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28 September 2011

[REDACTED]
[REDACTED]
HSBC Bank USA, N.A.

[REDACTED]
New York, NY 10018

**Foreclosure Review in response to Consent Order issued to HSBC Bank USA, N.A.
by the Office of the Comptroller of the Currency**

Dear [REDACTED]

This letter ("Agreement") confirms the engagement by HSBC Bank USA, N.A. (the "Bank") of Ernst & Young LLP ("E&Y"). E&Y will conduct a review of certain mortgage foreclosure matters (the "Foreclosure Review") as required by the Consent Order issued by the Office of the Comptroller of the Currency ("OCC") in relation to certain residential mortgage loan servicing practices (the "Order"). This Agreement sets forth the terms pursuant to which the Foreclosure Review will be conducted in accordance with the Order, the guidance set forth in the memorandum entitled "OCC, OTS and Federal Reserve Board Foreclosure Review Guidance" provided to the Bank at a May 20, 2011 interagency meeting, the guidance set forth in the memorandum entitled "OCC and FRB Guidance - Financial Injury or Other Remediation" provided to the Bank on August 29, 2011 and such further guidance as may be provided by the OCC during the course of the Foreclosure Review (collectively the "Foreclosure Review Guidance"). The Bank has instructed E&Y to accept direction, control, supervision and oversight of its Services (as defined in the Agreement) from the OCC which will be acting as the designee of the Bank for these purposes, provided, however, that E&Y will keep the Bank informed of any OCC comments, directions or instructions and that any directions or instructions that would change the services to be provided by E&Y shall be documented in an amendment to the Agreement. (Please note that defined terms used herein and not otherwise defined shall have the meanings ascribed to them in the Order).

Independence of Consultant conducting Foreclosure Review

E&Y has been retained to conduct an independent review of certain residential foreclosure actions regarding individual borrowers with respect to the Bank's mortgage servicing portfolio. E&Y agrees that the Foreclosure Review will comply with all requirements set forth in Article VII of the

Consent Order issued to the Bank on April 13, 2011, and that it will conduct the Foreclosure Review as separate and independent from any review, study, or other work performed by the Bank or its contractors or agents with respect to the Bank's mortgage servicing portfolio or the Bank's compliance with other requirements of the Consent Order, as set forth below:

1. Conduct of the Foreclosure Review by the E&Y shall not be subject to direction, control, supervision, oversight, or influence by the Bank, its contractors or agents. E&Y shall immediately notify the OCC of any effort by the Bank, directly or indirectly, to exert any such direction, control, supervision, oversight, or influence over the Independent Consultant, its contractors or agents.
2. E&Y agrees that it is solely responsible for the conduct and results of the findings required by the Foreclosure Review, in accordance with the requirements of Sections 3(a) through (h) of Article VII of the Consent Order that do not require legal determinations or analyses, which are to be provided separately by a law firm to be engaged by the Independent Consultant, subject to OCC approval.
3. The conduct of the Foreclosure Review shall be subject to the monitoring, oversight, and direction of the OCC. E&Y agrees to promptly comply with all written comments, directions, and instructions of the OCC concerning the conduct of the Foreclosure Review, and that it will promptly provide any documents, workpapers, materials or other information requested by the OCC, regardless of any claim of privilege or confidentiality.
4. E&Y agrees to provide regular progress reports, updates and information concerning the conduct of the Foreclosure Review to the OCC, as directed by the OCC.
5. E&Y will conduct the Foreclosure Review using only personnel employed or retained by E&Y to perform the work required to complete the Foreclosure Review. E&Y shall not employ or use services provided by Bank employees, or contractors or agents retained by the Bank with respect to the Consent Order or with respect to matters addressed in the Consent Order, in order to conduct the Foreclosure Review, except where the OCC specifically provides prior written approval to do so.
6. Subject to the requirements and restrictions of no. 5 above, including the requirement of specific approval by the OCC, E&Y may utilize documents, materials or other information provided by the Bank, and may communicate with the Bank, its contractors or agents, in order to conduct the Foreclosure Review. For example, E&Y may communicate with HSBC employees to obtain clerical assistance, to determine if information provided is complete or accurate, to verify or confirm information concerning specific case files, or to communicate with HSBC employees regarding case files such that errors or omissions may be brought to the Independent Consultant's attention; however, HSBC employees may not influence or attempt to influence determinations concerning the findings of the Independent Consultant, whether regarding specific case files, categories of cases, or the Foreclosure Review more generally.
7. E&Y agrees that any legal advice needed in conducting the Foreclosure Review shall be obtained

from the outside law firm whose retention for that purpose has been approved by the OCC. E&Y agrees not to obtain legal advice (or other professional services) in conducting the Foreclosure Review from the Bank's inside counsel, or from outside counsel retained by the Bank or its affiliates to provide legal advice concerning the Consent Order or matters contained in the Consent Order.

8. The Bank's agreement with E&Y must provide that if the OCC determines, in its sole discretion, that E&Y has not been fully compliant with the foregoing standards (nos. 1-7, above), the OCC may direct the Bank to dismiss E&Y and retain a successor consultant, in which case the Bank shall have no further obligation to E&Y other than for services performed up to that date for the Bank.

Scope of Services

The Order specifies that the Bank shall retain an independent consultant acceptable to the OCC to conduct a Foreclosure Review. HSBC has selected E&Y in light of its experience in the field of financial services generally and its experience in conducting objective reviews of loans and other criteria and information similar to the review that is contemplated in the Order. In order to preserve applicable attorney-client, work product or similar privileges or doctrines as more fully described below, the services of E&Y (the "Services") will be performed at the request of [REDACTED] of the Bank with respect to the Order and at the direction of the OCC. As further described in the Order, the Foreclosure Review shall include an independent review by E&Y of certain residential foreclosure actions or proceedings (including foreclosures that were in process or completed) for loans serviced by the Bank, whether brought in the name of the Bank, the investor, the mortgage note holder, or any agent for the mortgage note holder (including MERS), that have been pending at any time from January 1, 2009 to December 31, 2010, as well as residential foreclosure sales that occurred during this time period.

The Services will be performed by E&Y following the requirements and guidance for engagements issued by the American Institute of Certified Public Accountants ("AICPA") Statements on Standards for Consulting Services, including Article 4 of the Code of Professional Conduct, which requires objectivity - the obligation to be impartial, intellectually honest, and free of conflicts of interest. Additionally, in the performance of any professional service, Section 102 of the AICPA Code of Conduct, requires that each member maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.

Further, under the AICPA requirements, the Services and related reporting will be limited to providing a detailed description of the test steps performed, the test criteria included in each of the test steps, and the findings from the testing. Consistent with the AICPA consulting standards, no opinion or other assurances will be provided by E&Y in connection with this engagement.

The Order specifies that the purpose of the Foreclosure Review shall be to determine, at a minimum:

(a) whether at the time the foreclosure action was initiated or the pleading or affidavit filed (including in bankruptcy proceedings and in defending suits brought by borrowers), the foreclosing party or agent of the party had properly documented ownership of the promissory note and mortgage (or deed of trust) under relevant state law, or was otherwise a proper party to the action as a result of agency or similar status;

(b) whether the foreclosure was in accordance with applicable state and federal laws, including but not limited to the Servicemembers Civil Relief Act (“SCRA”) and the U.S. Bankruptcy Code;

(c) whether a foreclosure sale occurred when an application for a loan modification or other Loss Mitigation was under consideration; when the loan was performing in accordance with a trial or permanent loan modification; or when the loan had not been in default for a sufficient period of time to authorize foreclosure pursuant to the terms of the mortgage loan documents and related agreements;

(d) whether, with respect to non-judicial foreclosures, the procedures followed with respect to the foreclosure sale (including the calculation of the default period, the amounts due, and compliance with notice periods) and post-sale confirmations were in accordance with the terms of the mortgage loan and state law requirements;

(e) whether a delinquent borrower’s account was only charged fees and/or penalties that were permissible under the terms of the borrower’s loan documents, applicable state and federal law, and were reasonable and customary;

(f) whether the frequency that fees were assessed to any delinquent borrower’s account (including broker price opinions) was excessive under the terms of the borrower’s loan documents, and applicable state and federal law;

(g) whether Loss Mitigation Activities with respect to foreclosed loans were handled in accordance with the requirements of the HAMP, and consistent with the policies and procedures applicable to the Bank’s proprietary loan modifications or other loss mitigation programs, such that each borrower had an adequate opportunity to apply for a Loss Mitigation option or program, any such application was handled properly, a final decision was made on a reasonable basis, and was communicated to the borrower before the foreclosure sale; and

(h) whether any errors, misrepresentations, or other deficiencies identified in the Foreclosure Review resulted in financial injury to the borrower or the mortgagee.

The making of determinations, analysis and conclusions regarding each of the criteria specified in the Order requires the retention of an outside advisor that is in a position to make the determinations, analysis and conclusions regarding legal matters and issues affecting each of the criteria noted above. A law firm familiar with the applicable laws, rules and regulations, including those concerning foreclosure, the SCRA, and the U.S. Bankruptcy Code, can legally provide determinations, draw conclusions and make legal interpretations regarding compliance with such

applicable laws, rules and regulations and provide legal interpretations regarding the criteria noted above.

E&Y is not a law firm and is not permitted to provide legal services in the United States under state laws and regulations governing the practice of law. As a result, E&Y will directly engage the law firm of Gibson Dunn & Crutcher LLP (the "Law Firm"). The Law Firm will be solely responsible for providing the legal conclusions, analyses and interpretations required under the Order. The Law Firm will also assist E&Y in establishing the specific and objective criteria that will be used for testing, with reviewing the results of the testing (findings), with reviewing the findings E&Y brings to the Law Firm's attention as requiring legal interpretation, and by providing such other procedures as may be necessary to enable E&Y and the Law Firm, respectively, to report on each of the criteria noted above. E&Y and the Bank acknowledge and agree that the Law Firm will be engaged to assist E&Y as set forth in this Agreement and that the Law Firm will not be engaged to be an advocate on behalf of the Bank regarding the Order. The engagement letter between E&Y and the Law Firm shall include a provision to that effect. The Bank further confirms the Law Firm has not been retained by the Bank to act as, and the Law Firm has not acted as, an advocate on behalf of the Bank regarding the Order. E&Y will not provide any Service that constitutes the practice of law and will not oversee, or have any responsibility for, the legal services provided by the Law Firm.

The Order specifies the independent consultant shall prepare a written report detailing the findings of the Foreclosure Review that shall be submitted to the OCC, in accordance with the Order. Because E&Y is not a law firm and is not permitted to provide legal services, a single Foreclosure Report cannot be issued by E&Y. Rather, consistent with the approach outlined above, two separate and distinct reports (that can be included within the same document) will be issued as follows (collectively, the "Foreclosure Reports"):

- a. Findings report provided by E&Y; and
- b. Report provided by the Law Firm containing the legal analysis and findings required by the Order.

With respect to findings as to whether any identified errors, misrepresentations, or other deficiencies resulted in financial injury to the borrower or the mortgagee, the OCC has provided Guidance on Financial Injury or Other Remediation dated August 29, 2011 which will be considered by E&Y in connection with its work. E&Y's consideration of this guidance is subject to the terms and conditions of this Agreement, including specifically that E&Y will not provide any Service that constitutes the practice of law and will not oversee, or have responsibility for, the legal services provided by the Law Firm as specifically relating to financial injury. Accordingly, whether financial injury exists in a particular case will be subject to legal interpretation by the Law Firm and evaluation and quantification by E&Y. Moreover, as described in the Order and confirmed in the Foreclosure Review Guidance, notwithstanding any findings of E&Y concerning financial injury, the Bank is responsible for submitting a plan to compensate or remediate financially injured borrowers and E&Y assumes no responsibility for this task.

See Appendix C for more information regarding the Foreclosure Review methodology.

See Appendix D for the engagement letter between E&Y and the Law Firm.

Confidentiality & Privilege

E&Y acknowledges that the Services for which it is engaged are highly confidential. To enable E&Y to carry out its responsibilities, and subject to the restrictions of no. 7 on page 2 hereof, the Bank's

[REDACTED] (collectively "Counsel") may need to disclose to E&Y their legal theories, as well as other privileged information and attorney work product, and the Bank, its employees, representatives or agents may need to disclose to E&Y information. In connection with E&Y's provision of Services, E&Y may need to collect information from or on behalf of the Bank, including, without limitation, the Order, supervisory letters and other confidential supervisory information. E&Y shall treat all information pertaining to the provision of Services, whether provided to E&Y by or on behalf of the Bank, or collected or compiled by E&Y, as confidential (collectively, the "Confidential Information"). E&Y further acknowledges that some of the Confidential Information, including but not limited to the Order and supervisory letters, consists of confidential supervisory information that is the property of the OCC. E&Y hereby agrees that it will not disclose the existence or content of the Order or any other confidential supervisory information provided by or on behalf of the Bank to E&Y except as authorized by OCC regulations or as required in the Order. E&Y is aware of the requirements of 12 C.F.R. 4.37(b)(2), and agrees to abide by the prohibitions on the dissemination of non-public OCC information contained in 12 C.F.R. Part 4 and further agrees not to use non-public OCC information for any purpose other than as provided for in this Agreement. Any and all written and oral communications between E&Y or its agents and representatives and the Bank or its agents or representatives regarding the subject matter of this Agreement and the Services performed hereunder, and any and all records, documents and work papers regarding the same, shall be treated as confidential and, with the exception of disclosure to the OCC and the Law Firm, shall not be disclosed to anyone outside of E&Y, either during or after the period of this engagement, without prior written consent of the Bank, except as may be required by law, regulation, or judicial or administrative process, or in accordance with applicable professional standards. E&Y will require any third party it retains in connection with the performance of the Services, including the Law Firm to treat Confidential Information and other privileged information in accordance with the terms of this Agreement. In the event that E&Y determines that a disclosure may be required by law, regulation, or judicial or administrative process, E&Y shall, unless prohibited by law, provide prompt notice to the Bank so that the Bank may take steps to protect its interest. E&Y shall reasonably cooperate with any effort by the Bank to protect its interests, including, where possible, filing documents under seal and seeking entry of a protective order to limit disclosure.

