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BREAKING: HSBC Will Pay \$470M In Federal-State Mortgage Case

By **Evan Weinberger**

Law360, New York (February 5, 2016, 12:13 PM ET) -- HSBC Holdings PLC on Friday agreed to pay \$470 million to resolve state and federal claims that it committed abuses in its mortgage origination, servicing and home foreclosure operations.



HSBC has committed to providing \$370 million in relief to help troubled borrowers, and \$100 million that will be paid out to homeowners who were foreclosed upon between 2008 and 2012. (Credit: AP)

The deal HSBC reached with the U.S. Department of Justice, the Consumer Financial Protection Bureau, the U.S. Department of Housing and Urban Development, the Federal Reserve and 49 states mirrors the terms first put forward in the **\$25 billion national mortgage settlement in 2012** as well as a subsequent **\$1 billion settlement** with SunTrust Mortgage Inc. in 2014.

The settlement with HSBC covers much of that same ground as well, after regulators turned up evidence of robo-signing, foreclosure abuses and shoddy mortgage servicing practices at HSBC during and after the financial crisis.

HSBC committed to providing \$370 million in consumer relief that will primarily go toward lowering the principal on mortgages at risk of default and lowering interest rates on other mortgages, among other forms of help to troubled borrowers, and \$100 million that will be paid out to homeowners who were foreclosed upon between 2008 and 2012.

The British bank and its American units also agreed to reform their mortgage servicing practices in ways that match what the other banks agreed to in the earlier settlements.

The DOJ, HUD and CFPB said that the settlement includes new rules to prevent robo-signing, poor documentation and lost paperwork, among other practices that led to the bank's history of noncompliance.

The new standards say that foreclosure must be a last resort and HSBC is restricted from foreclosing while the homeowner is applying for a loan modification, and also includes rules governing timelines and rights for the loan modification process.

"The settlement announced today is a joint partnership that will create tough new servicing standards that will ensure fair treatment for HSBC's borrowers and provide relief to customers across New York State and across the country," New York Attorney General Eric T. Schneiderman, one of the co-chairs of President Barack Obama's Financial Fraud Enforcement Task Force Residential Mortgage-Backed Securities Working Group, said in a statement.

Representatives for HSBC could not immediately be reached for comment.

A consent agreement will be filed in the U.S. District Court for the District of Columbia, the Justice Department said.

It is unclear at this point whether HSBC admitted to any of the harmful practices, although SunTrust did in its settlement.

No individuals were named in the settlement despite a recent Justice Department memo requiring prosecutors to seek to hold individuals accountable for corporate malfeasance. HSBC said in securities filings that it had been in negotiations with the Justice Department and the other agencies prior to the release of Deputy Attorney General Sally Quillian Yates' memorandum on holding individuals accountable.

HSBC's progress in meeting the settlement's terms will be subject to the same outside monitor as the other banks that have reached similar mortgage settlements.

--Editing by Rebecca Flanagan.

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