



February 5, 2016

**MADIGAN ANNOUNCES \$470 MILLION NATIONAL SETTLEMENT WITH HSBC*****Joint State-Federal Settlement Over Mortgage Origination, Servicing & Foreclosure Abuses Will Provide Loan Modifications & Cash Payments to Borrowers***

**Chicago** — Attorney General Lisa Madigan today announced a \$470 million joint state-federal settlement with mortgage lender and servicer HSBC to resolve allegations that the company engaged in mortgage origination, servicing and foreclosure abuses.

The settlement will provide direct cash payments to Illinois borrowers for past foreclosure abuses, and loan modifications for borrowers in need of assistance. The agreement will also implement mortgage servicing standards to prevent future abuses by HSBC.

Madigan reached the settlement with 48 other state attorneys general, the District of Columbia, the U.S. Department of Justice (DOJ), the U.S. Department of Housing and Urban Development (HUD), and the Consumer Financial Protection Bureau (CFPB).

"The settlement with HSBC will provide loan refinancing and direct payments to borrowers who were the victims of the bank's fraudulent conduct," Madigan said. "This settlement is part of my ongoing work to hold banks and servicers accountable for abuses that affected many Illinois homeowners struggling to save their homes."

**HSBC Agreement Closely Mirrors National Mortgage Settlement**

The agreement's mortgage servicing terms largely mirror the 2012 National Mortgage Settlement (NMS) reached in February 2012 between the federal government, Madigan and 48 other state attorneys general and the country's five largest national mortgage servicers. That agreement has provided consumers nationwide with more than \$50 billion in direct relief, created tough new servicing standards, and implemented independent oversight. Similar joint state-federal agreements have also been entered with SunTrust Mortgage Inc. and Ocwen Financial Corporation for a total of \$3 billion.

**Loan Modifications**

Borrowers will receive an estimated \$370 million in loan modifications or other relief under the settlement, of which an estimated \$9 million will go to Illinois borrowers. The modifications include principal reductions and refinancing for underwater mortgages. Because HSBC will receive only partial settlement credit for many types of loan modifications, the settlement will provide relief to borrowers that will exceed the overall minimum amount.

**Payments to Borrowers**

Illinois borrowers will receive an estimated \$2 million in cash payments under the settlement. Borrowers whose loans were serviced by HSBC and who encountered servicing abuses and lost their homes to foreclosure from Jan. 1, 2008 through Dec. 31, 2012 will be eligible for a payment. The payment amount will depend on how many borrowers file claims. Eligible borrowers will be contacted about how to submit a claim for payments.

**New Mortgage Servicing Standards**

The settlement also requires HSBC to change how it services mortgage loans, handles foreclosures, and ensures the accuracy of information provided in federal bankruptcy court. These new standards will prevent past foreclosure abuses, such as robo-signing and improper documentation.

Under the standards, HSBC must:

- Make foreclosure a last resort by first requiring HSBC to evaluate homeowners for other loss mitigation options;
- Restrict foreclosure while the homeowner is being considered for a loan modification;

- Implement new procedures and timelines for reviewing loan modification applications;
- Allow homeowners the right to appeal denials; and
- Require a single point of contact for borrowers seeking information about their loans and maintaining adequate staff to handle calls.

**Independent Monitor**

The National Mortgage Settlement’s independent monitor, Joseph A. Smith Jr., will oversee HSBC’s compliance with this agreement. As part of this work, Smith will oversee implementation of the servicing standards required by the agreement and issue public reports that identify whether HSBC complied or fell short of the standards imposed by the settlement.

The agreement will be filed as a consent judgment in the U.S. District Court for the District of Columbia.

Bureau Chief Susan Ellis and Assistant Attorney General Andrew Dougherty handled the case for Madigan’s Consumer Fraud Bureau.

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