The Bank authorizes E&Y executives at the Partner, Principal and Executive Director levels to periodically meet with the OCC upon request by the OCC. However, if any person, entity, or regulatory authority (other than the OCC) seeks to obtain any material or information within E&Y's possession, custody and control concerning this Agreement or the Services performed hereunder,

E&Y shall, where practical and where permitted by law, promptly inform the Bank before taking any action or making any decision regarding the request, so that the Bank may seek to defend the disclosure. E&Y will obtain a similar commitment from the Law Firm. The Bank agrees to pay any costs reasonably incurred by E&Y or the Law Firm, including reasonable attorney's fees, in the course of resisting such a request, as and when such costs are incurred. In addition, it is agreed that all working papers and other documents prepared by E&Y pursuant to this Agreement are the property of E&Y. E&Y will provide, upon the Bank's request, access to such work papers upon the completion of the Foreclosure Review and issuance of the Foreclosure Reports.

Although E&Y has made no independent inquiry or determination with respect thereto, E&Y acknowledges (a) that the Services, the Foreclosure Reports, Reports (as defined in paragraph 9 below), and other information or documents provided under this Agreement may be utilized by Counsel in order to provide legal advice to the Bank, in its capacity as Counsel and, as such, your belief that such Services, Foreclosure Reports, Reports, and other information or documents are deemed to be covered and protected by the attorney-client, attorney work product and other applicable privileges and doctrines, and (b) that the Bank and its affiliates are currently involved in various types of litigation, and anticipate such litigation in the future, for which the Services, Foreclosure Reports, Reports, and other information or documents may be used to develop litigation strategies, thought processes and further client communications and, as such, your belief that such Services, Foreclosure Reports, Reports, and other information or documents are deemed to be covered and protected by, and qualify as, communications subject to the attorney-client privilege, and documents subject to the attorney work product protection and to be covered and protected by other applicable privileges and doctrines. In addition, as discussed above, to enable the Law Firm and E&Y to carry out their responsibilities under the Order, the Bank's [REDACTED] [REDACTED] counsel [REDACTED] may disclose to the Law Firm and E&Y their legal theories, other privileged information, and documents that are subject to the attorney work product protection, and the Bank, its employees, representatives or agents may disclose to the Law Firm and E&Y other information. Accordingly, E&Y shall treat the Services, Foreclosure Reports, Reports, communications between and among E&Y, the Bank and the Law Firm, other information and/or documentation created by or processed by E&Y and the Law Firm, and/or information and documentation provided to the OCC as so privileged, subject only to E&Y's obligations under applicable law or professional requirements, and E&Y shall require the Law Firm to do the same. Throughout the engagement, E&Y shall report to Counsel and shall send all written communications to Counsel, and agrees that all communications to Counsel shall bear the legend "PRIVILEGED & CONFIDENTIAL." Further, pursuant to 12 USC 1828(x), we shall not construe the provision of the Foreclosure Reports, the Reports to the OCC pursuant to the Order, and/or other information and/or documents provided to the OCC in connection with the Foreclosure Review as waiving, destroying or otherwise affecting the coverage and protection of the Foreclosure Reports, Reports, and other information and/or documentation under the attorney-client privilege and attorney work product doctrine (and any other applicable privileges or doctrines). Additionally, E&Y represents and warrants that it has, and will continue to have for so long as it retains any Confidential Information in connection with this engagement, adequate administrative, technical, and physical safeguards (including, where applicable, proper disposal measures) designed (i) to provide for the security and confidentiality of such Confidential Information, (ii) to protect against any anticipated threats or hazards to the security or integrity of such Confidential Information, and (iii) to protect against unauthorized access to or use of such

Confidential Information. E&Y shall promptly notify the Bank if it discovers there has been a material breach in its security safeguards required by this paragraph and any Confidential Information has been compromised, and shall take all reasonable and appropriate steps to protect such Confidential Information in such event.

E&Y shall use the information provided by the Bank solely in connection with this Agreement and the Services performed hereunder. Except to the extent the Bank agrees in writing, upon the termination or expiration of E&Y's engagement, E&Y will deliver to you or, in the alternative, securely dispose of all documents, information, data, and other materials (including copies) provided to E&Y by or on behalf of the Bank, which E&Y obtained from third parties, or which E&Y generated or prepared, or is in the process of generating or preparing, for this Agreement and the Services performed hereunder. Notwithstanding the foregoing, nothing in this Agreement shall require E&Y to return or dispose of documents in contravention of its document retention policy, applicable law or professional requirements.

Fees

The Bank shall compensate E&Y for the Services provided, which are based on hourly rates established with the Bank effective July 1, 2011. In addition, HSBC shall reimburse E&Y for direct expenses incurred in connection with the performance of the Services, including fees and expenses incurred by other third parties retained in connection with the performance of the Services. E&Y's retention of any third party in connection with the performance of the Services, with the exception of the Law Firm, is subject to the prior approval of HSBC. Direct expenses include reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement. E&Y may receive rebates in connection with certain purchases, which are used to reduce overhead charges that E&Y would otherwise pass on to its clients. E&Y shall bill the Bank on a monthly basis for its fees and expenses as they are incurred. Payment is due upon receipt of E&Y's invoice.

The Law Firm will provide invoices to E&Y for its services and expenses at rates and in the manner to be specified in the engagement letter between the Law Firm and E&Y. The Law Firm shall provide a copy of such invoices to the Bank, and the Bank shall be solely responsible for their payment.

Any estimate of anticipated fees for Services that may be provided to the Bank prior to or during the course of the work is E&Y's best estimate of the effort that will be required to complete the Services based on the information available to E&Y at the time. Under no circumstances shall it be deemed a maximum fee or a fixed price.

Other Matters

1. The scope of this Agreement does not constitute a rendering by E&Y or its partners, principals or staff of any legal advice, and because the Agreement is limited in nature and scope, the Bank agrees that it will not rely upon E&Y to discover all documents and other information or to provide all analyses that may have importance to this matter. Neither the Bank, nor any

representative of the Bank, will hold E&Y responsible for any loss or liability that may result from the non-discovery of any matters that may otherwise have had an influence on E&Y's consultations with the Bank. E&Y personnel shall perform the Services pursuant to this Agreement as non-testifying advisors and not as expert witnesses. The Services are advisory in nature. E&Y will not render an assurance report or opinion under this Agreement, nor will the Services constitute an audit, review or examination or other form of attestation as those terms are defined by the AICPA; accordingly, because E&Y is not providing an assurance or other form of attestation engagement, the independence standards of the AICPA applicable to such an engagement shall not apply. None of the Services or any Reports will constitute any legal opinion or advice. We will not conduct our review to detect fraud or illegal acts. E&Y will perform the Services in accordance with applicable standards established by the AICPA.

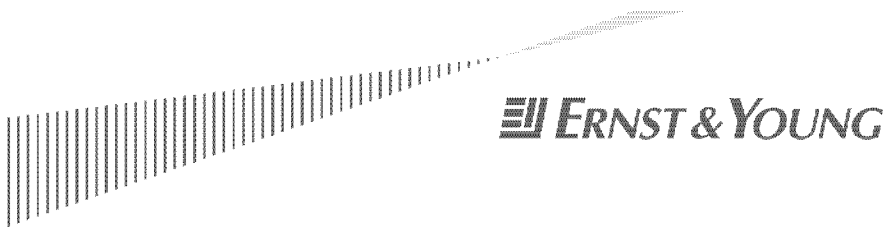
2. We have reviewed our available records to determine whether potential conflicts might arise out of our performance of the Services. The Bank understands that the very nature, diversity, magnitude, and volume of E&Y and its past and present clients and professional relationships do not allow E&Y to be certain that each and every possible relationship or potential conflict has come to E&Y's attention. In the event that additional relationships or potential conflicts come to E&Y's attention, E&Y will promptly notify the Bank. E&Y agrees to abide by any court orders provided to E&Y in writing and signed by E&Y regarding confidentiality.
3. The Bank acknowledges and agrees that it will timely provide, or cause to be provided timely, to E&Y all data, information and resources reasonably required by E&Y in connection with the performance of the Services. All data and information provided to E&Y by the Bank, or on the Bank's behalf, shall be true, correct and complete in all material respects. E&Y may rely on data and information provided to E&Y by , or on the Bank's behalf and, unless otherwise agreed by the parties, E&Y will not evaluate, nor will it have any responsibility to verify independently the accuracy or completeness thereof or the sufficiency of such data and information for the Bank's purposes. However, E&Y will assess and document the quality and applicability of data and information relied upon for the Foreclosure Review. To the extent necessary to enable E&Y to perform the Services, the Bank shall notify E&Y promptly in writing upon becoming aware of (A) changes in the status of the matters in connection with which the Services are provided, or (B) objections or issues with respect to the performance of the Services.
4. Notwithstanding the parties' agreement to arbitrate as set forth herein, E&Y acknowledges that money damages may not be a sufficient remedy for disclosure or misuse of Confidential Information and that, in the event of unauthorized disclosure or misuse of the Confidential Information received by or reviewed by E&Y, its employees or any person engaged by E&Y, the Bank may be entitled to seek injunctive or other equitable relief from a court of competent jurisdiction to enforce its rights with respect to the use or protection of Confidential Information.
5. Any controversy or claim arising out of or relating to Services covered by this Agreement (including any such matter involving any parent, subsidiary, affiliate, successor in interest, or agent of the Bank or E&Y, or involving any person or entity for whose benefit the Services in question are or were provided), shall be submitted first to voluntary mediation; if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution

procedures set forth in Appendix A to this letter. Judgment on any arbitration award may be entered in any court having jurisdiction.

6. This Agreement shall be governed by and interpreted according to the laws of the State of New York, without giving effect to the State of New York's choice of law or conflict of law provisions or principles.
7. In no event will E&Y and the Bank (or their respective subcontractors) be liable to the other (or to any affiliate of the other by, or in respect of which the Services may be performed) for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or good will) in connection with the performance of the Services or otherwise under this Agreement, whether or not liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise, and even if E&Y or the Bank, as appropriate, is advised of the likelihood of such damages.
8. To the fullest extent permitted by applicable law or regulation (including, for these purposes, the rules and interpretations of the U.S. Securities and Exchange Commission or other such regulatory bodies), the total aggregate liability of E&Y and its subcontractors (including, for this purpose, the Law Firm) to the Bank and its affiliates (and their respective successors and permitted assigns), regardless of whether such liability is based on breach of contract, negligence, tort, strict liability, breach of warranty, failure of essential purpose or otherwise, in connection with the performance of the Services or otherwise under this Agreement, shall be limited to the fees actually paid to E&Y or its subcontractors in respect of such Services, provided, however, that the foregoing shall not apply to limit E&Y's liability to the extent caused by its gross negligence or willful misconduct or a breach by E&Y of its confidentiality obligations under this Agreement.
9. Except as set forth in this Agreement, the Services and the information, records, data, advice or recommendations contained in any materials, opinions, presentations or other communications, written or otherwise, in draft or final form, provided by E&Y (collectively, "Reports") are intended solely for the information and use of the Bank. Except as otherwise set forth in this Agreement, and except as may be required by law, regulation, or judicial or administrative process, or in accordance with applicable professional standards, or in connection with a dispute arising hereunder, the Bank may not disclose, orally or in writing, any Report or any portion, abstract or summary thereof, or make any reference to E&Y in connection therewith, to any third party (other than the OCC) without obtaining (a) the prior written consent of E&Y, and (b) an executed access letter in a form substantially similar to Appendix B. If any person, entity, or regulatory authority (other than the OCC) seeks to obtain any material or information within the Bank's possession, custody or control concerning this Agreement, the applicable party shall promptly inform E&Y before taking any action or making any decision regarding the request, so that E&Y may seek to defend such disclosure. Notwithstanding the foregoing, E&Y acknowledges that the OCC is entitled, under either the terms of the Order or through the exercise of its power to examine the Bank, to review and obtain copies of the Reports and work papers supporting the Reports and hereby commits to provide OCC examiners access to any and all work papers and the Reports promptly upon request. Neither the prior written consent of E&Y nor an executed access letter in a form

substantially similar to Appendix B will be required for the OCC to have access to such information, provided, that pursuant to 12 USC 1828(x), E&Y and the Bank shall not construe any such disclosure as waiving, destroying or otherwise affecting the coverage and protection of the work papers and Reports under the attorney-client privilege, attorney work product doctrine or any other applicable privileges or doctrines as described herein, and is further subject to all other applicable privileges afforded with regard to materials provided to the OCC. In addition, E&Y acknowledges that this Agreement will be provided to the OCC for review and is subject to their approval. Should this Agreement be disapproved by the OCC, the Agreement shall immediately terminate except that all confidentiality provisions of this Agreement shall survive any termination or expiration of this Agreement.

