provided that any Participating Servicer other than the five largest servicers shall be given a reasonable amount of time, as determined

by the Monitor, after their Start Date to make system changes necessary to participate in and implement this requirement) where the first lien is greater than 100% LTV and has a UPB at or below the Applicable Limits, until Servicer's Consumer Relief Requirement credits are fulfilled. The first lien holder would pay to the second lien holder 8% of UPB, subject to a \$2,000 floor and an \$8,500 ceiling. The second lien holder would then release the note or lien and waive the balance.

5. Deficiency Waivers

- a. Servicer may receive credit for waiving deficiency balances if not eligible for credit under some other provision, subject to the cap provided in the Table 1, Section 5.i.
- b. Credit for such waivers of any deficiency is only available where Servicer has a valid deficiency claim, meaning where Servicer can evidence to the Monitor that it had the ability to pursue a deficiency against the borrower but waived its right to do so after completion of the foreclosure sale.

6. Forbearance for Unemployed Borrowers

- a. Servicer may receive credit for forgiveness of payment of arrearages on behalf of an unemployed borrower in accordance with Table 1, Section 6.i.
- b. Servicer may receive credit under Table 1, Section 6.ii., for funds expended to finance principal forbearance solutions for unemployed borrowers as a means of keeping them in their homes until such time as the borrower can resume payments. Credit will only be provided beginning in the 7th month of the forbearance under Table 1, Section 6.ii.

7. Anti-Blight Provisions

- a. Servicer may receive credit for certain anti-blight activities in accordance with and subject to caps contained in Table 1, Section 7.
- b. Any Property value used to calculate credits for this provision shall have a property evaluation meeting the standards acceptable under the Making Home Affordable programs received within 3 months of the transaction.

8. Benefits for Servicemembers

- a. Short Sales
 - i. Servicer shall, with respect to owned portfolio first liens, provide servicemembers who qualify for SCRA benefits ("Eligible Servicemembers") a short sale agreement containing a predetermined minimum net proceeds amount ("Minimum Net Proceeds") that Servicer will accept for short sale transaction upon receipt of the listing agreement and all required third-party approvals. The Minimum Net Proceeds may be expressed as a

fixed dollar amount, as a percentage of the current market value of the property, or as a percentage of the list price as approved by Servicer. After providing the Minimum Net Proceeds, Servicer may not increase the minimum net requirements above the Minimum Net Proceeds amount until the initial short sale agreement termination date is reached (not less than 120 calendar days from the date of the initial short sale agreement). Servicer must document subsequent changes to the Minimum Net Proceeds when the short sale agreement is extended.

- ii. Eligible Servicemembers shall be eligible for this short sale program if: (a) they are an active duty full-time status Eligible Servicemember; (b) the property securing the mortgage is not vacant or condemned; (c) the property securing the mortgage is the Eligible Servicemember's primary residence (or, the property was his or her principal residence immediately before he or she moved pursuant to a Permanent Change of Station ("PCS") order dated on or after October 1, 2010; (d) the Eligible Servicemember purchased the subject primary residence on or after July 1, 2006 and before December 31, 2008; and (e) the Eligible Servicemember relocates or has relocated from the subject property not more than 12 months prior to the date of the short sale agreement to a new duty station or home port outside a 50-mile radius of the Eligible Servicemember's former duty station or home port under a PCS. Eligible Servicemembers who have relocated may be eligible if the Eligible Servicemember provides documentation that the property was their principal residence prior to relocation or during the 12-month period prior to the date of the short sale agreement.

b. Short Sale Waivers

- i. If an Eligible Servicemember qualifies for a short sale hereunder and sells his or her principal residence in a short sale conducted in accordance with Servicer's then customary short sale process, Servicer shall, in the case of an owned portfolio first lien, waive the additional amount owed by the Eligible Servicemember so long as it is less than \$250,000.
 - ii. Servicer shall receive credit under Table 1, Section 4, for mandatory waivers of amounts under this Section 8.b.
- c. With respect to the refinancing program described in Section 9 below, Servicer shall use reasonable efforts to identify active servicemembers in its owned portfolio who would qualify and to solicit those individuals for the refinancing program.

9. Refinancing Program

- a. Servicer shall create a refinancing program for current borrowers. Servicer shall provide notification to eligible borrowers indicating that they may refinance under the program described herein. The minimum occupied Property eligibility criteria for such a program shall be:
 - i. The program shall apply only to Servicer-owned first lien mortgage loans.
 - ii. Loan must be current with no delinquencies in past 12 months.
 - iii. Fixed rate loans, ARMS, or I/Os are eligible if they have an initial period of 5 years or more.
 - iv. Current LTV is greater than 100%.
 - v. Loans must have been originated prior to January 1, 2009.
 - vi. Loan must not have received any modification in the past 24 months.
 - vii. Loan must have a current interest rate of at least 5.25 % or PMMS + 100 basis points, whichever is greater.
 - viii. The minimum difference between the current interest rate and the offered interest rate under this program must be at least 25 basis points or there must be at least a \$100 reduction in monthly payment.
 - ix. Maximum UPB will be an amount at or below the Applicable Limits.
 - x. The following types of loans are excluded from the program eligibility:
 1. FHA/VA
 2. Property outside the 50 States, DC, and Puerto Rico
 3. Loans on Manufactured Homes
 4. Loans for borrowers who have been in bankruptcy anytime within the prior 24 months
 5. Loans that have been in foreclosure within the prior 24 months
- b. The refinancing program shall be made available to all borrowers fitting the minimum eligibility criteria described above in 9.a. Servicer will be free to extend the program to other customers beyond the minimum eligibility criteria provided above and will receive credit under this Agreement for such refinancings, provided that such customers have an

LTV of over 80%, and would not have qualified for a refinance under Servicer's generally-available refinance programs as of September 30, 2011. Notwithstanding the foregoing, Servicer shall not be required to solicit or refinance borrowers who do not satisfy the eligibility criteria under 9.a above. In addition, Servicer shall not be required to refinance a loan under circumstances that, in the reasonable judgment of the Servicer, would result in Troubled Debt Restructuring ("TDR") treatment. A letter to the United States Securities and Exchange Commission regarding TDR treatment, dated November 22, 2011, shall be provided to the Monitor for review.

- c. The structure of the refinanced loans shall be as follows:
 - i. Servicer may offer refinanced loans with reduced rates either:
 1. For the life of the loan;
 2. For loans with current interest rates above 5.25% or PMMS + 100 basis points, whichever is greater, the interest rate may be reduced for 5 years. After the 5 year fixed interest rate period, the rate will return to the preexisting rate subject to a maximum rate increase of 0.5% annually; or
 3. For loans with an interest rate below 5.25% or PMMS + 100 basis points, whichever is greater, the interest rate may be reduced to obtain at least a 25 basis point interest rate reduction or \$100 payment reduction in monthly payment, for a period of 5 years, followed by 0.5% annual interest rate increases with a maximum ending interest rate of 5.25% or PMMS + 100 basis points.
 - ii. The original term of the loan may be changed.
 - iii. Rate reduction could be done through a modification of the existing loan terms or refinance into a new loan.
 - iv. New term of the loan has to be a fully amortizing product.
 - v. The new interest rate will be capped at 100 basis points over the PMMS rate or 5.25%, whichever is greater, during the initial rate reduction period.
- d. Banks fees and expenses shall not exceed the amount of fees charged by Banks under the current Home Affordable Refinance Program ("HARP") guidelines.
- e. The program shall be credited under these Consumer Relief Requirements as follows:

- i. Credit will be calculated as the difference between the preexisting interest rate and the offered interest rate times UPB times a multiplier.
- ii. The multiplier shall be as follows:
 1. If the new rate applies for the life of the loan, the multiplier shall be 8 for loans with a remaining term greater than 15 years, 6 for loans with a remaining term between 10 and 15 years and 5 for loans with a remaining term less than 10 years.
 2. If the new rate applies for 5 years, the multiplier shall be 5.
- f. Additional dollars spent by each Servicer on the refinancing program beyond that Servicer's required commitment shall be credited 25% against that Servicer's first lien principal reduction obligation and 75% against that Servicer's second lien principal reduction obligation, up to the limits set forth in Table 1.

