
HSBC reaches \$470M deal with US, states over banking abuses

Posted: Feb 5, 2016 / 06:02 PM EST
Updated: Feb 5, 2016 / 06:02 PM EST

SHARE



WASHINGTON (AP) — Banking giant HSBC has reached a \$470 million settlement with the federal government and nearly all states over mortgage lending and foreclosure abuses that officials say helped intensify the country’s economic meltdown, the Justice Department announced Friday.

The agreement requires the bank to pay \$100 million and to provide an additional \$370 million in consumer relief to borrowers and homeowners, including by reducing mortgage interests rates as well as the principal on mortgages for homeowners who are at risk of default.

The deal also requires the bank to improve standards for how it services loans and handles foreclosures.

Officials say those changes are intended to discourage past banking practices, such as robo-signing and poor-quality loans, that exacerbated a financial crisis starting in 2007 in which millions of Americans lost their homes to foreclosure. In a 2013 deal with the Federal Reserve and the Office of the Comptroller, HSBC agreed to pay \$249 million to settle federal complaints that its U.S. division wrongfully foreclosed on homeowners who should have been allowed to stay in their homes.

“This settlement illustrates the department’s continuing commitment to ensure responsible mortgage servicing,” Benjamin Mizer, head of the Justice Department’s Civil Division, said in a statement. “The agreement is part of our ongoing effort to address root causes of the financial crisis.”

The settlement involves the departments of Justice and Housing and Urban Development, and the Consumer Financial Protection Bureau. Attorneys general from 49 states plus the District of Columbia signed on.

The \$100 million payment will go to the federal government and to an escrow fund administered by the states to make payments to borrowers who lost their homes to foreclosure between 2008 and 2012. The \$370 million in relief to homeowners already is underway, the Justice Department said.

Even so, the settlement did little to allay public criticism that the Justice Department has been soft on banking abuses and has not targeted individuals responsible for the crisis.

Bartlett Naylor, a financial policy advocate at Public Citizen, a watchdog and advocacy group, said a “strongly written press release is no substitute for true justice.”

“There must be human beings involved,” said Naylor, who argued that the Justice Department was overinflating the impact and benefit of the HSBC deal. “This can’t be yet another immaculate fine, where the government alleges widespread fraud and yet no individual was responsible.”

An independent monitor will also be appointed to oversee the bank’s compliance with the settlement terms.

Follow Eric Tucker on Twitter at <http://www.twitter.com/etuckerAP>

Copyright 2016 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.