10. You are responsible for determining whether the Services as set forth herein are sufficient to satisfy your needs with respect to the Order. You understand that E&Y cannot and does not provide any assurance that its work and findings will either support or contradict any particular position. E&Y will not render an attestation or assurance report or an attestation or assurance opinion, as defined by professional standards under this Agreement, nor will the Services constitute (1) an audit, review or examination of financial statements in accordance with generally accepted auditing standards, or (2) an examination of prospective financial statements in accordance with standards established by the AICPA. None of the Services or any Reports will constitute any legal opinion or legal advice. In addition, it is not contemplated that any of the Services or any Reports will constitute a tax opinion or tax advice.



This Agreement is effective as of May 31, 2011. Please indicate your acceptance of the foregoing terms by signing below and returning a copy of the letter to me. We look forward to working with you.

Sincerely,

Ernst & Young LLP

Ernst & Young LLP

By:  _____
Name: _____
Title:  _____

Agreed to:

HSBC Bank USA, N.A.

By: _____
Name: _____
Title: _____

APPENDIX A

DISPUTE RESOLUTION PROCEDURES

The following procedures shall be used to resolve any controversy or claim (“dispute”) as provided in this Agreement other than claims that are purely for non-monetary injunctive or equitable relief. If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

Mediation

A dispute shall be submitted to mediation by written notice to the other party or parties. The mediator shall be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the CPR Institute for Dispute Resolution at the request of a party. Any mediator so designated must be acceptable to all parties and must confirm in writing that he or she is not, and will not become during the term of the mediation, an employee, partner, executive officer, director or substantial equity owner of any E&Y audit client.

The mediation shall be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with facilitation by the mediator, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and therefore shall be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings.

Each party shall bear its own costs in the mediation. The fees and expenses of the mediator shall be shared equally by the parties.

Arbitration

If a dispute has not been resolved within 90 days after the written notice beginning the mediation process (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. In addition, if a party initiates litigation, arbitration, or other binding dispute resolution process without initiating mediation, or before the mediation process has terminated, an opposing party may deem the mediation requirement to have been waived and may proceed with arbitration.

The arbitration will be conducted in accordance with the procedures in this document and the Rules for Non-Administered Arbitration of the CPR Institute for Dispute Resolution (“Rules”) as in effect on the date of the engagement letter, or such other rules and procedures as the parties may designate by mutual agreement. In the event of a conflict, the provisions of this Agreement will control.

The arbitration will be conducted before a panel of three arbitrators, two of whom are to be designated by the parties from the CPR Panels of Distinguished Neutrals using the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these procedures are invalid or

unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator shall be appointed unless he or she has agreed in writing to abide and be bound by these procedures and has confirmed in writing that he or she is not, and will not become during the term of the arbitration, an employee, partner, executive officer, director or substantial equity owner of any E&Y audit client.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort. It shall also have no power to award damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages, except as otherwise permitted under this Agreement. The parties expressly waive their right to such damages, and the arbitrators shall have no power to award them unless the foregoing waiver is invalid or unenforceable. The arbitration panel shall have no power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only as provided in the Rules. Before making any such disclosure, a party shall give written notice to all other parties and shall afford such parties a reasonable opportunity to protect their interests, except to the extent such disclosure is necessary to comply with applicable law, regulatory requirements or professional standards.

The result of the arbitration will be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

APPENDIX B

THIRD-PARTY REPORT ACCESS LETTER

[Letterhead of E&Y]

[Date]

[Addressee Information]

Ladies and Gentlemen:

[INSERT FULL LEGAL NAME OF CLIENT] (the "Client") has informed Ernst & Young LLP ("E&Y") that it wishes to disclose to [INSERT FULL LEGAL NAME OF RECIPIENT] (the "Recipient") a copy of the findings and recommendations report(s)[, dated _____, 200_, [and _____, 200_, respectively]] [to be] prepared by E&Y (including all supporting schedules and analyses, the "Report(s)") in connection with the _____ services that E&Y [has provided][is providing] to the Client (the "Services").

E&Y [performed][is performing] the Services only for the Client. The Services [were not][are not being] undertaken on behalf of, or to serve the needs of, the Recipient.

The Services do not constitute (1) an audit, review or examination of financial statements in accordance with generally accepted auditing standards, (2) an examination of prospective financial statements in accordance with standards [established by the American Institute of Certified Public Accountants]¹ or (3) a review to detect fraud or illegal acts. [The Services do not include any procedures to test compliance with the laws or regulations of any jurisdiction.]²

E&Y [has prepared][will prepare] the Report(s) solely for the Client. The Report(s) address(es) only the issues identified by the Client and [is/are][will be] based solely on information obtained by _____

¹ If the Client is an "issuer" (as defined in PCAOB Rule 1001) or is otherwise following PCAOB standards, replace this bracketed language with the following: "of the U.S. Public Company Accounting Oversight Board ("PCAOB")".

² Consider if this sentence is applicable for the specific engagement and if so, retain and remove brackets.

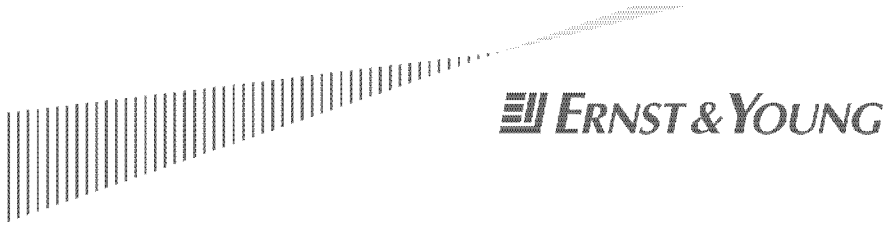
the procedures specified for E&Y by the Client or otherwise [to be] provided by or on behalf of the Client. The Report(s) [is/are] [will be] subject to many limitations and [do/does][will] not provide any form of assurance with respect to any of the information discussed or referred to therein. E&Y has not placed any limitations on the Client's ability to disclose any contents of the Report(s) relating to the tax aspects or structure of any proposed transaction. The Recipient understands and accepts the scope and limitations of the Report(s). The Recipient has performed, or will perform, its own inquiries and procedures regarding the subject matter of the Report(s).

In addition, except (1) where compelled by legal process (of which the Recipient shall promptly notify E&Y and tender to E&Y, if E&Y so elects, the defense thereof), (2) with respect to any contents of the Report(s) relating to the tax treatment and tax structure of any transaction (including any facts that may be relevant to understanding the proposed tax treatment of any transaction), or (3) with E&Y's prior written consent, the Recipient will not circulate, quote, disclose or distribute [any of] the Report(s) or any information contained therein, or any summary or abstract thereof, or make any reference thereto, to anyone other than the Recipient's directors, officers or employees or legal advisors, who, in each case, need to know its contents for a valid business purpose of Recipient and who have agreed to be bound by the terms and conditions of this agreement to the same extent as Recipient.

The Recipient further agrees that it will not, and will not permit others to, quote or refer to the Report(s), any portion, summary or abstract thereof, or to E&Y, in any document filed or distributed in connection with (a) a purchase or sale of securities to which the United States or state securities laws ("Securities Laws") are applicable or (b) periodic reporting obligations under Securities Laws. The Recipient will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

In further consideration of E&Y allowing the Recipient access to the Report(s) and the information contained therein, the Recipient agrees that:

1. It does not acquire any rights against E&Y, and E&Y does not assume any duties or obligations to the Recipient or otherwise, as a result of, such access.
2. It will not rely on the Report(s) and will make no claim that it has done so.
3. It will make no claim against E&Y, its partners, employees or affiliates, or other members of the global Ernst & Young network (collectively, the "E&Y Parties") that relates in any way to the Report(s), any information contained therein, or the Recipient's access to the Report(s).
4. To the fullest extent permitted by applicable law, it will indemnify, defend and hold harmless the E&Y Parties from and against any claim or expense, including reasonable attorneys' fees, suffered or incurred by any E&Y Party relating to any breach by the Recipient of any of its representations or agreements contained herein or the use or disclosure of the Report(s) or any portion thereof by anyone who received it directly or indirectly from or at the request of the Recipient.



This letter shall be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and fully to be performed by residents thereof.

Very truly yours,

Ernst & Young LLP

Accepted by:

[FULL LEGAL NAME OF ADDRESSEE]

By: _____

Printed Name: _____

Title: _____

Date: _____

Appendix C

Foreclosure Review Methodology

I. Introduction

This Appendix C outlines the proposed methodology E&Y will use to perform the Foreclosure Review³ of certain residential foreclosure actions (the "Population") for loans serviced by the Bank during the period January 1, 2009 through December 31, 2010 (the "Review Period"). The Foreclosure Review will be conducted pursuant to the Order as well as the Foreclosure Review Guidance. The objective of the Foreclosure Review is to identify borrowers whose loans were serviced by HSBC and who suffered financial injury from errors, misrepresentations or other deficiencies as set forth in the Order that occurred during the course of foreclosure actions or proceedings, including foreclosures that were in process or completed during the Review Period. As required by Article VII of the Order, the Agreement and this Appendix shall be submitted to the OCC for approval. In this Appendix C only, the term "HSBC" shall mean HSBC Bank USA, N.A.

II. Foreclosure Review Definitions and Assumptions

The following is a list of definitions for purposes of the Foreclosure Review and in accordance with the Order and Foreclosure Review Guidance.

Exception - Any errors, misrepresentations or other deficiencies identified in the Foreclosure Review on the part of a lender, servicer, or their agents which deviates from applicable law or other relevant requirements during the foreclosure process which did not result in financial injury (as defined below) to the borrower.

Error - Any errors, misrepresentations or other deficiencies identified in the Foreclosure Review on the part of a lender, servicer, or their agents which deviates from applicable law or other relevant requirements during the foreclosure process which resulted in financial injury (as defined below) to the borrower.

³ Pursuant to page six, the "independent review of foreclosure actions...", of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives.

Financial Injury⁴ - The Order requires a determination of whether borrowers suffered financial injury. For this purpose, “financial injury” to the borrower or the mortgagee is defined as monetary harm directly caused by errors, misrepresentations or other deficiencies identified in the Foreclosure Review. Monetary harm does not include physical injury, pain and suffering, emotional distress or other non-financial harm or financial injury that did not result as a direct consequence of errors, misrepresentations or other deficiencies identified in the Foreclosure Review. However, financial injury does include monies actually expended by the borrower or mortgagee that directly relate to the foreclosure action, proceeding, or sale and otherwise would not have been required but for the error, misrepresentation or other deficiency by the servicer identified in the Foreclosure Review.

III. Summary of the Foreclosure Review Process

E&Y will execute the Foreclosure Review described herein with the Law Firm providing legal determinations as required by the Order. Specific testing will be driven by the requirements enumerated in Article VII, (3) (a) through (h) of the Order.

The Foreclosure Review will include residential foreclosure actions or proceedings (including foreclosures that were in process or completed) for loans serviced by HSBC, whether brought in the name of HSBC, the investor, the mortgage note holder, or any agent for the mortgage note holder (including MERS), that have been pending at any time from January 1, 2009 to December 31, 2010. The Foreclosure Review will encompass only foreclosure actions on owner occupied, 1-4 family units, first and junior lien loans, and will include a representation of foreclosure actions from each state in which such actions were conducted during the Review Period.

The Foreclosure Review will apply a two-pronged approach in an effort to increase the likelihood of identifying Financial Injury. The two approaches are: (1) a random statistical sampling of the Population and risk based statistical sampling of certain segments of the Population; and, (2) a robust borrower outreach process for complaints.

For the statistical sampling approach, a “core” sample will be selected by randomly selecting foreclosure actions from HSBC’s [REDACTED] (described below) and increasing the sample size (if necessary) to include at least five foreclosures actions from each of the 50 states and the District of Columbia. Additionally, “higher-risk” segments of the Population have been identified that will be statistically sampled or, where appropriate, a 100% review will be performed subject to findings and the size of the segment.

⁴ EY’s Foreclosure Review and The Law Firm’s interpretation of financial injury to borrowers are subject to the interpretation and application of the provisions of the OCC and FRB Guidance - Financial Injury or Other Remediation - August 29, 2011.

E&Y will expand the Foreclosure Review should a disproportionate level of statistical errors be identified within a segment or if a systemic pattern of Errors is identified. Prior to conducting any expanded review, E&Y will discuss and review with the OCC the initial Foreclosure Review findings and its proposal for additional statistical sampling. The expanded file reviews will require separate OCC approval.

Testing will consist of either a comprehensive review designed to test all areas required by the Order of foreclosure actions contained in a segment (a "Comprehensive Review") or a targeted review designed to test specified characteristics of each foreclosure action in identified "higher-risk" segments (a "Targeted Review").