10. Timing, Incentives, and Payments

- a. For the consumer relief and refinancing activities imposed by this Agreement, Servicer shall be entitled to receive credit against Servicer's outstanding settlement commitments for activities taken on or after Servicer's start date, March 1, 2012 (such date, the "Start Date").
- b. Servicer shall receive an additional 25% credit against Servicer's outstanding settlement commitments for any first or second lien principal reduction and any amounts credited pursuant to the refinancing program within 12 months of Servicer's Start Date (e.g., a \$1.00 credit for Servicer activity would count as \$1.25).
- c. Servicer shall complete 75% of its Consumer Relief Requirement credits within two years of the Servicer's Start Date.
- d. If Servicer fails to meet the commitment set forth in these Consumer Relief Requirements within three years of Servicer's Start Date, Servicer shall pay an amount equal to 125% of the unmet commitment amount; except that if Servicer fails to meet the two year commitment noted above, and then fails to meet the three year commitment, the Servicer shall pay an amount equal to 140% of the unmet three-year commitment amount; provided, however, that if Servicer must pay any Participating State for failure to meet the obligations of a state-specific commitment to provide Consumer Relief pursuant to the terms of that commitment, then Servicer's obligation to pay under this provision shall be reduced by the amount that such a Participating State would have received under this provision and the Federal portion of the payment attributable to that

Participating State. The purpose of the 125% and 140% amounts is to encourage Servicer to meet its commitments set forth in these Consumer Relief Requirements.

11. Applicable Requirements

The provision of consumer relief by the Servicer in accordance with this Agreement in connection with any residential mortgage loan is expressly subject to, and shall be interpreted in accordance with, as applicable, the terms and provisions of the Servicer Participation Agreement with the U.S. Department of Treasury, any servicing agreement, subservicing agreement under which Servicer services for others, special servicing agreement, mortgage or bond insurance policy or related agreement or requirements to which Servicer is a party and by which it or its servicing affiliates are bound pertaining to the servicing or ownership of the mortgage loans, including without limitation the requirements, binding directions, or investor guidelines of the applicable investor (such as Fannie Mae or Freddie Mac), mortgage or bond insurer, or credit enhancer, provided, however, that the inability of a Servicer to offer a type, form or feature of the consumer relief payments by virtue of an Applicable Requirement shall not relieve the Servicer of its aggregate consumer relief obligations imposed by this Agreement, i.e., the Servicer must satisfy such obligations through the offer of other types, forms or features of consumer relief payments that are not limited by such Applicable Requirement.

EXHIBIT D-1

Table 1¹

Menu Item	Credit Towards Settlement	Credit Cap
Consumer Relief Funds		
<i>1. First Lien Mortgage Modification²</i>		<i>Minimum 30% for First Lien Mods³ (which can be reduced by 2.5% of overall consumer relief funds for excess refinancing program credits above the minimum amount required)</i>
<u>PORTFOLIO LOANS</u>		
<i>i. First lien principal forgiveness modification</i>	LTV <= 175%: \$1.00 Write-down=\$1.00 Credit LTV > 175%: \$1.00 Write-down=\$0.50 Credit (for only the portion of principal forgiven over 175%)	
<i>ii. Forgiveness of forbearance amounts on existing modifications</i>	\$1.00 Write-down=\$0.40 Credit	<i>Max 12.5%</i>

¹ Where applicable, the number of days of delinquency will be determined by the number of days a loan is delinquent at the start of the earlier of the first or second lien modification process. For example, if a borrower applies for a first lien principal reduction on February 1, 2012, then any delinquency determination for a later second lien modification made pursuant to the terms of this Agreement will be based on the number of days the second lien was delinquent as of February 1, 2012.

² Credit for all modifications is determined from the date the modification is approved or communicated to the borrower. However, no credits shall be credited unless the payments on the modification are current as of 90 days following the implementation of the modification, including any trial period, except if the failure to make payments on the modification within the 90 day period is due to unemployment or reduced hours, in which case Servicer shall receive credit provided that Servicer has reduced the principal balance on the loan. Eligible Modifications will include any modification that is completed on or after the Start Date, as long as the loan is current 90 days after the modification is implemented.

³ All minimum and maximum percentages refer to a percentage of total consumer relief funds.

Menu Item	Credit Towards Settlement	Credit Cap
-----------	---------------------------	------------

- | | | |
|--|--|--|
| <p>iii. Earned forgiveness over a period of no greater than 3 years – provided consistent with PRA</p> | <p>LTV <= 175%: \$1.00 Write-down=\$.85 Credit</p> <p>LTV > 175%: \$1.00 Write-down=\$0.45 Credit (for only the portion of principal forgiven over 175%)</p> | |
|--|--|--|

SERVICE FOR OTHERS

- | | | |
|--|--|--|
| <p>iv. First lien principal forgiveness modification on investor loans (forgiveness by investor)</p> | <p>\$1.00 Write-down=\$0.45 Credit</p> | |
| <p>v. Earned forgiveness over a period of no greater than 3 years – provided consistent with PRA</p> | <p>LTV <= 175%: \$1.00 Write-down=\$.40 Credit</p> <p>LTV > 175%: \$1.00 Write-down=\$0.20 Credit (for only the portion of principal forgiven over 175%)</p> | |

2. Second Lien Portfolio Modifications

Minimum of 60% for 1st and 2nd Lien Mods (which can be reduced by 10% of overall consumer relief funds for excess refinancing program credits above the minimum amounts required)

- | | | |
|--|--|--|
| <p>i. Performing Second Liens (0-90 days delinquent)</p> | <p>\$1.00 Write-down=\$0.90 Credit</p> | |
|--|--|--|

Menu Item	Credit Towards Settlement	Credit Cap
ii. Seriously Delinquent Second Liens (>90-179 days delinquent)	\$1.00 Write-down=\$0.50 Credit	
iii. Non-Performing Second Liens (180 or more days delinquent)	\$1.00 Write-down=\$0.10 Credit	
3. Enhanced Borrower Transitional Funds		<i>Max 5%</i>
i. Servicer Makes Payment	\$1.00 Payment=\$1.00 Credit (for the amount over \$1,500)	
ii. Investor Makes Payment (non-GSE)	\$1.00 Payment=0.45 Credit (for the amount over the \$1,500 average payment established by Fannie Mae and Freddie Mac)	
4. Short Sales/Deeds in Lieu		
i. Servicer makes payment to unrelated 2 nd lien holder for release of 2 nd lien	\$1.00 Payment=\$1.00 Credit	
ii. Servicer forgives deficiency and releases lien on 1 st lien Portfolio Loans	\$1.00 Write-down=\$0.45 Credit	
iii. Investor forgives deficiency and releases lien on 1 st Lien investor loans	\$1.00 Write-down=\$0.20 Credit	
iv. Forgiveness of deficiency balance and release of lien on		

Menu Item	Credit Towards Settlement	Credit Cap
Portfolio Second Liens		
Performing Second Liens (0-90 days delinquent)	\$1.00 Write-down=\$0.90 Credit	
Seriously Delinquent Second Liens (>90-179 days delinquent)	\$1.00 Write-down=\$0.50 Credit	
Non-Performing Second Liens (180 or more days delinquent)	\$1.00 Write-down=\$0.10 Credit	
5. Deficiency Waivers		<i>Max 10%</i>
i. Deficiency waived on 1 st and 2 nd liens loans	\$1.00 Write-down=\$0.10 Credit	
6. Forbearance for unemployed homeowners		
i. Servicer forgives payment arrearages on behalf of borrower	\$1.00 new forgiveness=\$1.00 Credit	
ii. Servicer facilitates traditional forbearance program	\$1.00 new forbearance = \$0.05 Credit	
7. Anti-Blight Provisions		<i>Max 12%</i>
i. Forgiveness of principal associated with a property where Servicer does not pursue foreclosure	\$1.00 property value=\$0.50 Credit	

Menu Item	Credit Towards Settlement	Credit Cap
ii. Cash costs paid by Servicer for demolition of property	\$1.00 Payment=\$1.00 Credit	
iii. REO properties donated to accepting municipalities or non-profits or to disabled servicemembers or relatives of deceased servicemembers	\$1.00 property value=\$1.00 Credit	

