

# **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 DTI<sup>1</sup> 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

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<sup>1</sup> 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).