IV. Detailed Discussion of the Segment Review Process

1. Population & Servicing Platforms

The portfolio of residential mortgages serviced by HSBC is maintained on the [REDACTED]

Based on multiple interviews of HSBC officers and operations personnel and loan data systems due diligence performed by E&Y, the Population was identified by extracting data from the [REDACTED] used by HSBC to manage the foreclosure process, and supplemented with data from HSBC's system of record. [REDACTED] allows both HSBC and its foreclosure attorneys to track critical dates, communicate, and transfer documentation during the foreclosure process.

Pursuant to the Consent Order, E&Y requested HSBC to extract data related to all foreclosure actions that were pending as of December 31, 2010 and all foreclosures actions completed in 2009 or 2010. HSBC communicated E&Y's request to [REDACTED] who provided HSBC a data extract with all foreclosure action referrals active as of December 31, 2010 and all referrals closed in 2009 or 2010. "Active as of 2009 and 2010" was defined as a foreclosure record with a null in the [REDACTED] Foreclosure Closed Date field (FCCloseDate) as of December 31, 2010 or a Foreclosure Closed Date between or on January 1, 2009 and December 31, 2010.

Upon receiving the Population data from [REDACTED] HSBC performed a reconciliation of the Population data to corresponding data maintained on the Platforms. All variances between the data sets were investigated and resolved by HSBC and [REDACTED] wherever possible. After the reconciliation, HSBC determined there were 25,521 foreclosure actions and 22,870 unique loans (certain loans went into foreclosure more than once) in the Population.

To verify the process [REDACTED] used to identify and HSBC used to reconcile the Population data, E&Y performed the following procedures:

- a) Reviewed documentation and select evidence of the [REDACTED] data extraction and HSBC's reconciliation process.
- b) Interviewed the HSBC employees responsible for providing instructions to [REDACTED] for the data extraction and directing the reconciliation process.
- c) Performed analytics on the Population data to identify anomalies for investigation and possible inclusion in the sample selected for review.

2. Sampling Segments

E&Y has developed a statistical sampling methodology to be used for the Foreclosure Review. The sampling methodology takes into consideration the need to provide a high degree of certainty that borrowers who experienced Financial Injury will be identified. In designing the sampling methodology to identify Financial Injury, it is helpful to segment foreclosure actions having similar characteristics or propensity for statistical sampling error. Keeping with the objective of the Foreclosure Review and the risk based approach, "higher-risk" segments of the Population will be identified based on the risk that a borrower suffered Financial Injury as a result of any Error. In addition to reviewing each of the foreclosure actions in the core sample, each "higher-risk" segment will be reviewed by either, (1) a statistical sampling of foreclosure actions, or (2) a 100% review of foreclosure actions (collectively, the "Sampling Methodology").

Constructing Statistically Sound Samples for each Segment⁵

When the Population or a segment of the Population is sampled with no additional stratification, it is a simple random sample. In simple random sampling without replacement, the sample selections are removed from the population and cannot be selected again. The probability of finding a particular number of statistical sampling errors in a given sample size is given by the hypergeometric distribution.⁶ The hypergeometric distribution⁷ is used to generate commonly

⁵ Pursuant to page eight, the "statistically sound sampling techniques" of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives.

⁶ For a more complete discussion of the hypergeometric distribution, see, for example, Mood, Graybill, & Boes (1963), Introduction to the Theory of Statistics, McGraw-Hill, Inc. pp 86-93.

used attribute sampling tables that provide the probability of finding one or more statistical sampling errors in a sample of a given size from a population of a particular size, under different statistical sampling population error assumptions. The same distribution is used to provide upper limits on the population's statistical sampling error rate conditional on finding a specified number of statistical sampling errors in a sample of a given size. The hypergeometric distribution provides the sample sizes in the AICPA tables and the OCC Sampling Methodologies Comptroller's Handbook. Confidence or reliability refers to the level of confidence in the sample results. The higher the reliability level, the larger the sample needed to achieve the desired precision level. Precision reflects the tolerance for statistical sampling error; it is used to construct an interval or an upper limit on the estimated maximum error rate that could be in the population, given the number of statistical errors found in the sample.

Using the AICPA sample size tables and guidance found in the OCC Sampling Methodologies Comptroller's Handbook, a sample size of 100 foreclosure actions is needed to provide 95% reliability and 3% precision within a given segment. This means that 95% of the time the true unknown statistical sampling error rate will be within 3% of the statistical sampling error rate estimated from the sample, so if no statistical sampling errors are found in the sample, then the population error rate will be at most 3% with 95% confidence. If the statistical sampling error rate in the sample is 4%, the population error rate could be as low as 1% or as high as 7% with 95% confidence. The sample size is based on an assumption that no statistical sampling errors will be found in the sample. In attribute sampling where the estimate is a proportion or percent in error, the precision and error rate are related. As the error rate increases, the precision gets worse (i.e., has a larger value) for a fixed sample size. Thus it may be necessary to increase the sample size to maintain 3% precision if statistical sampling errors are found.

In selecting the sample, every foreclosure action in the Population will be given a random number which will be retained as a field in the data file. The Population will be sorted by the random numbers to place the action into a random order. The desired number of actions is selected by taking the first action and continuing along the randomly ordered file until the desired number is reached. If additional selections are needed to keep the precision at 3%, they can be made by going to the last selected action and continuing to select in the random order.

Selecting a sample size using 95% reliability and 3% precision is more rigorous than many industry and government standards. For example, the generally accepted practice for sampling is to use 90% or 95% confidence and 5% or even 10% or 20% precision. The OCC sampling guidance discusses 95% reliability (or confidence) and 5% precision; the IRS requires 95% confidence and

⁷ The hypergeometric distribution becomes intractable with larger samples and larger numbers of statistical sampling errors so close approximations are often used to generate tabled sample sizes and probabilities.

10% precision; and the Health and Human Services Office of the Inspector General requires 90% confidence and 20% precision.

In the case where statistical sampling error rates exceed the predicted precision rate, E&Y will expand the sample, after consultation with the OCC, to identify root causes so the errors can be isolated and investigated. In some circumstances, the sample expansion could lead to a 100% review of a targeted segment of the Population.

3. Population Segmentation

The Population will initially be segmented by the following characteristics⁸ or attributes prior to applying the Sampling Methodology to the Population and each segment in order to have a more granular approach. Initial segments include:

Core Sample

1. *Foreclosure actions segmented by [REDACTED]*⁹. A core sample of a minimum of 100 foreclosure actions was obtained for the [REDACTED]. The core sample was then expanded to obtain a minimum of 5 foreclosure actions per state and the District of Columbia. We will perform a Comprehensive Review of each of the foreclosure actions selected in the core sample.

Higher-risk Segments

1. *Foreclosure actions performed by attorney firms with: a high volume of actions, a terminated business relationship with HSBC or governmental agencies or significant audit findings by HSBC (the "High-risk Attorney Firms")*¹⁰. A list of 19 foreclosure attorney firms which fit the

⁸ The segments have been identified based on input from OCC guidance. Data to identify some of the segments may not be reasonably available for HSBC (e.g. where fees were assessed to the borrower prior to delinquency which precipitated foreclosure.). E&Y has identified segments where data is available from HSBC's system of record.

⁹ Pursuant to page eight, the foreclosures "handled by a particular processing center" of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives.

¹⁰ Pursuant to page eight, the "foreclosures...handled by law firms suspected to operate as 'foreclosure mills'" of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives.

above criteria was identified by E&Y and HSBC¹¹. Foreclosure actions in this segment are considered “higher-risk” due either to the volume of foreclosure actions performed by the attorney firm or already identified deficiencies with the foreclosure process or the potential for deficiencies during the foreclosure process. There are a total of 11,816 foreclosure actions where a High-risk Attorney Firm performed the foreclosure action. E&Y will complete a Comprehensive Review of an aggregate sample of 1,201 foreclosure actions in the High-risk Attorney Firms segment. The sample of the High-risk Attorney Firms was selected to provide the appropriate sampling size to achieve 95% confidence with a 3% precision for each of the firms. Subject to OCC approval, E&Y will expand the sample for any firm if any systemic Errors or Exceptions are identified or if the statistical error exceeds planned precision levels.

2. *Foreclosure actions with borrowers who have a debt cancellation contract.* Foreclosure actions in this segment are considered “higher-risk” because of the risk that a foreclosure sale occurred while the borrower had a debt cancellation contract to possibly satisfy the outstanding note amount. There are a total of zero foreclosure actions in this segment.

3. *Rescinded foreclosure actions.* The foreclosure actions in this segment are considered “higher-risk” because a foreclosure sale occurred and was subsequently rescinded by HSBC due to a potential defect in the foreclosure process. There are a total of 354 foreclosure actions with a rescinded foreclosure action. E&Y will complete a Comprehensive Review of a minimum of 100 sampled foreclosure actions in this segment. Subject to OCC approval, E&Y will expand the sample for the segment if any systemic Errors are identified or if the statistical error exceeds planned precision levels.

4. *Foreclosure actions with complaints prior to outreach program cutoff^{12 13}.* Foreclosure actions with complaints are considered “higher-risk” because a borrower has filed a complaint

¹¹ In order to identify foreclosure law firms with high volume, terminated relationships and significant deficiencies, E&Y performed the following procedures. High volume foreclosure law firms were determined by calculating the number of cases by law firm for the entire foreclosure lookback review population. E&Y selected the top five law firms for review. Terminated relationships were separated into two categories, relationships terminated by HSBC and investor designation changes by the GSEs. Seven relationships were terminated by HSBC as a result of audit findings. Four firms were terminated due to investor designation changes by the GSEs. Where significant deficiencies exist, HSBC has terminated the relationship and these law firms were included in the above category. HSBC Legal identified six additional law firms that did not meet the level of significant deficiencies, but there was some level of audit findings. E&Y performed internet searches on each of the six law firms. E&Y identified negative press for four of the law firms identified. Although no negative information was identified for the remaining two law firms, they were included within the segment due to the audit findings.

¹² Segment total currently includes complaints from January 1, 2009 through July 31, 2011. Complaints received by HSBC from August 1, 2011 through October 31, 2011 will be added to the segment. Complaints received after September 30, 2011 through the borrower outreach program will be included in Segment 4b,

related to a loan that potentially had a defect(s) in the foreclosure or loan modification process. There are 60 foreclosure actions with a complaint related to loss mitigation or the foreclosure process. E&Y will complete a Comprehensive Review (for a general complaint) or Targeted Review (for a specific complaint) for all 60 foreclosure actions in this segment.

a. *Foreclosure actions with complaints referred to HSBC by state and federal agencies prior to the borrower outreach program cutoff.* Foreclosure actions with complaints referred to HSBC from state or federal agencies are considered “higher-risk” because a borrower has filed a complaint related to a loan modification or the foreclosure process through a state or federal agency. There are a total of 107 foreclosure actions with a complaint via a state or federal agency. E&Y will complete a Comprehensive Review of 100% of the foreclosure actions for this segment.

b. *Foreclosure actions with complaints subsequent to the beginning of the borrower outreach program.* E&Y will perform a Targeted Review of 100% of the foreclosure actions where a specific complaint, and a Comprehensive Review of 100% of the foreclosure actions where a general complaint, is filed in conjunction with the complaints intake process set forth in Section IX below. The Targeted Review, or Comprehensive Review, will fully address the reason for the complaint.

5. *Foreclosure actions where the borrower obtained a loan modification at any point during the loan.* Foreclosure actions in this segment are considered “higher-risk” because of the potential of a defect in the loan modification processes which may have resulted in a foreclosure sale. There are a total of 5,951 foreclosure actions related to loans for which the borrower obtained a loan modification at any point in time during the loan. E&Y will complete a Comprehensive Review of a minimum of 100 sampled foreclosure actions for this segment. Subject to OCC approval, E&Y will expand the sample for the segment if any systemic Errors are identified or if the statistical error exceeds planned precision levels. Due to the size of this segment E&Y will sub-segment foreclosure actions which have the following criteria:

a. *Foreclosure actions where the borrower obtained a HAMP loan modification and a foreclosure sale occurred.* Foreclosure actions in this segment are considered “higher-risk” because of the potential that a sale occurred and the borrower was performing on a HAMP loan

Foreclosure actions with complaints subsequent to the beginning of the borrower outreach program. Sample and population for Segment 4 amounts are shown net of 4a.

¹³ Pursuant to page eight, the borrower “who submitted a foreclosure-related complaint to the servicer” of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives. This would also include sub-segment 4a which includes a 100% review of complaints referred from state or federal agencies.

modification. There are a total of 26 foreclosure actions in this segment. E&Y will complete a Targeted Review of all 26 foreclosure actions. Subject to OCC approval, E&Y will expand the sample for the segment if any systemic Errors are identified or if the statistical error exceeds planned precision levels.

b. *Foreclosure actions where the borrower obtained a HSBC loan modification and a foreclosure sale occurred.* Foreclosure actions in this segment are considered “higher-risk” because of the potential that a foreclosure sale occurred and the borrower was performing on a HSBC loan modification. There are a total of 607 foreclosure actions in this segment. E&Y will complete a Targeted Review of a minimum of 100 sampled foreclosure actions. Subject to OCC approval, E&Y will expand the sample for the segment if any systemic Errors are identified or if the statistical error exceeds planned precision levels.