EXHIBIT E

Enforcement Terms

- A. Implementation Timeline.** The Servicing Standards shall be implemented as of January 1, 2016.¹ Servicer anticipates that it will phase in the testing of compliance with the Servicing Standards using a grid approach that prioritizes implementation of testing based upon: (i) the importance of the Servicing Standard being tested to the borrower; and (ii) the difficulty of implementing the testing for the particular metric. The periods for implementation of the metrics testing will be: (a) except as otherwise provided in Section D.1, at least 50% of the Metrics will be tested for the Quarter beginning January 1, 2016;² and (b) all Metrics will be tested as of the 2nd Quarter 2016 (beginning April 1, 2016). Servicer will agree with the Monitor chosen pursuant to Section C, below, on the timetable in which the Servicing Standards will be implemented. In the event that Servicer, using reasonable efforts, is unable to implement certain of the standards on the specified timetable, Servicer may apply to the Monitor for a reasonable extension of time to implement those standards or requirements.
- B. Monitoring Committee.** The Monitoring Committee established pursuant to certain Consent Judgments entered in *United States, et al. v. Bank of America Corp., et al.*, No. 12-civ-00361-RMC (April 4, 2012) (Docket Nos. 10-14) and referenced specifically in paragraph 8 of those Consent Judgments, shall monitor Servicer's compliance with this Consent Judgment (the "Monitoring Committee"). References to the "Monitoring Committee" in this Exhibit and related documents shall be understood to refer to the same Monitoring Committee as that established in the *Bank of America Corp.* case referenced in the preceding sentence, except that the Monitoring Committee shall not include any representatives who are not a signatory to the Consent Judgment, and the Monitoring Committee shall serve as the representative of the participating state and federal agencies in the administration of all aspects of this Consent Judgment and the monitoring of compliance with it by the Defendants. The Monitoring Committee may substitute representation, as necessary. Subject to Section F, the Monitoring Committee may share all Monitor Reports, as that term is defined in Section D.3 below, with any releasing party.
- C. Monitor**
- Retention and Qualifications and Standard of Conduct*
1. Pursuant to an agreement of the parties, Joseph A. Smith Jr. is appointed to the position of Monitor under this Consent Judgment. If the Monitor is at any time unable to complete his or her duties under this Consent Judgment, Servicer and the Monitoring Committee shall mutually agree upon a

¹ Notwithstanding the foregoing, the following paragraphs of Exhibit A and their subparagraphs shall be implemented as of April 1, 2016: I.A.18, I.B.6, I.B.10, I.C.3, I.E.1.a, IV.B.13, IV.D.4, VI.A.1, and VIII.A.3.

² Testing for the Quarter beginning January 1, 2016 is contingent upon the Monitor approving the test scripts for the Metrics to be implemented no later than January 29, 2016.

replacement in accordance with the processes and standards set forth in Section C of Exhibit E.

2. Such Monitor shall be highly competent and highly respected, with a reputation that will garner public confidence in his or her ability to perform the tasks required under this Consent Judgment. The Monitor shall have the right to employ an accounting firm or firms or other firm(s) with similar capabilities to support the Monitor in carrying out his or her duties under this Consent Judgment. Monitor and Servicer shall agree on the selection of a “Primary Professional Firm” or “Firm,” which must have adequate capacity and resources to perform the work required under this agreement. The Monitor shall also have the right to engage one or more attorneys or other professional persons to represent or assist the Monitor in carrying out the Monitor’s duties under this Consent Judgment (each such individual, along with each individual deployed to the engagement by the Primary Professional Firm, shall be defined as a “Professional”). The Monitor and Professionals will collectively possess expertise in the areas of mortgage servicing, loss mitigation, business operations, compliance, internal controls, accounting, and foreclosure and bankruptcy law and practice. The Monitor and Professionals shall at all times act in good faith and with integrity and fairness towards all the Parties.

3. The Monitor and Professionals shall not have any prior relationships with the Parties that would undermine public confidence in the objectivity of their work and, subject to Section C.3(e), below, shall not have any conflicts of interest with any Party.
 - (a) The Monitor and Professionals will disclose, and will make a reasonable inquiry to discover, any known current or prior relationships to, or conflicts with, any Party, any Party’s holding company, any subsidiaries of the Party or its holding company, directors, officers, and law firms.
 - (b) The Monitor and Professionals shall make a reasonable inquiry to determine whether there are any facts that a reasonable individual would consider likely to create a conflict of interest for the Monitor or Professionals. The Monitor and Professionals shall disclose any conflict of interest with respect to any Party.
 - (c) The duty to disclose a conflict of interest or relationship pursuant to this Section C.3 shall remain ongoing throughout the course of the Monitor’s and Professionals’ work in connection with this Consent Judgment.
 - (d) All Professionals shall comply with all applicable standards of professional conduct, including ethics rules and rules pertaining to conflicts of interest.

- (e) To the extent permitted under prevailing professional standards, a Professional's conflict of interest may be waived by written agreement of the Monitor and Servicer.
 - (f) Servicer or the Monitoring Committee may move the Court for an order disqualifying any Professional on the grounds that such Professional has a conflict of interest that has inhibited or could inhibit the Professional's ability to act in good faith and with integrity and fairness toward all Parties.
4. The Monitor must agree not to be retained by any Party, or its successors or assigns, for a period of two years after the conclusion of the terms of the engagement. Any Professionals who work on the engagement must agree not to work on behalf of Servicer, or its successor or assigns, for a period of 1 year after the conclusion of the term of the engagement (the "Professional Exclusion Period"). Any Firm that performs work with respect to Servicer on the engagement must agree not to perform work on behalf of Servicer, or its successor or assigns, that consists of advising Servicer on a response to the Monitor's review during the engagement and for a period of six months after the conclusion of the term of the engagement (the "Firm Exclusion Period"). The Professional Exclusion Period, Firm Exclusion Period, and terms of exclusion may be altered on a case-by-case basis upon written agreement of Servicer and the Monitor. The Monitor shall organize the work of any Firms so as to minimize the potential for any appearance of, or actual, conflicts.

Monitor's Responsibilities

- 5. It shall be the responsibility of the Monitor to determine whether Servicer is in compliance with the Servicing Standards and whether Servicer has satisfied the Consumer Relief Requirements in accordance with the authorities provided herein and to report his or her findings as provided in Section D.3, below.
- 6. The manner in which the Monitor will carry out his or her compliance responsibilities under this Consent Judgment and, where applicable, the methodologies to be utilized shall be set forth in a work plan agreed upon by Servicer and the Monitor, and not objected to by the Monitoring Committee (the "Work Plan").

Internal Review Group

- 7. Servicer will designate an internal quality control group that is independent from the mortgage servicing operations whose performance is being measured (the "Internal Review Group") to perform compliance reviews each calendar quarter ("Quarter") in accordance with the terms and conditions of the Work Plan (the "Compliance Reviews") and a satisfaction review of the Consumer Relief Requirements after the earlier of the Servicer assertion that it has satisfied its obligations thereunder and the first anniversary of the Effective Date (the "Satisfaction Review"). For the purposes of this provision, a group that is independent from the mortgage servicing operations shall be one that

does not perform operational work on mortgage servicing, and reports to a Chief Risk Officer, Chief Audit Executive, Chief Compliance Officer, SVP Head of Business Risk Control Management, or another employee or manager who has no direct operational responsibility for mortgage servicing. In no event shall this provision be construed to prohibit or limit, in any way, the members of the Internal Review Group from performing strategic work or operational risk monitoring work with respect to mortgage servicing.

8. The Internal Review Group shall have the appropriate authority, privileges, and knowledge to effectively implement and conduct the reviews and metric assessments contemplated herein and under the terms and conditions of the Work Plan.
9. The Internal Review Group shall have personnel skilled at evaluating and validating processes, decisions, and documentation utilized through the implementation of the Servicing Standards. The Internal Review Group may include non-employee consultants or contractors working at Servicer's direction.
10. The qualifications and performance of the Internal Review Group will be subject to ongoing review by the Monitor. Servicer will appropriately remediate the reasonable concerns of the Monitor as to the qualifications or performance of the Internal Review Group.

Work Plan

11. Servicer's compliance with the Servicing Standards shall be assessed via metrics identified and defined in Schedule E-1 hereto (as supplemented from time to time in accordance with Section C.22, below, the "Metrics"). The threshold error rates for the Metrics are set forth in Schedule E-1 (as supplemented from time to time in accordance with Section C.22, below, the "Threshold Error Rates"). The Internal Review Group shall perform test work to compute the Metrics each Quarter, and report the results of that analysis via the Compliance Reviews. The Internal Review Group shall perform test work to assess the satisfaction of the Consumer Relief Requirements at earlier of (i) the end of the Quarter in which Servicer asserts that it has satisfied its obligations under the Consumer Relief Provisions and (ii) the Quarter during which the first anniversary of the Effective Date occurs, and report that analysis via the Satisfaction Review.
12. Servicer and the Monitor shall reach agreement on the terms of the Work Plan within 30 days of the Effective Date, which time can be extended for good cause by agreement of Servicer and the Monitor. If such Work Plan is not objected to by the Monitoring Committee within 15 days, the Monitor shall proceed to implement the Work Plan. In the event that Servicer and the Monitor cannot agree on the terms of the Work Plan within 30 days or the agreed upon terms are not acceptable to the Monitoring Committee, Servicer and Monitoring Committee or the Monitor shall jointly petition the Court to resolve any disputes. If the Court does not resolve such disputes, then the

Parties shall submit all remaining disputes to binding arbitration before a panel of three arbitrators. Each of Servicer and the Monitoring Committee shall appoint one arbitrator, and those two arbitrators shall appoint a third.

