

Office of
Mortgage Settlement
Oversight

*Update on HSBC's
Compliance*

A Report from the Monitor of the National Mortgage Settlement



June 7, 2017

Executive Summary

The following is an overview of the compliance report I have filed with the United States District Court for the District of Columbia as Monitor of the National Mortgage Settlement (NMS or Settlement).

This report details my review of HSBC's performance on the Settlement's servicing standards. This report is a summary of the servicer's performance through the end of 2016.

I have concluded that HSBC did not fail any metrics for the third and fourth quarters of 2016 and has satisfied its obligations under the Settlement.

Sincerely,



Joseph A. Smith, Jr.

Introduction

As required by the Settlement, I filed a compliance report with the United States District Court for the District of Columbia (the Court) for a servicer subject to the Settlement: HSBC.

The report I filed contains the results of the testing of HSBC's compliance with the NMS servicing standards for the third and fourth quarter of 2016. This is the second compliance report for HSBC. Copies of both reports are available on my website, mortgageoversight.com.

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As Monitor, I evaluate HSBC using the 34 metrics, or tests, enumerated in the Settlement. These metrics determine whether the servicers adhere to the 304 servicing standards, or rules, contained in the NMS.

To evaluate HSBC's compliance, I work with a team of professionals. HSBC and my professionals follow a work plan in which an internal review group (IRG) made up of HSBC personnel who are independent of its mortgage servicing operation determines whether HSBC has complied with the Settlement terms. My professionals and I then review the work of the IRG. On the basis of this review, I determine if the IRG's work was satisfactory and report my findings to the Court and the public. For more information about the oversight and review process, please see my [previous reports](#).

This report covers the third and fourth quarters of 2016. For this period, HSBC was tested on up to 34 metrics.

The work to test the servicer in the third and fourth quarters of 2016 involved 32 professionals, including my primary professional firms, secondary professional firms and other professionals who dedicated approximately 12,815 hours over six months.



HSBC Results

Neither HSBC's IRG nor my professionals found evidence of fails of any of the metrics tested in the third and fourth quarters of 2016.

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The Monitor's Secondary Professional Firm (SPF) assigned to HSBC, RSM US LLP, tested the IRG's work on 28 metrics during the third quarter of 2016 and 25 metrics during the fourth quarter of 2016. This chart illustrates the results of the IRG's tests.									
METRIC NAME	METRIC NUMBER	TEST PERIOD	THRESHOLD ERROR RATE	RESULT (ERROR RATE IF FAILED)	METRIC NAME	METRIC NUMBER	TEST PERIOD	THRESHOLD ERROR RATE	RESULT (ERROR RATE IF FAILED)
Foreclosure sale in error	1 (1.A)	Q3 2016	1.00%	Pass	Complaint response timeliness	18 (6.A)	Q3 2016	5.00%	X***
		Q4 2016	1.00%	X***			Q4 2016	5.00%	X***
Incorrect modification denial	2 (1.B)	Q3 2016	5.00%	Pass	Loan modification document collection timeline compliance	19 (6.B.i)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Affidavit of Indebtedness (AOI) preparation	3 (2.A)	Q3 2016	5.00%	Pass	Loan modification decision/notification timeline compliance	20 (6.B.ii)	Q3 2016	10.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	10.00%	Pass
Proof of Claim (POC)	4 (2.B)	Q3 2016	5.00%	Pass	Loan modification appeal timeline compliance	21 (6.B.iii)	Q3 2016	10.00%	Pass
		Q4 2016	5.00%	X***			Q4 2016	10.00%	Pass
Motion for Relief from Stay (MRS) affidavits	5 (2.C)	Q3 2016	5.00%	X***	Short Sale decision timeline compliance	22 (6.B.iv)	Q3 2016	10.00%	Pass
		Q4 2016	5.00%	X***			Q4 2016	10.00%	Pass
Pre-foreclosure initiation	6 (3.A)	Q3 2016	5.00%	Pass	Short Sale document collection timeline compliance	23 (6.B.v)	Q3 2016	5.00%	X***
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	X***
Pre-foreclosure initiation notifications	7 (3.B)	Q3 2016	5.00%	Pass	Charge of application fees for loss mitigation	24 (6.B.vi)	Q3 2016	1.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	1.00%	Pass
Fee adherence to guidance	8 (4.A)	Q3 2016	5.00%	Pass	Short Sale inclusion notice for deficiency	25 (6.B.vii.a)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Adherence to customer payment processing	9 (4.B)	Q3 2016	5.00%	Pass	Dual track referred to foreclosure	26 (6.B.viii.a)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Reconciliation of certain waived fees	10 (4.C)	Q3 2016	5.00%	Pass	Dual track failure to postpone foreclosure	27 (6.B.viii.b)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Late fees adherence to guidance	11 (4.D)	Q3 2016	5.00%	Pass	Force-placed insurance timeliness of notices	28 (6.C.i)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Third-party vendor management	12 (5.A)	Q3 2016	N/A	Pass	Force-placed insurance termination	29 (6.C.ii)	Q3 2016	5.00%	Pass
		Q4 2016	N/A	Pass			Q4 2016	5.00%	Pass
Customer portal	13 (5.B)	Q3 2016	N/A	Pass	Loan modification process	30 (7.A)	Q3 2016	5.00%	Pass
		Q4 2016	N/A	Pass			Q4 2016	5.00%	Pass
Single Point of Contact (SPOC)	14 (5.C)	Q3 2016	5.00%*	Pass	Loan modification denial notice disclosure	31 (7.B)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%*	Pass			Q4 2016	5.00%	Pass
Workforce management	15 (5.D)	Q3 2016	N/A	X**	SPOC implementation and effectiveness	32 (7.C)	Q3 2016	5.00%	Pass
		Q4 2016	N/A	X**			Q4 2016	5.00%	Pass****
Affidavit of Indebtedness (AOI) integrity	16 (5.E)	Q3 2016	N/A	X**	Billing statement accuracy	33 (7.D)	Q3 2016	5.00%	Pass
		Q4 2016	N/A	X**			Q4 2016	5.00%	Pass
Account status activity	17 (5.F)	Q3 2016	N/A	X**	Disclosure of Personally Identifiable Information in POC	34 (2.D)	Q3 2016	3.00%	Pass
		Q4 2016	N/A	X**			Q4 2016	3.00%	X***

* Test question 4 only. ** Policy and procedure metric that is tested once a year. *** The eligible population was less than 100 loans. N/A: The threshold error rate not applicable. X: Metric was not tested in that specific test period. **** The eligible population was less than 100 testable loans. In accordance with Exhibit E.1, the Metric was excluded from year-level testing for the fourth calendar quarter. However, the IRG evaluated the policy and procedure questions regarding the SPOC program and reported that Metric 12 was a Pass.

Appendix i

See **Appendix i** for larger version

Conclusion

HSBC has completed its obligations to the National Mortgage Settlement. Therefore, this is my final report for this servicer. HSBC will continue to remain accountable to servicing-related rules issued and enforced by the CFPB.

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