6. *Foreclosure actions where borrower was denied a modification at any point during the loan*¹⁴. Foreclosure actions in this segment are considered “higher-risk” because of the potential that a borrower was improperly denied a loan modification. There are a total of 6,511 foreclosure actions in this segment. E&Y will complete a Comprehensive Review of a minimum of 100 sampled foreclosure actions. Subject to OCC approval, E&Y will expand the sample for the segment if any systemic Errors are identified or if the statistical error exceeds planned precision levels.

a. *Foreclosure actions where the borrower was denied a HAMP modification and a foreclosure sale occurred.* Foreclosure actions in this segment are considered “higher-risk” because of the potential that a foreclosure sale occurred and the borrower was improperly denied a HAMP loan modification. There are a total of 313 foreclosure actions in this segment. E&Y will complete a Targeted Review of a minimum of 100 sampled foreclosure actions. Subject to OCC approval, E&Y will expand the sample for the segment if any systemic Errors are identified or if the statistical error exceeds planned precision levels.

b. *Foreclosure actions where the borrower was denied a HSBC modification and a foreclosure sale occurred.* Foreclosure actions in this segment are considered “higher-risk” because of the potential that a foreclosure sale occurred and the borrower was improperly denied a HSBC loan modification. There are a total of 1,422 foreclosure actions in this segment. E&Y will complete a Targeted Review of a minimum of 100 sampled foreclosure actions. Subject to OCC approval, E&Y

¹⁴ Pursuant to page eight, the “review of covered borrowers who were denied a loan modification” of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives.

will expand the sample for the segment if any systemic Errors are identified or if the statistical error exceeds planned precision levels.

7. *Foreclosure actions where the borrower was in active bankruptcy at any point during the foreclosure process*¹⁵. Foreclosure actions in this segment are considered “higher-risk” due to the potential of non-compliance with federal bankruptcy requirements. There are a total of 2,959 actions with this characteristic in the Population data. E&Y will complete a Comprehensive Review of a minimum of 100 sampled foreclosure actions for this segment. Subject to OCC approval, E&Y will expand the sample for the segment if any systemic Errors are identified or if the statistical error exceeds planned precision levels.

a. *Foreclosure actions where a foreclosure sale occurred while the borrower was in active bankruptcy*. Foreclosure actions in this segment are considered “higher-risk” due to non-compliance with Federal bankruptcy requirements. There are a total of 8 foreclosure actions identified as having a Bankruptcy Hold with the occurrence of a foreclosure sale. E&Y will complete a Targeted Review of 100% of the 8 foreclosure actions which will consider only compliance with Federal bankruptcy requirements.

b. *Foreclosure actions where a foreclosure sale occurred while the borrower was in active bankruptcy and before relief was granted*. Foreclosure actions in this segment are considered “higher-risk” due to non-compliance with Federal bankruptcy requirements. There are a total of 5 foreclosure actions identified as having a Bankruptcy Hold with the occurrence of a foreclosure sale. E&Y will complete a Targeted Review of 100% of the 5 foreclosure actions which will consider only compliance with Federal bankruptcy requirements.

8. *Foreclosure actions where HSBC records indicate the borrower was subject to SCRA protection*¹⁶. Foreclosure actions in this segment are considered “higher-risk” due to the potential of a failure to comply with SCRA regulations. There are a total of 87 foreclosure actions with a SCRA identification. E&Y will complete a Targeted Review for 100% of the SCRA segment.

¹⁵ Pursuant to page eight, the borrowers “in bankruptcy...” of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives.

¹⁶ Pursuant to page eight, the borrowers “protected by Servicemembers Civil Relief Act...” of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives.

HSBC does not believe the Population contains any foreclosure actions where fees were assessed to the borrower prior to delinquency which precipitated foreclosure. E&Y will perform testing procedures related to fees and penalties on each of the foreclosure actions receiving a Comprehensive Review. Should E&Y identify any systemic Errors or Exceptions resulting in foreclosure actions precipitated by fees and/or penalties assessed to the borrower prior to delinquency, E&Y will, subject to OCC approval, expand its sample to include a review of such foreclosure actions.

Below is a tabular representation of the Population segmentation.

Core Segments	Segment Sample	Segment Population	Sampling Technique	Loan File Review Process
1. Foreclosure actions segregated by Platform				
	100	25,521	95%, 3%	Comprehensive Review (a-h)
	0	0	95%, 3%	Comprehensive Review (a-h)
	0	0	95%, 3%	Comprehensive Review (a-h)
Supplemental Core Sample for state Coverage - Minimum 5 per state	180	N/a	N/a	N/a

Higher-risk Segments	Segment Sample	Segment Population	Sampling Technique	Loan File Review Process
1. Foreclosure actions for nineteen high volume or high-risk foreclosure law firms				
Higher-Risk Law Firm #1	100	484	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #2	100	1,268	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #3	28	28	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #4	11	11	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #5	100	5,160	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #6	100	2,109	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #7	76	98	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #8	100	155	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #9	100	905	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #10	35	36	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #11	100	100	95%, 3%	Comprehensive Review (a-h)

Higher-risk Segments	Segment Sample	Segment Population	Sampling Technique	Loan File Review Process
Higher-Risk Law Firm #12	0	0	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #13	100	717	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #14	100	557	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #15	60	77	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #16	3	3	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #17	70	90	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #18	15	15	95%, 3%	Comprehensive Review (a-h)
Higher-Risk Law Firm #19	3	3	95%, 3%	Comprehensive Review (a-h)
2. Foreclosure actions with borrowers who have a debt cancellation contract	0	0	95%, 3%	Comprehensive Review (a-h)
3. Rescinded foreclosure actions	100	354	95%, 3%	Comprehensive Review (a-h)
4. Foreclosure actions with complaints prior to borrower outreach program	60	60	100%	Comprehensive Review (a-h)/Targeted
4a. Foreclosures complaints referred by State and Federal agencies	107	107	100%	Comprehensive Review (a-h)
4b. Foreclosure actions with complaints subsequent to borrower outreach program	TBD	TBD	100%	Comprehensive Review (a-h)/Targeted
5. Foreclosure actions where the borrower obtained a loan modification at any point during the loan	100	5,951	95%, 3%	Comprehensive Review (a-h)
5a. Foreclosure actions where the borrower obtained a HAMP loan modification and a foreclosure sale occurred	26	26	95%, 3%	Targeted
5b. Foreclosure actions where the borrower obtained a HSBC loan modification and a foreclosure sale occurred	100	607	95%, 3%	Targeted
6. Foreclosure actions where borrower was denied a modification at any point during the loan	100	6,511	95%, 3%	Comprehensive Review (a-h)
6a. Foreclosure actions where borrower was denied a HAMP modification and a foreclosure sale occurred	100	313	95%, 3%	Targeted
6b. Foreclosure actions where borrower was denied a HSBC modification and a foreclosure sale occurred	100	1,422	95%, 3%	Targeted
7. Foreclosure actions where the borrower was in active bankruptcy during the foreclosure process	100	2,959	95%, 3%	Comprehensive Review (a-h)

Higher-risk Segments	Segment Sample	Segment Population	Sampling Technique	Loan File Review Process
7a. Foreclosure actions where a foreclosure sale occurred while the borrower was in active bankruptcy	8	8	100%	Targeted
7b. Foreclosure actions where a foreclosure sale occurred while the borrower was in active bankruptcy and before relief was granted	5	5	100%	Targeted
8. Foreclosure actions where HSBC records indicate the borrower was subject to SCRA protection	87	87	100%	Targeted

4. Reviewing and Testing Foreclosure Actions from the Initial Samples

Review Methodology

The Order and Foreclosure Review Guidance specify the conditions under which, in the course of reviewing a foreclosure action, an Error or Exception may exist. The stipulations noted in the Order and the Foreclosure Review Guidance form the basis of the Foreclosure Review testing procedures with the objective of identifying borrowers whose loans were serviced by HSBC and who suffered financial injury from errors, misrepresentations or other deficiencies.

To identify and document any potential errors, misrepresentations or other deficiencies, E&Y will use a proprietary electronic file review platform in the form of a checklist customized for each state and the District of Columbia, (a "Checklist" or, collectively, the "Checklists"). The Checklists are designed to consider statutory requirements, all of the aforementioned "a-h" review stipulations as well as supplemental guidance provided by the OCC subsequent to the Order.

As noted herein, E&Y has segmented the Population based on risk characteristics. In order to address each segment's risk characteristics, E&Y will test the selected foreclosure actions based on a review methodology customized for each segment's risk characteristics as well as criteria based on the legal interpretations provided by the Law Firm with respect to applicable statutory requirements. The testing programs will either be a Comprehensive Review of the foreclosure actions contained in the segment or a Targeted Review designed to test specific characteristics of each foreclosure action of a segment. Whether a segment will receive a Comprehensive Review or a Targeted Review will be determined based upon the specific risk characteristics of each segment.

Comprehensive Review

A Comprehensive Review will test multiple areas of risk within a foreclosure action, where applicable, as identified by the “a-h” stipulations in the Order. The Checklist has multiple test programs to address each area of risk. The tests include:

1. Ownership Testing - To test the right to foreclose, through agency or ownership of the promissory note and mortgage or deed of trust, and to test that the foreclosure filing was initiated by the proper party.
2. Federal and State Law Testing - To test whether the foreclosure was completed in compliance with applicable state and federal law, including SCRA requirements. See below in the *Targeted Review* section for further discussion of bankruptcy and SCRA testing.
3. Borrower’s Delinquency - To test whether, at the time of sale, the borrower had been delinquent for the requisite period of time, including compliance with any applicable state law.
4. Fee Permissibility Testing - To test that borrower charged fees were permissible as defined by state law and investor guidelines. See further discussion of the criteria for evaluating the reasonableness of fees and penalties below.
5. Excessive Fee Testing - To test that the frequency with which fees were charged to borrowers was not excessive under the terms of the borrower’s loan documents and applicable state and federal law.
6. Loss Mitigation Activity Testing - To test whether there was evidence that the borrower had submitted documentation that was misplaced, or that their Loss Mitigation Activity was otherwise mishandled (including a recalculation of DTI and NPV), leading to an improper declination.
7. Modification Performance Testing - To test whether, at the time of foreclosure sale, the borrower was performing according to the terms of a modification agreement.

See the tabular presentation of segments above in Section 3, *Population Segmentation* for further identification of segments which will undergo a Comprehensive Review.

Targeted Review

Targeted Reviews will test specific characteristics of foreclosure actions in identified “higher-risk” segments. Tests include:

1. SCRA Testing - To test whether the foreclosure was processed in compliance with federal SCRA requirements. Segment 8.
2. Bankruptcy Testing - To test whether the foreclosure was processed in compliance with federal law bankruptcy requirements. Segments 7a and 7b.
3. HAMP Declined Loan Modification Testing - To test whether the loan modification was denied in compliance with HAMP requirements, including but not limited to, recalculation of the Debt-to-Income calculation and verification of formula inputs. Segment 6a.
4. HSBC Proprietary Declined Loan Modification Testing - To test whether the loan modification was denied in compliance with HSBC policies, including but not limited to, recalculation of HSBC's loan modification formulas and verification of formula inputs. Segment 6b.
5. Complaints Testing - Targeted review of the issue(s) that is the subject of the complaint. Segment 4 and 4b.
6. Loss Mitigation Activity Testing - To test whether the borrower was performing on and in compliance with an active modification or loss mitigation program (both HAMP and proprietary) and improperly foreclosed upon. Segments 5a and 5b.

See Section 3, *Population Segmentation* for further identification of segments which will undergo a Targeted Review.

Where appropriate, E&Y may rely upon work performed during prior reviews of foreclosure actions that were prepared by internal audit, compliance or other qualified parties. An assessment of the quality of work performed and its applicability will be performed and documented by E&Y, which will perform a documented assessment of the quality and applicability of any such work relied upon. The Law Firm will provide legal advice, as requested.

Foreclosure Review Process & Workflow

The Foreclosure Review will consist of two main workstreams: (1) Document Collection and (2) the Foreclosure Review. The Foreclosure Review consists of three sub-workstreams: (1) General Foreclosure (including SCRA and Bankruptcy); (2) Loss Mitigation; and, (3) Fees and Penalties. Additionally, the Foreclosure Review team will support the Foreclosure Complaints Review Process discussed in detail in Section IX.

The Document Collection workstream is responsible for obtaining data and documents, noted below in the *Information and Documents Under Review* section, from HSBC's system of record and from foreclosure attorney firms. E&Y will collect system of record data and documents from the various sources as available and compile the data into a composite file for review by the Foreclosure Review team.

The Foreclosure Review workstream is responsible for executing both Comprehensive and Targeted Reviews for all sample segments utilizing the Checklists. The Checklists will be completed initially by E&Y. The Law Firm will review the responses to all questions that E&Y identifies as exceptions, errors or other findings or observations which require a legal determination.

Both Comprehensive and Targeted Reviews consist of multiple levels of review by E&Y, and potentially the Law Firm. E&Y will perform a 1st level review of foreclosure actions by answering all applicable questions in the Checklist based on the status of the foreclosure action (i.e. in process versus sale completed) and the designated testing program (i.e. Comprehensive versus Targeted Review). The 1st level review will be followed by a 2nd level review, performed by more experienced by E&Y personnel. After the 2nd level review, any foreclosure actions with a potential Error(s) will undergo a 3rd level review by senior level E&Y team members and legal interpretation by senior Law Firm team members. Additionally, a sample of foreclosure actions where no Errors or Exceptions are found will also undergo a 3rd level of quality assurance review by senior level E&Y and Law Firm team members to determine if the review procedures and testing programs are being applied correctly.