13. The Work Plan may be modified from time to time by agreement of the Monitor and Servicer. If such amendment to the Work Plan is not objected to by the Monitoring Committee within 15 days, the Monitor shall proceed to implement the amendment to the Work Plan. To the extent possible, the Monitor shall endeavor to apply the Servicing Standards uniformly across all Servicers who have agreed to comply with the Servicing Standards.
14. The following general principles shall provide a framework for the formulation of the Work Plan:
 - (a) The Work Plan will set forth the testing methods and agreed procedures that will be used by the Internal Review Group to perform the test work and compute the Metrics for each Quarter.
 - (b) The Work Plan will set forth the testing methods and agreed procedures that will be used by Servicer to report on its compliance with the Consumer Relief Requirements of this Consent Judgment, including, incidental to any other testing, confirmation of state-identifying information used by Servicer to compile state-level Consumer Relief information as required by Section D.2.
 - (c) The Work Plan will set forth the testing methods and procedures that the Monitor will use to assess Servicer's reporting on its compliance with the Consumer Relief Requirements of this Consent Judgment.
 - (d) The Work Plan will set forth the methodology and procedures the Monitor will utilize to review the testing work performed by the Internal Review Group.
 - (e) The Compliance Reviews and the Satisfaction Review may include a variety of audit techniques that are based on an appropriate sampling process and random and risk-based selection criteria, as appropriate and as set forth in the Work Plan.
 - (f) In formulating, implementing, and amending the Work Plan, Servicer and the Monitor may consider any relevant information relating to patterns in complaints by borrowers, issues or deficiencies reported to the Monitor with respect to the Servicing Standards, and the results of prior Compliance Reviews.
 - (g) The Work Plan should ensure that Compliance Reviews are commensurate with the size, complexity, and risk associated with the Servicing Standard being evaluated by the Metric.
 - (h) Following implementation of the Work Plan, Servicer shall be required to compile each Metric beginning in the first full Quarter after the

period for implementing the Servicing Standards associated with the Metric, or any extension approved by the Monitor in accordance with Section A, has run.

Monitor's Access to Information

15. So that the Monitor may determine whether Servicer is in compliance with the Servicing Standards, Servicer shall provide the Monitor with its regularly prepared business reports analyzing Executive Office servicing complaints (or the equivalent); access to all Executive Office servicing complaints (or the equivalent) (with appropriate redactions of borrower information other than borrower name and contact information to comply with privacy requirements); and, if Servicer tracks additional servicing complaints, quarterly information identifying the three most common servicing complaints received outside of the Executive Office complaint process (or the equivalent). In the event that Servicer substantially changes its escalation standards or process for receiving Executive Office servicing complaints (or the equivalent), Servicer shall ensure that the Monitor has access to comparable information.
16. So that the Monitor may determine whether Servicer is in compliance with the Servicing Standards, Servicer shall notify the Monitor promptly if Servicer becomes aware of reliable information indicating Servicer is engaged in a significant pattern or practice of noncompliance with a material aspect of the Servicing Standards.
17. Servicer shall provide the Monitor with access to all work papers prepared by the Internal Review Group in connection with determining compliance with the Metrics or satisfaction of the Consumer Relief Requirements in accordance with the Work Plan.
18. If the Monitor becomes aware of facts or information that lead the Monitor to reasonably conclude that Servicer may be engaged in a pattern of noncompliance with a material term of the Servicing Standards that is reasonably likely to cause harm to borrowers, the Monitor shall engage Servicer in a review to determine if the facts are accurate or the information is correct.
19. Where reasonably necessary in fulfilling the Monitor's responsibilities under the Work Plan to assess compliance with the Metrics or the satisfaction of the Consumer Relief Requirements, the Monitor may request information from Servicer in addition to that provided under Sections C.15-18. Servicer shall provide the requested information in a format agreed upon between Servicer and the Monitor.
20. Where reasonably necessary in fulfilling the Monitor's responsibilities under the Work Plan to assess compliance with the Metrics or the satisfaction of the Consumer Relief Requirements, the Monitor may interview Servicer's employees and agents, provided that the interviews shall be limited to matters related to Servicer's compliance with the Metrics or the Consumer Relief

Requirements, and that Servicer shall be given reasonable notice of such interviews.

Monitor's Powers

21. Where the Monitor reasonably determines that the Internal Review Group's work cannot be relied upon or that the Internal Review Group did not correctly implement the Work Plan in some material respect, the Monitor may direct that the work on the Metrics (or parts thereof) be reviewed by Professionals or a third party other than the Internal Review Group, and that supplemental work be performed as necessary.
22. If the Monitor becomes aware of facts or information that lead the Monitor to reasonably conclude that Servicer may be engaged in a pattern of noncompliance with a material term of the Servicing Standards that is reasonably likely to cause harm to borrowers or tenants residing in foreclosed properties, the Monitor shall engage Servicer in a review to determine if the facts are accurate or the information is correct. If after that review, the Monitor reasonably concludes that such a pattern exists and is reasonably likely to cause material harm to borrowers or tenants residing in foreclosed properties, the Monitor may propose an additional Metric and associated Threshold Error Rate relating to Servicer's compliance with the associated term or requirement. Any additional Metrics and associated Threshold Error Rates (a) must be similar to the Metrics and associated Threshold Error Rates contained in Schedule E-1, (b) must relate to material terms of the Servicing Standards, (c) must either (i) be outcome based or (ii) require the existence of policies and procedures required by the Servicing Standards, in a manner similar to Metrics 5.B-E, and (d) must be distinct from, and not overlap with, any other Metric or Metrics. Notwithstanding the foregoing, the Monitor may add a Metric that satisfies (a)-(c) but does not satisfy (d) of the preceding sentence if the Monitor first asks the Servicer to propose, and then implement, a Corrective Action Plan, as defined below, for the material term of the Servicing Standards with which there is a pattern of noncompliance and that is reasonably likely to cause material harm to borrowers or tenants residing in foreclosed properties, and the Servicer fails to implement the Corrective Action Plan according to the timeline agreed to with the Monitor.
23. If the Monitor proposes an additional Metric and associated Threshold Error Rate pursuant to Section C.22, above, the Monitor, the Monitoring Committee, and Servicer shall agree on amendments to Schedule E-1 to include the additional Metrics and Threshold Error Rates provided for in Section C.22, above, and an appropriate timeline for implementation of the Metric. If Servicer does not timely agree to such additions, any associated amendments to the Work Plan, or the implementation schedule, the Monitor may petition the court for such additions.
24. Any additional Metric proposed by the Monitor pursuant to the processes in Sections C.22 or C.23 and relating to provision VIII.B.1 of the Servicing

Standards shall be limited to Servicer's performance of its obligations to comply with (1) state laws that provide protections to tenants of foreclosed properties comparable to the protections provided by the Protecting Tenants at Foreclosure Act; (2) state laws that govern relocation assistance payments to tenants ("cash for keys"); and (3) state laws that govern the return of security deposits to tenants.

D. Reporting

Quarterly Reports

1. Following the end of each Quarter, Servicer will report the results of its Compliance Reviews for that Quarter (the "Quarterly Report"). The Quarterly Report shall include: (i) the Metrics for that Quarter; (ii) Servicer's progress toward meeting its payment obligations under this Consent Judgment; and (iii) general statistical data on Servicer's overall servicing performance described in Schedule Y. Except where an extension is granted by the Monitor, Quarterly Reports shall be due no later than 45 days following the end of the Quarter and shall be provided to: (1) the Monitor and (2) the Board of Servicer or a committee of the Board designated by Servicer. The first Quarterly Report shall cover the first full Quarter of calendar year 2016 as long as the Consent Judgment is executed by all Parties on or before January 29, 2016. If the Consent Judgment is executed after January 29, 2016, the first Quarterly Report shall cover only a partial Quarter, consisting of that portion of the first calendar Quarter of 2016 from the date the Consent Judgment is executed by all Parties through March 31, 2016. Any such partial Quarter shall be considered a full Quarter for the purposes of Defendant's obligations under the Consent Judgment.
2. Following the end of each Quarter, Servicer will transmit to each state a report (the "State Report") including general statistical data on Servicer's servicing performance, such as aggregate and state-specific information regarding the number of borrowers assisted and credited activities conducted pursuant to the Consumer Relief Requirements, as described in Schedule Y. The State Report will be delivered simultaneously with the submission of the Quarterly Report to the Monitor. Servicer shall provide copies of such State Reports to the Monitor and Monitoring Committee.

Monitor Reports

3. The Monitor shall report on Servicer's compliance with this Consent Judgment in periodic reports setting forth his or her findings (the "Monitor Reports"). A Monitor Report may be filed covering each Quarterly Report at the discretion of the Monitor. However, at a minimum, a Monitor Report must be filed at least every two Quarters. In the case of a Potential Violation, the Monitor may (but retains the discretion not to) submit a Monitor Report after the filing of each of the next two Quarterly Reports, provided, however, that such additional Monitor Report(s) may be limited in scope to the Metric or Metrics as to which a Potential Violation has occurred.