After a foreclosure action has passed through all appropriate levels of review and the review is complete, senior level Foreclosure Review team members will make a determination if any Errors resulted in Financial Injury to the borrower.

Information and Documents Under Review

In performing a Comprehensive Review or Targeted Review as applicable, E&Y will analyze all applicable data as available, and the Law Firm will review all data relevant to its legal interpretation with respect to those findings that E&Y brings to the Law Firm's attention as requiring legal advice or interpretation, which may include:

System of Record Data and Loan and Foreclosure Documents to be Analyzed for Foreclosure Review

Mortgage

Note, with all endorsements/allonges

Screenshots and any imaged documents indicating whether loan is "High Cost"

System of Record Data and Loan and Foreclosure Documents to be Analyzed for Foreclosure Review

Loan Modification Agreements

Assignments of Mortgage

Affidavits of Lost Mortgage/Lost Note

Screenshots of Loan History or Past Due Reports

Notice of Default

Screenshots and any imaged documents regarding a change of borrower's mailing address or address to send Notice of Default/Notice of Acceleration

Screen shots of judgment screen as of the date of execution of any Affidavit of Indebtedness ("AOI"), verified complaint, or similar document including debt figures

Screenshots and any imaged documents regarding borrower's waiver of Notice of Default/Notice of Acceleration

Notice of Acceleration screenshots, imaged documents and certified mail return receipts

Foreclosure referral screenshot and any imaged documents from the referral package

Affidavit of Default

Screenshots and any imaged documents evidencing the identity of the owner or holder of the note at the time of the Foreclosure (including any custodial records)

Screenshots and any imaged documents evidencing the entity possessing the note at the time of the Foreclosure

Substitution of Trustee

Title Search

SCRA screenshots and Department of Defense printouts

Complete Foreclosure File, including, but not limited to, the following items:

- Docket
- Complaint
- Lis Pendens
- Verification of Complaint
- Return of Process
- Borrower's Answer
- Borrower's Affirmative Defenses
- Borrower's Motion to Dismiss
- Borrower's Motion for Summary Judgment
- Plaintiff's Motion for Summary Judgment
- Affidavit of Indebtedness (AOI)
- Affidavit of Attorneys' Fees
- Affidavit of Reasonableness of Attorneys' Fees
- Judgment Figures
- Borrower's Response in Opposition to Summary Judgment
- Plaintiff's Response in Opposition to Motion for Summary Judgment
- Remediated AOI
- Motion for Summary Judgment Order
- Invoices from Foreclosure Firm
- Client documents
- Correspondence related to Foreclosure

Screenshots and any imaged documents of all fees and costs attributed to loan during Foreclosure

Notice of Foreclosure Sale and evidence of mailing/publishing Notice (including screenshots, any imaged documents and certified mail return receipts of the same)

Screenshots and any imaged documents related to requests for notice by third parties

Screenshots and imaged documents related to appraisals of the property

Confirmation of Sale

Certificate of Title

Payoff Statements

Bankruptcy docket and all pleadings

System of Record Data and Loan and Foreclosure Documents to be Analyzed for Foreclosure Review

Screenshots and imaged documents related to pursuit of an exception after Foreclosure Sale

Screenshots and imaged documents related to bidding at Foreclosure Sale

Reinstatement and Redemption Efforts (including screenshots and imaged documents)

Payment History

Plaintiff's Affidavit as to Post-Judgment Costs

Call Notes

Loss mitigation summary

Screenshots and imaged documents/letters related to loss mitigation offers, acceptances and rejections

Screenshots and imaged documents/letters indicating whether borrower responded to loss mitigation attempts

Servicing Agreements related to loan

Repayment Agreements

Loan Modification/Repayment Applications

HAMP and HOPE documents (including screenshots and imaged documents related to the same), if applicable

Breach Letters and related certified mail receipts

Criteria for Evaluating the Reasonableness of Fees and Penalties

HSBC uses the Fannie Mae servicing guidelines to determine what fees and penalties are recoverable from the borrower under various foreclosure scenarios (e.g. bankruptcy, REO, etc.). HSBC's disbursement department receives a list of fees and costs incurred while maintaining the property. The fees and penalties on the borrowers account are compared to the Fannie Mae guidelines and classified as recoverable or non-recoverable.

The Order requires a determination as to whether any delinquent borrower accounts were charged fees or penalties that were not permissible under the terms of the borrower's loan documents, state or federal law, or were "otherwise unreasonable".¹⁷ Consistent with the objective of the Foreclosure Review, identification and remediation of borrowers who suffered Financial Injury as a result of errors, misrepresentations or other deficiencies, the evaluation of fees and penalties charged to borrowers will focus on foreclosure actions where the borrower paid fees or penalties that were impermissible, proceeds from a foreclosure sale are used to pay fees or penalties that

¹⁷ The Foreclosure Review Guidance defines "otherwise unreasonable" fees and penalties as those assessed: (i) for the purpose of protecting the secured party's interest in the mortgaged property, and the fee or penalty was assessed at a frequency or rate, was of a type or amount, or was for a purpose that was in fact not needed to protect the secured party's interest; (ii) for services performed and the fee charged was substantially in excess of the fair market value of the service; (iii) for services performed, and the services were not actually performed; or (iv) at an amount or rate that exceeds what is customarily charged in the market for such a fee or penalty, and the mortgage instruments or other documents executed by the borrower did not disclose the amount or rate that the lender or servicer would charge for such a fee or penalty.

were impermissible, or a deficiency judgment was obtained against the borrower that included fees or penalties that were impermissible.

Testing performed by E&Y related to the evaluation of fees and penalties charged to borrowers will include:

- The accuracy of fees or penalties included in judgments awarded as compared to HSBC's systems of record.
- The permissibility of fees or penalties, including payments for escrow accounts or insurance placed on the borrower's account by the servicer, charged to borrowers as compared to the terms of the borrower's loan documents, applicable state and federal law, or applicable servicer policies.
- The frequency with which fees or penalties were charged to borrowers as compared to the terms of the borrower's loan documents and applicable state and federal law.
- The amount of fees or penalties charged to borrowers as compared to any published, pre-established fee limitation or allowable amount for the service under the guidelines for the applicable government-sponsored enterprise investing in the loan or the government agency insuring the loan, or if there is no "applicable investor guide," the guide published by Fannie Mae or Freddie Mac that would apply if Fannie Mae or Freddie Mac were the investor.
- Review documentation and/or HSBC system of record data supporting the actual performance of billed services.

5. Evaluating the Need for Expanded Review of Population Segments

The decision whether to conduct an expanded review in each segment will depend on whether the testing of the associated segment sample identifies one or more Errors.

Analytically, by virtue of the sample design, the absence of any Errors in a given segment sample will indicate, at a high level of reliability (95% or greater), that the incidence of Errors in the underlying Population segment is consistent with the initial hypothesis of being exceptionally low (i.e., zero).

E&Y recognizes that isolated events can cause Errors even in a generally statistically error free process. If Errors are found in a statistical sample of foreclosure actions in a sampled segment, the sample will be analyzed to identify the source of the Errors. If necessary, subject to OCC approval, an expanded sample of foreclosure actions will be reviewed to isolate the portion of the segment population where the Errors occur. Once the sub-segment with Errors is isolated, 100% of those foreclosure actions will be reviewed.

The table below summarizes the decision rule E&Y will apply in determining whether to conduct additional review based on the outcome of testing in each segment sample.

Decision Rule for Further File Review Based on Initial Sampling Results in Each Segment Sample:

Initial Sample Testing Outcome	Implication for Further Review
No Errors identified in tested segment sample	No further review of population segment
One or more Errors identified in tested segment sample	Expand sample size to accommodate the error rate, possibly including up to all files in the population segment, as needed. The expanded sample may also be expanded for a targeted review should a systemic Error be identified that requires review.

V. Data Systems

Loan Servicing Platforms

The loans are serviced on three platforms (the "Platforms"):

- [REDACTED] out of HSBC's [REDACTED] location (all Bank loans).
- [REDACTED] out of HSBC's [REDACTED] location (HBIO loans).
- [REDACTED] out of HSBC's [REDACTED] and [REDACTED] locations (HBIO loans).

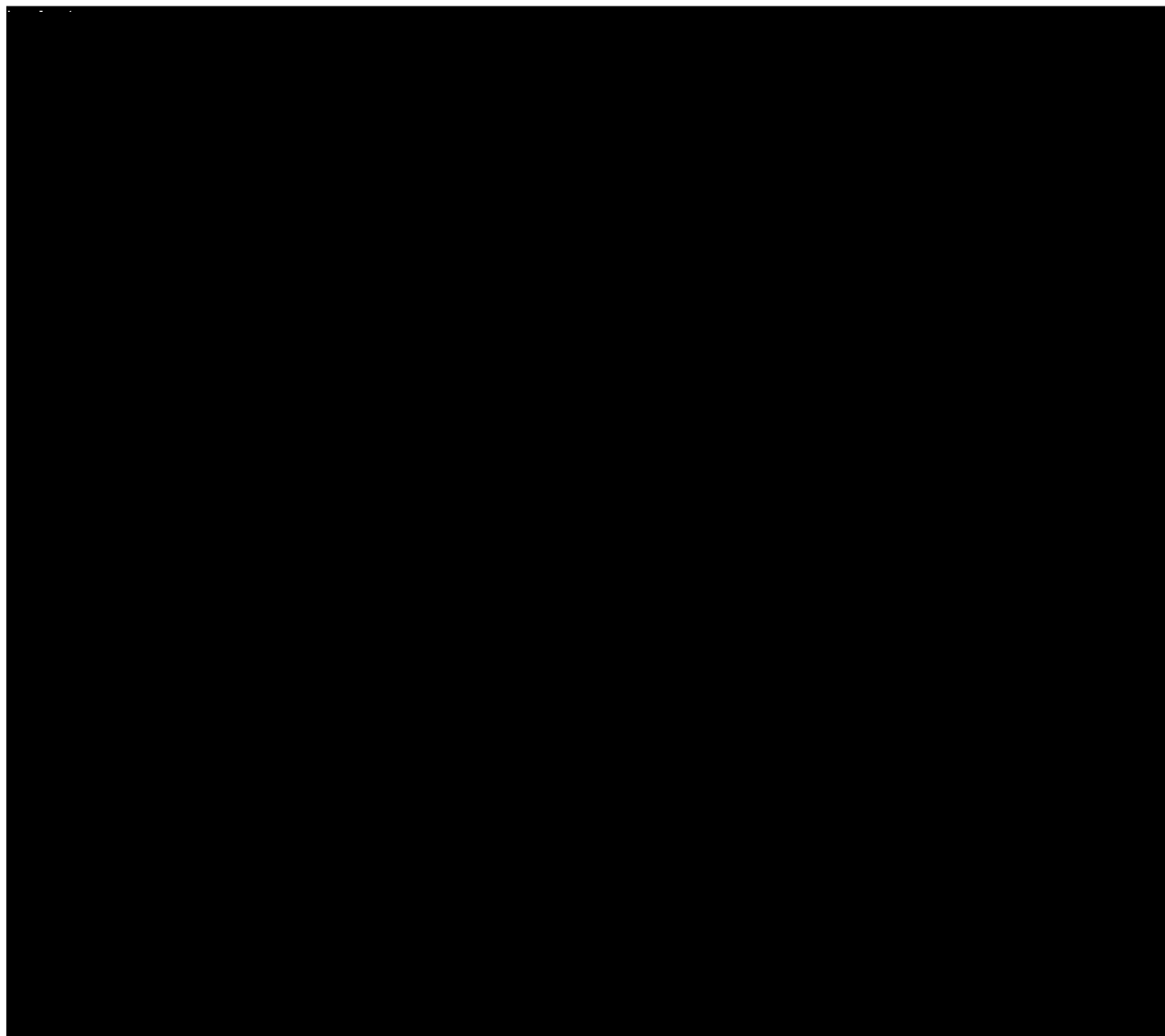
See HSBC Servicing Platform Diagram below for a visual representation of the Platforms.

Document Management Systems

HSBC uses two main systems for managing/storing electronic document for loan servicing:

[REDACTED] and [REDACTED]
 [REDACTED] contains the electronic copies of collateral documents, e.g. notes and mortgages.
 [REDACTED] contains electronic copies of documents created during the foreclosure process, e.g. court filings, correspondence between HSBC and the foreclosure attorney firm.

HSBC Servicing Platform Diagram



Physical Location

HSBC's loan servicing IT operations are located in [REDACTED] and [REDACTED]. The [REDACTED] is hosted at the [REDACTED] location while the [REDACTED] and [REDACTED] are hosted in [REDACTED].

VI. Project Governance

A governance structure will be put in place at the project level to allow HSBC to address each element of Article VII while maintaining confidentiality and privilege.