4. Prior to issuing any Monitor Report, the Monitor shall confer with Servicer and the Monitoring Committee regarding its preliminary findings and the reasons for those findings. Servicer shall have the right to submit written comments to the Monitor, which shall be appended to the final version of the Monitor Report. Final versions of each Monitor Report shall be provided simultaneously to the Monitoring Committee and Servicer within a reasonable time after conferring regarding the Monitor's findings. The Monitor Reports shall be filed with the Court overseeing this Consent Judgment and shall also be provided to the Board of Servicer or a committee of the Board designated by Servicer.
5. The Monitor Report shall: (i) describe the work performed by the Monitor and any findings made by the Monitor during the relevant period, (ii) list the Metrics and Threshold Error Rates, (iii) list the Metrics, if any, where the Threshold Error Rates have been exceeded, (iv) state whether a Potential Violation has occurred and explain the nature of the Potential Violation, and (v) state whether any Potential Violation has been cured. In addition, following each Satisfaction Review, the Monitor Report shall report on the Servicer's satisfaction of the Consumer Relief Requirements, including regarding the number of borrowers assisted and credited activities conducted pursuant to the Consumer Relief Requirements, and identify any material inaccuracies identified in prior State Reports. Except as otherwise provided herein, the Monitor Report may be used in any court hearing, trial, or other proceeding brought pursuant to this Consent Judgment pursuant to Section J, below, and shall be admissible in evidence in a proceeding brought under this Consent Judgment pursuant to Section J, below. Such admissibility shall not prejudice Servicer's right and ability to challenge the findings and/or the statements in the Monitor Report as flawed, lacking in probative value or otherwise. The Monitor Report with respect to a particular Potential Violation shall not be admissible or used for any purpose if Servicer cures the Potential Violation pursuant to Section E, below.

Satisfaction of Payment Obligations

6. Upon the satisfaction of any category of payment obligation under this Consent Judgment, Servicer, at its discretion, may request that the Monitor certify that Servicer has discharged such obligation. Provided that the Monitor is satisfied that Servicer has met the obligation, the Monitor may not withhold and must provide the requested certification. Any subsequent Monitor Report shall not include a review of Servicer's compliance with that category of payment obligation.

Compensation

7. Within 90 days of the Effective Date, the Monitor shall, in consultation with the Monitoring Committee and Servicer, prepare and present to the Monitoring Committee and Servicer an annual budget providing its reasonable best estimate of all fees and expenses of the Monitor to be incurred during the Term of the Consent Judgment, including the fees and expenses of

Professionals and support staff (the “Monitoring Budget”). The Monitor, at his discretion, may alter the timing of the budgeting process so that Servicer may be incorporated into the same billing cycle as signatories to the Consent Judgments filed in the *Bank of America Corp* case referenced above. Absent an objection within 15 days, a Monitoring Budget or updated Monitoring Budget shall be implemented. Consistent with the Monitoring Budget, Servicer shall pay all fees and expenses of the Monitor, including the fees and expenses of Professionals and support staff. The fees, expenses, and costs of the Monitor, Professionals, and support staff shall be reasonable. Servicer may apply to the Court to reduce or disallow fees, expenses, or costs that are unreasonable.

E. Potential Violations and Right to Cure

1. A “Potential Violation” of this Consent Judgment occurs if the Servicer has exceeded the Threshold Error Rate set for a Metric in a given Quarter. In the event of a Potential Violation, Servicer shall meet and confer with the Monitoring Committee within 15 days of the Quarterly Report or Monitor Report indicating such Potential Violation. In the event of a Potential Violation, Servicer shall provide the Monitor with a draft corrective action plan within 15 days of the earlier of the IRG identifying and disclosing a Potential Violation to the Monitor or the submission of the Quarterly Report indicating such Potential Violation. The corrective action plan shall be implemented and completed no later than 90 days thereafter, unless the Monitor and Servicer agree to an alternative deadline in writing.
2. Servicer shall have a right to cure any Potential Violation.
3. Subject to Section E.4, a Potential Violation is cured if (a) a corrective action plan approved by the Monitor (the “Corrective Action Plan”) is determined by the Monitor to have been satisfactorily completed in accordance with the terms thereof; and (b) a Quarterly Report covering the Cure Period (as defined herein) reflects that the Threshold Error Rate has not been exceeded with respect to the same Metric and the Monitor confirms the accuracy of said report using his or her ordinary testing procedures. The Cure Period shall begin immediately after the completion of the corrective action plan and shall cover the first full Quarter after completion of the Corrective Action Plan or, if the completion of the Corrective Action Plan occurs during a Quarter and the Monitor determines that there is sufficient time remaining, the period between completion of the Corrective Action Plan and the end of that Quarter (the “Cure Period”). Subject to Section E.4, curing a Potential Violation occurring during the final Quarter of testing requires only the completion of a Corrective Action Plan.
4. If after Servicer cures a Potential Violation pursuant to the previous section, another violation occurs with respect to the same Metric, then the second Potential Violation shall immediately constitute an uncured violation for purposes of Section J.3, provided, however, that such second Potential

Violation occurs in either the Cure Period or the Quarter immediately following the Cure Period.

5. In addition to the Servicer's obligation to cure a Potential Violation through the Corrective Action Plan, Servicer must remediate any material harm to particular borrowers identified through work conducted under the Work Plan. In the event that a Servicer has a Potential Violation that so far exceeds the Threshold Error Rate for a metric that the Monitor concludes that the error is widespread, Servicer shall, under the supervision of the Monitor, identify other borrowers who may have been harmed by such noncompliance and remediate all such harms to the extent that the harm has not been otherwise remediated.
6. In the event a Potential Violation is cured as provided in Sections E.3, above, then no Party shall have any remedy under this Consent Judgment (other than the remedies in Section E.5) with respect to such Potential Violation.

F. Confidentiality

1. These provisions shall govern the use and disclosure of any and all information designated as "CONFIDENTIAL," as set forth below, in documents (including email), magnetic media, or other tangible things provided by the Servicer to the Monitor in this case, including the subsequent disclosure by the Monitor to the Monitoring Committee of such information. In addition, it shall also govern the use and disclosure of such information when and if provided to the participating state parties or the participating agency or department of the United States whose claims are released through this settlement ("participating state or federal agency whose claims are released through this settlement").
2. The Monitor may, at his discretion, provide to the Monitoring Committee or to a participating state or federal agency whose claims are released through this settlement any documents or information received from the Servicer related to a Potential Violation or related to the review described in Section C.18; provided, however, that any such documents or information so provided shall be subject to the terms and conditions of these provisions. Nothing herein shall be construed to prevent the Monitor from providing documents received from the Servicer and not designated as "CONFIDENTIAL" to a participating state or federal agency whose claims are released through this settlement.
3. The Servicer shall designate as "CONFIDENTIAL" that information, document or portion of a document or other tangible thing provided by the Servicer to the Monitor, the Monitoring Committee or to any other participating state or federal agency whose claims are released through this settlement that Servicer believes contains a trade secret or confidential research, development, or commercial information subject to protection under applicable state or federal laws (collectively, "Confidential Information"). These provisions shall apply to the treatment of Confidential Information so designated.

4. Except as provided by these provisions, all information designated as “CONFIDENTIAL” shall not be shown, disclosed or distributed to any person or entity other than those authorized by these provisions. Participating states and federal agencies whose claims are released through this settlement agree to protect Confidential Information to the extent permitted by law.
 5. This agreement shall not prevent or in any way limit the ability of a participating state or federal agency whose claims are released through this settlement to comply with any subpoena, Congressional demand for documents or information, court order, request under the Right of Financial Privacy Act, or a state or federal public records or state or federal freedom of information act request; provided, however, that in the event that a participating state or federal agency whose claims are released through this settlement receives such a subpoena, Congressional demand, court order or other request for the production of any Confidential Information covered by this Order, the state or federal agency shall, unless prohibited under applicable law or unless the state or federal agency would violate or be in contempt of the subpoena, Congressional demand, or court order, (1) notify the Servicer of such request as soon as practicable and in no event more than ten (10) calendar days of its receipt or three calendar days before the return date of the request, whichever is sooner, and (2) allow the Servicer ten (10) calendar days from the receipt of the notice to obtain a protective order or stay of production for the documents or information sought, or to otherwise resolve the issue, before the state or federal agency discloses such documents or information. In all cases covered by this Section, the state or federal agency shall inform the requesting party that the documents or information sought were produced subject to the terms of these provisions.
- G. Dispute Resolution Procedures.** Servicer, the Monitor, and the Monitoring Committee will engage in good faith efforts to reach agreement on the proper resolution of any dispute concerning any issue arising under this Consent Judgment, including any dispute or disagreement related to the withholding of consent, the exercise of discretion, or the denial of any application. Subject to Section J, below, in the event that a dispute cannot be resolved, Servicer, the Monitor, or the Monitoring Committee may petition the Court for resolution of the dispute. Where a provision of this agreement requires agreement, consent of, or approval of any application or action by a Party or the Monitor, such agreement, consent or approval shall not be unreasonably withheld.
- H. Consumer Complaints.** Nothing in this Consent Judgment shall be deemed to interfere with existing consumer complaint resolution processes, and the Parties are free to bring consumer complaints to the attention of Servicer for resolution outside the monitoring process. In addition, Servicer will continue to respond in good faith to individual consumer complaints provided to it by State Attorneys General in accordance with the routine and practice existing prior to the entry of this Consent Judgment, whether or not such complaints relate to Covered Conduct released herein.
- I. Relationship to Other Enforcement Actions.** Nothing in this Consent Judgment shall affect requirements imposed on the Servicer pursuant to Consent Orders issued

by the appropriate Federal Banking Agency (FBA), as defined in 12 U.S.C. § 1813(q), against the Servicer. In conducting their activities under this Consent Judgment, the Monitor and Monitoring Committee shall not impede or otherwise interfere with the Servicer's compliance with the requirements imposed pursuant to such Orders or with oversight and enforcement of such compliance by the FBA.

J. Enforcement

1. **Consent Judgment.** This Consent Judgment shall be filed in the U.S. District Court for the District of Columbia (the "Court") and shall be enforceable therein. Servicer and the Releasing Parties shall waive their rights to seek judicial review or otherwise challenge or contest in any court the validity or effectiveness of this Consent Judgment. Servicer and the Releasing Parties agree not to contest any jurisdictional facts, including the Court's authority to enter this Consent Judgment.
2. **Enforcing Authorities.** Servicer's obligations under this Consent Judgment shall be enforceable solely in the U.S. District Court for the District of Columbia. An enforcement action under this Consent Judgment may be brought by any Party to this Consent Judgment or the Monitoring Committee. Monitor Report(s) and Quarterly Report(s) shall not be admissible into evidence by a Party to this Consent Judgment except in an action in the Court to enforce this Consent Judgment. In addition, unless immediate action is necessary in order to prevent irreparable and immediate harm, prior to commencing any enforcement action, a Party must provide notice to the Monitoring Committee of its intent to bring an action to enforce this Consent Judgment. The members of the Monitoring Committee shall have no more than 21 days to determine whether to bring an enforcement action. If the members of the Monitoring Committee decline to bring an enforcement action, the Party must wait 21 additional days after such a determination by the members of the Monitoring Committee before commencing an enforcement action.
3. **Enforcement Action.**
 - (a) In the event of an action to enforce the obligations of Servicer and to seek remedies for an uncured Potential Violation for which Servicer's time to cure has expired, the sole relief available in such an action will be:
 - (i) **Equitable Relief.** An order directing non-monetary equitable relief, including injunctive relief, directing specific performance under the terms of this Consent Judgment, or other non-monetary corrective action.
 - (ii) **Civil Penalties.** The Court may award as civil penalties an amount not more than \$1 million per uncured Potential Violation; or, in the event of a second uncured Potential Violation of Metrics 1.a, 1.b, or 2.a (*i.e.*, a Servicer fails the specific Metric in a Quarter, then fails to cure that Potential

Violation, and then in subsequent Quarters, fails the same Metric again in a Quarter and fails to cure that Potential Violation again in a subsequent Quarter), where the final uncured Potential Violation involves widespread noncompliance with that Metric, the Court may award as civil penalties an amount not more than \$5 million for the second uncured Potential Violation.

- (b) Nothing in this Section shall limit the availability of remedial compensation to harmed borrowers as provided in Section E.5.
- (c) Any penalty or payment owed by Servicer pursuant to the Consent Judgment shall be paid to the clerk of the Court or as otherwise agreed by the Monitor and the Servicer and distributed by the Monitor as follows:
 - i. In the event of a penalty based on a violation of a term of the Servicing Standards that is not specifically related to conduct in bankruptcy, the penalty shall be allocated, first, to cover the costs incurred by any state or states in prosecuting the violation, and second, among the participating states as directed by the state members of the Monitoring Committee.
 - ii. In the event of a penalty based on a violation of a term of the Servicing Standards that is specifically related to conduct in bankruptcy, the penalty shall be allocated to the United States or as otherwise directed by the Director of the United States Trustee Program.
 - iii. In the event of a payment due under Paragraph 10.d of the Consumer Relief requirements, 50% of the payment shall be allocated to the United States, and 50% shall be allocated to the State Parties to the Consent Judgment, divided among them as directed by the state members of the Monitoring Committee.

K. Sunset. This Consent Judgment and all Exhibits shall retain full force and effect until four Quarters of compliance testing have been completed, which shall be no later than December 31, 2016. Servicer shall submit a final Quarterly Report for the last Quarter or portion thereof falling within the Term, and shall cooperate with the Monitor's review of said report and the Monitor's review and certification that Defendant has completed its consumer relief obligations, if not already certified, all of which shall be concluded no later than June 30, 2017, after which time Servicer shall have no further obligations under this Consent Judgment. However, the Court shall retain jurisdiction for purposes of enforcing or remedying any outstanding violations including any violations that are identified in the final Monitor Report and that have occurred but not been cured during the Term, and to enforce HSBC's consumer relief obligations, to the extent that the Monitor has not already certified that HSBC has satisfied its consumer relief obligations.

EXHIBIT I

This Exhibit I is an Addendum to Exhibits A, D and D-1

The Federal Parties, including the Consumer Financial Protection Bureau (the CFPB or Bureau), the State Parties, HSBC North America Holdings Inc. (“HNAH”), HSBC Bank USA, N.A. (“HBUS”), HSBC Finance Corporation (“HBIO”), and HSBC Mortgage Services Inc. (“HMSI”), on behalf of themselves and their current and former subsidiaries, as well as their direct and indirect parent companies, affiliates, and holding companies (collectively referred to herein as “HSBC” or the “HSBC Parties”) have agreed to enter into the Consent Judgment. HNAH, HBUS, HBIO, and HMSI are collectively referred to herein as the “Defendants.” Capitalized terms used herein but not defined herein have the meanings assigned to them in the relevant portion or exhibit of the Consent Judgment.

In addition to the terms agreed elsewhere in the Consent Judgment, the Parties agree to the following:

1. This Exhibit I amends and modifies the terms and provisions of Exhibits A, D, and D-1. To the extent that this Exhibit I and Exhibits A, D, or D-1 or other provisions of the Consent Judgment have inconsistent or conflicting terms and provisions, this Exhibit I shall be controlling and shall govern the agreement among the Parties. Whenever Exhibits A, D, or D-1 are referenced in this Exhibit I or elsewhere in the Consent Judgment and exhibits, it shall mean Exhibits A, D, or D-1 as amended and modified by this Exhibit I.
2. Pursuant to Paragraph 3 of the Consent Judgment, the Defendants shall pay a Direct Payment Settlement Amount of \$100,000,000, by electronic funds transfer, as required by Paragraph 3 of the Consent Judgment within seven days of the Date of Entry of the Consent Judgment.
3. The Defendants shall be responsible for \$320,000,000 in consumer relief as set forth in the Consumer Relief Requirements of Exhibit D as modified by this Exhibit I, credited pursuant to the terms of Exhibits D, and D-1 as amended and modified by this Exhibit. Defendants shall be responsible for an additional \$50,000,000 in consumer relief to consumers who meet the eligibility criteria in any of the forms described in Paragraph 1-9 of Exhibit D, as amended by Exhibit I, credited pursuant to the terms of Exhibits D, and D-1 as amended and modified by this Exhibit. The caps set forth in Exhibits D, D-1, and I, including the requirements of paragraph 10.c in Exhibit D, shall not apply to the additional \$50,000,000. However, a portion of this additional consumer relief shall include first lien principal write downs.
 - a. Notwithstanding anything to the contrary in the Consent Judgment or the Exhibits thereto, the Defendants, jointly and severally, will be obligated to make the payments specified in Paragraph 10.d of Exhibit D (Consumer Relief Requirements), in the event and to the extent that the Defendants, or their successors in interest, do not complete the Consumer Relief Requirements set forth in Exhibit D to the Consent Judgment, as amended by this Exhibit I.