Independent Consultant Responsibilities: Perform Foreclosure Review as defined by the Order; provide project management support of the Foreclosure Review and certain other activities including:

- Develop sampling methodology
- Apply sampling methodology to foreclosure action population provided by HSBC
- Co-develop Checklists with the Law Firm and upload Checklists into E&Y's review tool
- Extract foreclosure file documents from HSBC imaging systems and data from HSBC's system of record for use during Foreclosure Review
- Conduct review of foreclosure files and identify any aspects that require legal review and interpretation by the Law Firm
- Provide summary of results via a Foreclosure Review Report and maintain work papers to support the Foreclosure Review
- Provide Subject Matter Advisors (SMAs), as needed

Law Firm Responsibilities:

- Provide legal research related to Federal, State and local laws impacting residential mortgage foreclosures
- Provide guidance and recommendations on Checklists used by E&Y to conduct the Foreclosure Review
- Conduct the legal review of the foreclosure actions that E&Y brings to the Law Firm's attention as requiring legal review and interpretation, as appropriate
- Draft and deliver Foreclosure Review Report of the legal analysis and findings required by the Order

HSBC Executive Committee: Executive sponsorship group consisting of [REDACTED]

[REDACTED] who collectively are responsible for HSBC's support of the Foreclosure Review project:

- Support cross-functional coordination
- Program level issue resolution

HSBC Project Leads: Overall HSBC Project Managers responsible for timely execution of HSBC support for the Foreclosure Review consistent with the requirements of the Order, including:

- Acting as the primary business owner for day to day project matters
- Supporting key stakeholder involvement in the program
- Coordinating the HSBC project team with timely access to critical business subject matter experts (SMAs) and knowledge capital

HSBC Project Team: The business or functional leads who are responsible for the execution and success of the action steps to be performed by HSBC in connection with the Foreclosure Review, more specifically,

- Provide initial population of foreclosure actions during specified time period
- Support foreclosure file acquisition - system of record and files from foreclosure firms
- Support system of record access, as needed
- Assist in interpreting servicing file and system notes, codes, etc.
- Provide access to personnel, as needed
- Provide feedback to inquiries from the Law Firm and E&Y

The chart below depicts the governance structure described above:

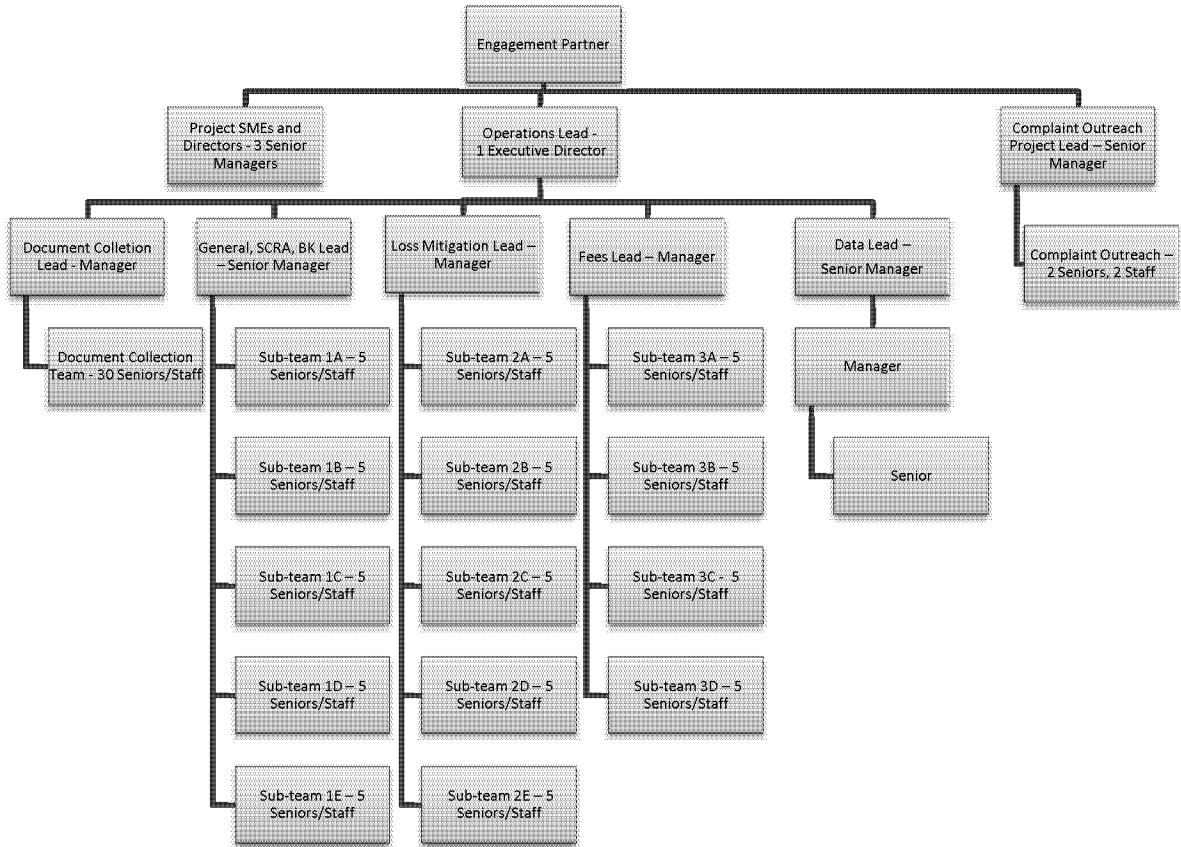


VII. E&Y Staffing and Expected Level of Effort

Staffing

The chart below depicts the E&Y proposed team structure estimated to be able support the review of approximately 2,400¹⁸ foreclosure actions, totaling approximately 100 E&Y document collection and review professionals. HSBC has also entered into a consent order with the Federal Reserve Board to perform a similar review of foreclosure actions within an entity related to HSBC Bank USA, N.A., HSBC Finance Corporation (“HBIO”), which will be substantially larger in scope than the Foreclosure Review for HSBC Bank USA, N.A. The Foreclosure Review for HSBC Bank USA, N.A., the Foreclosure Review for HBIO, and the review of complaints from the borrower outreach program, will all occur concurrently and share the same resources to collect documents and perform reviews. Due to the sharing of resources and concurrent nature of the HBIO foreclosure review and the review of borrower complaints, E&Y will make a “best effort” to complete the HSBC Bank USA, N.A. Foreclosure Review within the 120 day timeline specified by the Consent Order. As the scope of the HBIO Foreclosure Review and the response rate of the outreach program become clearer, E&Y will update the OCC and HSBC with an estimated completion date for the Foreclosure Review and, as needed, a request for an extension of the Consent Order timeline.

¹⁸ All estimates are based on a sample population of approximately 2,400 foreclosure actions and do not include expansion of the population to account for Errors or the borrower outreach program for complaints.



E&Y Roles and Responsibilities

Project Management:

1. Engagement Partner - E&Y Partner who provides project oversight, interfaces with HSBC leadership, delivers reporting to OCC and provides overall project quality assurance.
2. Project Subject Matter Advisor's and Directors - Senior Managers who provide project leadership, interface with OCC and HSBC personnel as necessary, deliver reporting to Engagement Partner, perform 3rd level review, identify areas for review by the Law Firm and provide oversight to all workstreams.
3. Operations Lead - Executive Director who will provide project leadership and manage project workflow.

Document Collection Team:

1. Document Collection Team - E&Y staff consultants who will compile file materials for this review based upon the itemized document checklist noted above.

Foreclosure Review Team:

1. Foreclosure Review Team Managers - Provide Foreclosure Review team leadership, interface with project leadership, deliver reporting to senior managers, provide 3rd level review, and identify areas for review by the Law Firm.
2. 2nd Level Reviewers - E&Y senior consultants who will perform a second review of the Checklist and escalate questions to the 3rd level reviewers.
3. 1st Level Reviewers - E&Y staff consultants who will perform the first level of the Foreclosure Review, populate the Checklist and escalate questions to the 2nd level reviewers, and perform second level review of document collection index.

Data Team:

1. Data Team Senior Manager - Leads deployment and customization of E&Y review tool, leads interactions with HSBC to plan for the data and imaged document upload.
2. Data Team Manager - supports all aspects of Data Team Senior Manager responsibilities
3. Data Team Associates - supports all aspects of Data Team Senior Manager responsibilities

Borrower Outreach Program Team:

1. Borrower Outreach Program Team - E&Y senior manager, senior and staff consultants who will support E&Y's oversight and reporting on the HSBC's borrower outreach and complaint review process. Complaints subject to either Comprehensive or Targeted review will be analyzed by the Foreclosure Review team based on the procedures set out below. At this preliminary stage, E&Y cannot estimate the number of complaint related foreclosure actions subject to Comprehensive or Targeted review. E&Y will augment the staffing mix to support the required level of effort in consultation with the Class Action Administrator ("CAA") and the Law Firm as described further in Section IX.

Expected Level of Effort - Initial Segments

As noted above, the OCC Foreclosure Review, FRB Foreclosure Review and borrower outreach complaints review will be performed concurrently using the same E&Y (and Law Firm) resources. The estimates provided below reflect the time to complete if all E&Y resources were dedicated solely to completion of the OCC Foreclosure Review.

Document Collection - We estimate it will take up to four hours to perform document collection for a Full Review and one hour to perform a document collection for a Targeted Review. Based on an estimated total of approximately 2,000 Comprehensive Reviews and approximately 400 Targeted Reviews, it will take 7 weeks to complete the Document Collection with 32 E&Y associates.

1st Level Review - We estimate it will take four to six hours to perform a Comprehensive Review and one hour to perform a Targeted Review. Based on an estimated total of approximately 2,000 Comprehensive Reviews and approximately 400 Targeted Reviews, it will take an additional 7 weeks to complete the 1st level review with 51 E&Y associates.

2nd Level Review - We estimate it will take up to two hours to perform a Comprehensive Review and one half hour to perform a Targeted Review. Based on an estimated total of approximately 2,000 Comprehensive Reviews and approximately 400 Targeted Reviews, it will take 7 weeks to complete the 2nd level review with 17 E&Y associates.

3rd Level Review - The hours necessary to perform a third level review will vary based on the potential Error being analyzed. Additionally it is unknown how many foreclosure actions may require a third level review.

Attorney Review - The hours necessary to conduct the legal review of the foreclosure actions that E&Y brings to the Law Firm's attention as requiring legal review and interpretation will vary based on the potential Error or Exception being analyzed. Additionally, it is unknown how many foreclosure actions may require an attorney review.

Review Stage	Comprehensive Review Hours	Targeted Review Hours
Document Collection	4	1
1 st Level	4 - 6	1
2 nd Level	2	.5
3 rd Level	TBD	TBD
Attorney Review	TBD	TBD
Total	10 - 12	2.5

Expected Level of Effort - Expanded Segments

E&Y expects the total amount of hours required for a Comprehensive or Targeted Review of a foreclosure action in an expanded segment will be similar to the amount of time required to review a foreclosure action in the initial segments. See above estimate. However, due to the uncertainty of how many segments will require expansion of the sample based on Errors, it is impossible to predict the total number of hours required to perform the expanded segments.

Expected Level of Effort -Complaints

E&Y expects the total amount of hours required for a Targeted Review of the borrower complaint segment will be similar to the amount of time required to review a foreclosure action in the initial segments. See above estimate. While a precise estimate is difficult to provide given the uncertainty of complaint intake volumes, if one assumes a 15% response rate from the Population of 25,521, the estimated complaint intake would be approximately 3,800 loans (rounded). Assuming 80% of those complaints require a Targeted Review (up to 3 hours per file) and the remaining 20% require a Comprehensive Review (up to 14 hours) per file, the total level of effort across all levels of review is expected to be as follows:

- Targeted Reviews - 80% of 3,800 loans (3,050 loans) - 3 hours per file: 9,150 hours (an additional 5 weeks using 50 E&Y reviewers)
- Comprehensive Reviews - 20% of 3,800 loans (750 loans)- 14 hours per file: 10,500 hours (an additional 5 weeks using 50 E&Y reviewers)
- Estimated total time to complete E&Y's review of borrower outreach complaints is approximately 5 weeks

VIII. Foreclosure Review Timeline

ID	Requirement	Dates	Responsible Party
1	Pre scope and retention of IC		
1.1	Prepare draft methodology document and meet with OCC	Complete	E&Y
1.2	Identify foreclosure population and provide initial loan level data set	Complete	E&Y/HSBC
1.3	Develop statistical sampling approach options	Complete	E&Y
1.4	HSBC to state intent to retain the Consultant	Complete	HSBC
1.5	HSBC to submit draft Engagement Letter to OCC	Complete	E&Y/HSBC
1.6	HSBC to submit revised Engagement Letter to OCC	September 12, 2011	E&Y/HSBC
1.7	OCC to approve Engagement Letter including sampling methodology, complaints process, Law Firm	September 15, 2011	OCC
2	Foreclosure Review Sample Population	June 13, 2011 - July 22, 2011	
2.1	Develop draft sampling methodology and population segmentation	Complete	E&Y
2.2	Finalize approved sampling methodology and segmentation	Complete	E&Y
2.3	Received final population data from HSBC for approved sampling methodology	Complete	E&Y
2.4	Apply methodology to population to create sample	Complete	E&Y
2.5	Finalize sample and segmentation	Complete	E&Y
3	Data Gathering & Document Collection	June 27, 2011 - TBD	
3.1	Pull System of record data- ongoing until all data collected	September 15 - December 2011	E&Y/HSBC
3.2	Pull HSBC imaged foreclosure file documents- ongoing until all data collected	June 27, 2011 - TBD	E&Y
3.3	Request & obtain foreclosure law firm documents- ongoing until all data collected	August 1, 2011 - TBD	E&Y/HSBC
3.4	Update document checklists for each foreclosure file - ongoing until completed	August 1 - November 2011	E&Y/Law Firm

ID	Requirement	Dates	Responsible Party
4	Preparing File Review Checklists	July 13, 2011- November 2011	
4.1	Law Firm to provide general comments on Checklist	August , 2011- September 30, 2011	E&Y
4.2	Approve general Checklist	September 30, 2011	Law Firm
4.3	Law Firm to provide input on each state Checklist	August, 2011- November 2011	E&Y
4.4	Approve Checklist for each state	August, 2011- November 2011	Law Firm
5	Foreclosure File Review	October 1, 2011 - TBD	
5.1	Ascertain that loans have completed documentation - ongoing until all documents collected	October 1, 2011 - TBD	E&Y
5.2	Complete checklist based on available data - may extend given errors and increased sample	October 1, 2011 - TBD	E&Y
5.3	Perform legal review of matters referred for legal interpretation	October 1, 2011 - TBD	Law Firm
5.4	Expand sample size as needed- ongoing during review and post review, based on timeline	October 1, 2011 - TBD	E&Y
5.5	Complete File Review	TBD	E&Y
6	Draft Final Reports	Completed 30 days after completion of the OCC Foreclosure Review	
6.1	IC and Law Firm to provide the Reports to OCC	TBD	E&Y/Law Firm
7	HSBC to submit remediation plan to OCC	TBD	E&Y/HSBC
8	If applicable, HSBC to remediate/reimburse borrowers under the remediation plan.	TBD	HSBC

Timeline Assumptions and Risks

1. All timeframes are based upon the OCC approving the Engagement Letter; an estimated date of September 15, 2011 is the date for which all dates above are based.
2. The estimated times reflect only the completion of the OCC Foreclosure Review and a sample size of approximately 2,400 foreclosure actions.
3. The scope of the FRB foreclosure review will have a material impact on the estimated timeline.