- b. The releases contained in Exhibits F and G of the Consent Judgment shall become effective upon payment of the Direct Payment Settlement Amount by the Defendants. The United States and any State Party may withdraw from the Consent Judgment and declare it null and void with respect to that party and all released entities if the Consumer Relief Payments (as that term is defined in Exhibit F (Federal Release)) required under this Consent Judgment are not completed within the time specified and any payment required under Paragraph 10.d of Exhibit D to the Consent Judgment is not made within thirty days of written notice by the party.
4. In addition to the Consumer Relief Requirements of Exhibit D and in recognition of the fact that the HSBC Parties do not participate in the Home Affordable Modification Program or the Second Lien Modification Program (“2MP”) for their owned portfolios, the HSBC Parties may establish the HSBC Settlement Loan Modification Programs described in Sections 5 and 6 below for credit against the Consumer Relief Requirements set forth in Exhibit D (“HSBC Settlement Loan Modification Programs”).
5. The HSBC Parties are not required to participate in the refinancing program. Rather, the HSBC Parties have the option of earning credits against the Consumer Relief Requirements through the HSBC Settlement Loan Modification Programs which shall include the following:
 - a. Loan Modification Program (“LMP”): the Loan Modification Program may offer permanent modifications to borrowers who meet the eligibility criteria below.
 - i. The HSBC Parties may offer the Loan Modification Program to modify first liens of borrowers in the owned loan portfolios of the HSBC Parties and their affiliates (the “Loan Portfolio”) who meet the LMP Eligibility Criteria.
 - ii. LMP Eligibility Criteria. The LMP Eligibility Criteria are the following:
 - 1) The loan was originated prior to January 1, 2010;
 - 2) The borrower is current on his or her first lien at the time of the loan modification application;
 - 3) The borrower’s current interest rate is greater than or equal to 5.25% (including, but not limited to, mortgage loans that are interest-only and non-interest only); and
 - 4) The borrower’s LTV is greater than 80%.
 - iii. Offer of Relief. Borrowers meeting the LMP Eligibility Criteria may be offered a modification that includes a new fixed interest rate at or below the Primary Mortgage Market Survey Rate at the time of the modification:

- 1) The offered modified loan may have a new fixed rate either for the life of the loan, or for at least 5 years (60 months) only if PMMS is greater than the modified interest rate. For each year after the 5 years have expired the modified interest rate will be increased by 1% every year until the interest rate reaches the PMMS rate
 - 2) the minimum difference between the current interest rate and the offered interest rate under this program must be at least 100 basis points;
 - 3) minimum payment relief of at least \$100/month;
 - 4) no additional costs to the borrower; and
 - 5) if the borrower reaches the rate floor (2%), additional relief may be offered through a loan term extension, and if this is insufficient to achieve the targeted payment, through principal forbearance.
- iv. Credit. Credit for the LMP against the Defendants' obligation to provide Consumer Relief shall be calculated as the difference between the preexisting interest rate and the offered interest rate times UPB times a multiplier.
 - v. The multiplier set forth in the previous paragraph shall be as follows: If the new rate applies for the life of the loan, the multiplier shall be 8 for loans with a remaining term greater than 15 years, 6 for loans with a remaining term between 10 and 15 years and 5 for loans with a remaining term less than 10 years. If the new rate applies for 5 years, the multiplier shall be 5.
6. Second Lien Modification Program
- a. The HSBC Parties will receive credit for second lien loan modifications consistent with the terms outlined in Section 2.c of the Consumer Relief Requirements in Exhibit D, as amended in paragraph 9 below.
 - b. Credit. Credit for this Program against the Defendants' obligation to provide Consumer Relief shall be consistent with the crediting set forth in Section 2.c of the Consumer Relief Requirements in Exhibit D, as amended in paragraph 9 below.
7. Role of the Monitor
- a. Following entry of the Consent Judgment, the Monitor shall periodically review the HSBC Parties' compliance with this Exhibit to ensure compliance with the commitments made in the HSBC Settlement Loan Modification Programs. It shall be the responsibility of the Monitor to verify that the conditions set forth

herein have been satisfied, using methods consistent with Exhibit E of the Consent Judgment (Enforcement Provisions). The Monitor and the HSBC Parties shall work together in good faith to resolve any disagreements or discrepancies. In the event that a dispute cannot be resolved, the HSBC Parties may petition the Court for resolution in accordance with Section G of Exhibit E of the Consent Judgment (Enforcement Provisions).

- b. If the Monitor determines that the HSBC Parties have failed to substantially comply with the material terms set forth herein, he or she shall issue a Notice of Non-Compliance to the HSBC Parties detailing those areas of non-compliance. Such a Notice of Non-Compliance shall be enforced by the Monitor in accordance with the provisions regarding “Potential Violations and Right to Cure” in Exhibit E.

8. Representations and Warranties

- a. The HSBC Parties agree that, in the event of a transformative transaction involving the HSBC Parties, including, without limitation, a change of control transaction, a sale of all or substantially all of their assets or a reorganization or similar transaction (including in connection with any legal or regulatory proceeding) (a “Transformative Transaction”), the HSBC Parties will ensure the fulfillment of their Direct Payment Settlement Amount obligations and Borrower Payment Amount obligations set forth in the Consent Judgment and Exhibits B and C, as well as their consumer relief obligations set forth in Exhibit D, as amended by this Exhibit I.
- b. Exhibit A, Paragraph IX.B.2 is amended to read as follows: References to Servicer shall mean HBUS, HBIO, or HMSI, as appropriate. References to Servicer shall not include Servicer’s successors, assignees, or purchasers of Servicer’s assets. The provisions of this Agreement shall not apply to those affiliates, subsidiaries, divisions or business units of Servicer that are not engaged as a primary business in customer-facing servicing of residential mortgages on owner-occupied one-to-four family properties on its own behalf or on behalf of investors.

9. Other Matters.

Menu Items. With respect to Exhibit D and D-1 Table 1 “Credit Towards Settlement,” the following modification and amendments shall apply:

- i. For the sake of clarity, credit is also available for forgiveness of past corporate advances for taxes and deferred interest through a prior first lien modification or through a prior forbearance, provided that the borrower is current on the loan as of the date of forgiveness. In that instance credit will be provided as described in paragraph 1.ii of Exhibit D-1.
- ii. If the borrower is delinquent on a prior first lien modification that included

forbearance of corporate advances for taxes and deferred interest, credit is available only if these sums are capitalized and forgiven as part of a new modification under LMP or is comparable to HAMP. In that instance, such forgiveness can be credited in accordance with paragraph 1.i of Exhibit D-1.

- iii. In addition, all amounts eligible for “forgiveness of forbearance” credit will be restricted to any forbearance in place as of June 30, 2013.
- iv. Credit is also available where HSBC extinguishes the remainder of a first lien loan balance in full. Credit for such extinguishments of first liens against the Defendants' obligation to provide Consumer Relief shall be consistent with the crediting for principal reduction set forth under Paragraph 1 of Exhibit D-1 to the Consent Judgment.
- v. Credit is also available for consumer relief provided to borrowers with reverse mortgages in accordance with the following provisions:
 1. Borrowers whose loans are eligible for credit under this paragraph must be at least 30 days delinquent on their obligations to pay property charges, including real estate taxes and hazard insurance premiums, or otherwise qualify as being at imminent risk of default for failure to pay such property charges due to borrowers' financial situation;
 2. The mortgaged property must be the principal residence of at least one borrower or the borrower's spouse or relative, and the benefit must help that person retain homeownership;
 3. Credit under this paragraph is available for amounts HSBC reduces from the principal or accrued interest on the mortgage via waiver or permanent forgiveness of amounts advanced, or accrued from previous advances of property charges on the borrower's behalf; and
 4. Credit for a waiver or permanent forgiveness under this paragraph against the Defendants' obligation to provide Consumer Relief shall be consistent with the crediting for principal reduction set forth under Paragraph 1 of Exhibit D-1 to the Consent Judgment.
- vi. Exhibit D-1 is hereby amended to provide that all credit caps/minimum requirements listed in Exhibit D-1 Sections 1 and 2 are deleted and replaced by the following:
 - a. HSBC will provide a minimum of \$88 million in first lien principal write down (“PWD”) to its customers using modifications pursuant to the terms of Exhibit D, Paragraph 1.
 - b. HSBC will provide a minimum of \$104 million in the following categories:

- a. First lien PWD modifications pursuant to the terms of Exhibit D, Paragraph 1, as amended by this Exhibit I, to the extent HSBC does not count those modifications towards its \$88 million PWD requirement;
 - b. Second lien modifications/extinguishments pursuant to the terms of Exhibit D, Paragraph 2, as amended by this Exhibit I;
 - c. Forgiveness of forbearance pursuant to the terms of Exhibit I, Paragraphs 9.i – 9.iii;
 - d. LMP modifications pursuant to the terms of Exhibit I, Paragraph 5 not to exceed \$60 million, with any excess amounts creditable against Servicer's overall Consumer Relief obligation;
 - e. Extinguishment of loan balances pursuant to the terms of Exhibit I, Paragraph 9.iv; or
 - f. Extinguishment of reverse mortgages pursuant to the terms of Exhibit I, Paragraph 9.v. not to exceed \$15 million.
- vii. Exhibit D, Paragraph 1.c. is amended to read as follows: Eligible borrowers must be at least 30 days delinquent or otherwise qualify as being at imminent risk of default due to borrower's financial situation, including but not limited to, pre-modification DTI of greater than 31%.
 - viii. Exhibit D, footnote 3 is amended to read as follows: For the purposes of these guidelines, LTV may be determined in accordance with HAMP PRA as of July 1, 2013.
 - ix. Exhibit D, Paragraph 1.h. is amended to read as follows: In the event a Participating Servicer who owns the first lien mortgage contacts Servicer regarding a second lien mortgage that Servicer owns, Servicer will modify the second lien consistent with the treatment waterfall described below, as modified by Exhibit I, within a reasonable time to facilitate the modification of the first lien mortgage. Credit for such second lien mortgage write downs shall be credited in accordance with the second lien percentages and cap described in Table 1, Section 2, as amended by Exhibit I. Additionally, Servicer will modify first lien mortgages that qualify for its proprietary modification processes regardless of whether the owner of the second lien mortgage modifies the second lien.
 - x. Exhibit D, Paragraph 1.j.i. is amended to read as follows: Write-offs made to allow for refinancing under a third party FHA Short Refinance Program.
 - xi. Exhibit D, Paragraph 2.b. is amended to read as follows: A write-down of a second lien mortgage will be creditable where such write-down facilitates either (a) a first lien modification that involves an occupied Property for which the

borrower is 30 days delinquent or otherwise at imminent risk of default due to the borrower's financial situation including, but not limited to, pre-modification DTI of greater than 31%; or (b) a second lien modification that involves an occupied Property with a second lien which is at least 30 days delinquent, has a DTI greater than 10%, or otherwise at imminent risk of default due to the borrower's financial situation.

- xii. Exhibit D, Paragraph 2.c.i. is amended to read as follows: Servicer will receive credit for second lien loan modifications consistent with the following program:
- xiii. Exhibit D, Paragraph 2.c.i.1. is amended to read as follows: A write-down of a second lien mortgage will be creditable where the second lien modification meets the following criteria:
- xiv. Exhibit D, Paragraph 2.c.i.1.a is amended to read as follows: Minimum 30% payment reduction (principal and interest);
- xv. Exhibit D, Paragraph 2.c.i.1.c is deleted and replaced with the following: Loan amount is greater than \$5,000 Unpaid Principal Balance ("UPB");
- xvi. Exhibit D, Paragraph 2.c.i.1.d., as well as footnote 5, are deleted and replaced with the following: Current monthly payment is greater than \$100; and.
- xvii. Exhibit D, Paragraph 2.c.i.1. is amended to include sub-paragraph e which shall read as follows: Post-modification DTI¹ less than 10%.
- xviii. Exhibit D, Paragraph 2.c.i.2. is deleted in its entirety and replaced by the following: Credit for a write-down under Paragraph 2.c.i.1 will be creditable in accordance with Table 1, Section 2.
- xix. Exhibit D, Paragraph 2.c.i. is amended to include sub-paragraph 3. which shall read as follows: Servicer shall use the following payment waterfall:
- xx. Exhibit D, Paragraph 2.c.i., new sub-paragraph 3 is amended to include sub-paragraph a. which shall read as follows: Forgiveness equal to 35% UPB; then.
- xxi. Exhibit D, Paragraph 2.c.i. new sub-paragraph 3 is amended to include sub-paragraph b. which shall read as follows: Reduce interest rate to 2% ("modified rate"). If the modified rate is greater than the PMMS (Freddie Mac's Primary Mortgage Market Survey rate) at the time of the modification decision then the modified rate is the new rate for the life of the loan. If PMMS is greater than the modified rate then the modified interest rate will be fixed for 5 years (60 months) and for each year after five years the modified rate will be increased 1% every year, until the interest rate reaches the lower of the PMMS rate at the

¹ DTI is equal to current principal and interest payment of 2nd lien debt only divided by the gross income of all borrowers on the note.

time of the modification decision or the original rate of the loan; then.

- xxii. Exhibit D, Paragraph 2.c.i. new sub-paragraph 3 is amended to include sub-paragraph c. which shall read as follows: If after reducing the interest rate to 2% the borrower's DTI is greater than 10% then the remaining loan term will be increased in units of 1 month until the target monthly payment is achieved (10%DTI) or 480-month loan term, from the date the modification decision is reached (whichever comes first).]
- xxiii. Exhibit D, Paragraph 2.d.ii. is amended to read as follows: Second lien write-downs or extinguishments completed under proprietary modification programs, are eligible, provided they follow the payment waterfall as set forth in 2.c. above, as amended by Exhibit I.
- xxiv. Exhibit D, Paragraph 2.e. is amended to read as follows: Extinguishing balances of second liens to support the future ability of individuals to become homeowners (including short pay-offs to facilitate third party refinances) will be credited based on applicable credits in Table 1.
- xxv. Exhibit D, Paragraph 4.a. is amended to read as follows: As described in the preceding paragraph, Servicer may receive credit for providing incentive payments for borrowers on or after Servicer's Start Date who are eligible and amenable to accepting such payments in return for a dignified exit from a Property via a short sale, to remain in the property via a short payoff, or other similar programs. Credit shall be provided in accordance with Table 1, Section 3.i.
- xxvi. Exhibit D, Paragraph 8.c. is deleted entirely.
- xxvii. Exhibit D, Paragraph 9 is deleted entirely, as well as all other references in Exhibit D to the refinancing program described in Exhibit D, Paragraph 9.
- xxviii. Exhibit D, Paragraph 10.a. is amended to read as follows: For the consumer relief activities imposed by this Agreement, Servicer shall be entitled to receive credit against Servicer's outstanding settlement commitments for activities taken on or after Servicer's start date, July 1, 2013 (such date, the "Start Date").
- xxix. Exhibit D, Paragraph 10.b. is amended to read as follows: Servicer shall receive an additional 25% credit against Servicer's outstanding settlement commitments for any first or second lien principal reduction within 12 months of Servicer's Start Date including, but not limited to, waiver of deferred interest (e.g., a \$1.00 credit for Servicer activity would count as \$1.25).

ATTACHMENT 2

IRG Assertion

See attached.

IRG Assertion

I am the Manager of the Internal Review Group of HSBC. To the best of my knowledge, after undertaking reasonable due diligence, I certify that the Consumer Relief Report of Servicer for the period ending Sept 30, 2016 and the outcomes of the Satisfaction Review are based on a complete and accurate performance of the Work Plan by the IRG. This IRG Assertion is given to the Monitor, as identified in the Consent Judgment, pursuant to Section C.7 and D.1 of Exhibit E to the Consent Judgment (Enforcement Terms) and Section I.B.4 and Section III of the Work Plan.

HSBC implemented 75% of the Total Consumer Relief Requirement of \$370MM on or before 6/30/15.

IRG Manager: Jyoti R. Nigam

IRG Manager Signature:

Date: Nov 15, 2016.

Consumer Relief		Current Quarter	Reported to Date
See Note 1			
Reported Credits through 09/30/2016			
<i>\$s in Millions</i>		<i>\$ Credit</i>	<i>\$ Credit</i>
	First Lien Modifications	\$214,614,827.84	\$214,614,827.84
	Second Lien Modifications	\$ -	\$ -
	Forgiveness of Forbearance	\$7,986,483.33	\$7,986,483.33
	Other Programs (see Note 2)	\$ -	\$ -
	i. Other – Short Sales/Deed-in-Lieu	\$148,473,978.74	\$148,473,978.74
	ii. Other – All Except Short Sales/Deed-in-Lieu	\$ -	\$ -
	Total Consumer Relief	\$371,075,289.91	\$371,075,289.91

Notes:									
1) This report reflects Consumer Relief Credits calculated as required in Appendix D. Actual consumer benefit is reflected in Schedule Y.									
2) Other Programs include the following:									
a.	Enhanced Borrower Transition Funds Paid by Servicer (excess of \$1,500)								
b.	Short Sales/Deed in Lieu								
c.	Servicer Payments to Unrelated 2nd Lien Holder for Release of 2nd Lien								
d.	Forbearance for Unemployed Borrowers								
e.	Anti-Blight								
	i.	Forgiveness of Principal Associated with a Property When No FCL							
	ii.	Cash Costs Paid by Servicer for Demolition of Property							
	iii.	REO Properties Donated							
f.	Deficiency Waivers								