4. The E&Y review of complaints received through the borrower outreach program and intake process are not included in the estimate and will have a material impact on the estimated timeline.
5. Document gathering timeframes may be impacted by the following:
 - a. Ability to obtain documents from the foreclosure attorney firms. Many other banks will be making similar requests of documentation to the same entities. HSBC is a mid-size bank whereas many of the other servicers are large banks that may receive more prompt attention in the responses from the various foreclosure attorney firms. This is outside of HSBC's control.
 - b. System down time at HSBC or the foreclosure attorney firms.
6. If excessive statistical errors are found during the Foreclosure Review, the following will be required:
 - a. the sample size will increase, subject to OCC approval, requiring new foreclosure actions to be selected, compared to criteria validated and provided to HSBC to facilitate foreclosure file document gathering
 - b. HSBC or E&Y will then need to obtain (1) system of record data; (2) complete loan documentation (note, loan agreement, appraisal, other closing documents, etc.); and (3) the complete foreclosure file from foreclosure attorney firm
 - c. Follow up for missing documents, as needed
 - d. Update document checklist for new set of sample foreclosure actions
 - e. Assign to file reviewer
 - f. File review, including QC reviews

This may extend the effort per segment each time statistical errors are found and it is determined that the sample for such segment must be expanded.

IX. Foreclosure Complaints Review Process

As the Independent Consultant ("IC") engaged to conduct the Foreclosure Review, E&Y will design, approve and supervise a process to address the complaints received from borrowers who believe that they have been financially harmed as a result of errors, misrepresentations, or other deficiencies associated with foreclosures pending or completed between January 1, 2009 and

December 31, 2010 as described in the Order¹⁹ and subsequent Guidance. HSBC will participate in the formation and execution of various elements of the Foreclosure Complaints Review Process, which is explained in detail within this section. The complaints will be received through the Independent Foreclosure Review intake process. Complaints made directly to HSBC during the intake period and determined by E&Y to be in-scope will also receive an Independent Foreclosure Review.

All eligible complaints which specify a particular issue(s) received through this process will receive a Targeted Foreclosure Review by E&Y. Eligible complaints related to foreclosures, though not specific to a particular issue(s), will receive a Comprehensive Review by E&Y.

E&Y and HSBC, as well as the other independent consultants and servicers subject to the Order, co-developed and customized a borrower outreach and complaint review process designed in consideration of the expectations communicated by the Order and Guidance. E&Y will oversee the entire Foreclosure Complaints Review Process, including evaluation of processes and system performance at peak volumes. E&Y will oversee complaint tracking and reconciliation throughout the Foreclosure Complaints Review Process including metrics on the number of complaints received, complaints determined to be out of scope and why, and tracking of the investigation of in-scope complaints. E&Y will review the reporting processes developed by HSBC and Rust Consulting for the monthly reports detailing the complaints.

Rust Consulting ("Rust"), a class action administrator ("CAA"), will be primarily responsible for performing borrower outreach, complaint intake, and initial screening. HSBC will be primarily responsible for research and any remediation of complaints. E&Y, as the independent consultant, will perform independent quality control procedures at each stage of the borrower outreach and complaints intake, screening, review and response processes.

The Law Firm has been retained by E&Y to advise on legal matters. E&Y will evaluate complaints at two points in the complaint review process: in the Complaints Screening Committee and in reviewing the results of the Independent Review and the HSBC research and recommended remediation. E&Y, in consultation with the Law Firm, will have final decision making authority. HSBC representatives will provide factual understanding and clarity as needed.

In order to achieve consistency in the approach and execution of the Foreclosure Complaints Review Process across the servicers operating under the Order, a coordinated series of calls and meetings between the servicers and their respective ICs are being held and will continue through the duration of the Review.

¹⁹ The scope of the foreclosure review includes foreclosure actions initiated or completed on owner-occupied (at the time of foreclosure), 1-4 family dwellings by divisions of the institution that process first lien and junior mortgage foreclosures.

Ernst & Young		
<ul style="list-style-type: none"> - Quality control oversight - Communicating with other Independent Consultants to establish consistent methodologies - Ongoing communication with regulators and issuance of final report to regulators 		
<p style="text-align: center;">Rust Consulting</p> <ul style="list-style-type: none"> - Hotline for intake questions and assistance - Complaint intake via mail and website - Follow-up with borrowers for incomplete intake forms - Complaint database development and administration 	<p style="text-align: center;">HSBC</p> <ul style="list-style-type: none"> - Complaint investigation and remediation - Complaint tracking and reporting to regulators and E&Y 	<p style="text-align: center;">Committee (Ernst & Young, Gibson Dunn, HSBC)</p> <ul style="list-style-type: none"> - Screening of complaints to determine inclusion in the process - Recommendation of remediation plan

Complaints Tracking and Documentation Database

HSBC has retained Rust Consulting to serve as the CAA for the Foreclosure Complaints Review Process. Rust will also build and provide technical support for a customized complaints database (“Complaints Database”) to serve as the single source of record for the Foreclosure Complaints Review Process. E&Y has participated in the selection and evaluation of Rust to develop the Complaints Database. E&Y will oversee the development and ongoing execution of the Complaints Database by attending all planning calls, reviewing the planning documents, and providing input in the database development. E&Y will continue these measures during the course of the Foreclosure Complaints Review Process.

The database will house the complaint intake details, images of any documents submitted by the borrower, documentation of any complaint investigation conducted by HSBC, a summary of the investigation and remediation, the results of any committee reviews, and all correspondence with the borrower as a result of the complaint.

The database records will be transferred to ECTS at the completion of the review. The Complaints Database will be accessible to individuals through a secure web portal and a record of access to the database and the complaint will be automatically recorded. The database will be designed to reflect the workflow of the complaints process and will be used to manage the workflow of the complaints. The database records will be saved on a regular basis by Rust Consulting. No records are ever lost due to deletion or overwriting, even when the information shown through the web portal has been changed. The records will be available to E&Y and applicable regulators. The database will allow for dynamic reporting including point in time status for any and all complaints,

as well as metrics on average time to resolve complaints and to complete action steps in the process.

Rust will be provided with the HSBC's Population in order to prepare the data for the direct mailing and use in complaints intake. The Population listing will specify whether the account is active or inactive. The account status will be used to determine the level of initial skip-tracing needed as well as prioritizing complaints as they are received. Complaints pertaining to accounts with a pending foreclosure date will be prioritized, followed by active accounts, and lastly inactive accounts.

A. *Borrower Outreach for Complaints Program*

A communication and outreach plan has been developed to reach borrowers with foreclosures pending or completed between January 1, 2009 and December 31, 2010, known as the Population. Borrowers within the Population will receive written communication notifying them of the Foreclosure Complaints Review Process and providing them with the Complaint Intake Form. The outreach efforts will be in collaboration with the other servicers and ICs in order to present a uniform, coherent and user-friendly complaint process. The name Independent Foreclosure Review has been adopted to communicate the impartial nature of the review effort and will be used for the coordinated outreach and intake effort. The outreach effort continues to be developed with regulator input and IC supervision. The current outreach plan includes a staggered mailing to borrowers followed by national media in late 2011.

All communication will specify that the Foreclosure Complaints Review Process pertains to borrowers with foreclosures pending or completed between January 1, 2009 and December 31, 2010 wishing to complain about their foreclosure proceedings on their primary residence and receive an independent review, and how to submit a complaint. All communication concerning the foreclosure complaints process will include a deadline for submitting complaints not less than 120 days from the date that the direct mail is sent out to targeted borrowers. The final communication and outreach plan, and outreach materials will be submitted for regulatory approval separately from this letter by the joint servicer team.

1. *Direct Mail*²⁰

A cover letter and Complaint Intake Form will be mailed to the current known address of borrowers in the Population who were identified as owner-occupied at the time of mortgage origination. For borrowers whose account status is in active litigation at the time of the data feed to Rust, reasonable efforts will be made to send the correspondence to the mailing address of the attorney that is systemically available. If no attorney address is systemically available, the correspondence will be sent to the borrower's mailing address. All borrowers in the Population will

²⁰ Pursuant to page seven, "deliver notice letters" of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives.

be able to submit a complaint using the online intake form, regardless of whether they received a mailed complaint intake form.

HSBC maintains address data for borrowers, and these addresses will be used as the starting point for the direct mailing campaign. Prior to mailing, Rust will run the entire population of addresses through the National Change of Address (NCOA) database to identify the current mailing address of the borrower in the case that the borrower has changed their address without notifying HSBC. For borrowers whose account status indicates they are no longer at the mailing address on file, Rust will conduct skip tracing research. Rust will also be responsible for conducting secondary, targeted research on the current address of any borrowers for whom the direct mail is returned as undeliverable. The objective of the research efforts will be to reach as many borrowers in the Population as possible through direct mail, which will be facilitated through NCOA database research, address skip-tracing research and other secondary search procedures.

2. Website: www.IndependentForeclosureReview.com

The dedicated website, www.IndependentForeclosureReview.com, will allow borrowers to complete and submit the intake form on the website. The website will also provide borrowers with information on the dedicated toll-free phone number for assistance and a section with FAQs.

A search engine query of "Independent Foreclosure Review" will return the website. In addition, a paid search campaign will be run by the joint servicer media campaign. Keyword search terms such as "foreclosure complaint form" and "HSBC foreclosure review" entered in internet search engines will display a link to the website in the paid search results. The paid search keyword campaign will be executed in conjunction with the joint servicer media campaign.

3. Banner Ads

A banner ad will appear on the front page of the HSBC, Beneficial and HMS loan servicing websites. The banner ad will link to the Independent Foreclosure Review website.

4. Mass-media Advertisements²¹

HSBC will participate in a mass-media advertising campaign developed by the joint servicer media team. As currently contemplated, the advertising campaign will consist of print ads in national outlets such as *People*, *USA Weekend*, *TV Guide*, and the *Parade* Sunday newspaper insert. The ad will serve as notification that the Independent Foreclosure Review is being conducted by independent third party consultants for borrowers subject to foreclosure actions between January 1, 2009 and December 31, 2010. The ad will emphasize the need to file a complaint in order to

²¹ Pursuant to page eight, the "national and local advertising campaigns" of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives.

receive the review, the method to do so, the telephone hotline number for assistance and the deadline for submitting the complaint. The joint servicer media team is developing the media campaign and will receive regulatory approval separately from this letter.

5. Housing Counseling Agencies²²

Written communication announcing the Foreclosure Complaint Review Process and providing the website where the Complaint Intake Form and guidance will be available to HUD-approved counseling agencies and other community groups assisting borrowers with homeownership preservation. The joint servicer media team is developing the outreach materials and list of recipients and will receive regulatory approval separately from this letter.

6. Customer Inquiries

Rust will establish and maintain a dedicated toll-free phone number to answer questions concerning the Independent Foreclosure Review. The phone number will be listed on the letter sent to borrowers, the website, the Complaint Intake Form, and all other outreach mediums. Rust will be provided with a Frequently Asked Questions (FAQs) script to assist with answering common questions. For questions or concerns outside of the Foreclosure Complaint Intake Process, Rust will provide the borrower with HSBC's customer service hotline.

E&Y will review the proposed script and FAQs to be used prior to implementation. Rust will conduct training to its representatives to ensure they are prepared to assist callers. As per usual business practices, Rust will record the calls received by the hotline. E&Y will review the recorded calls for quality and accuracy on a sample basis.

██ and ██ representatives will also receive training on the Independent Foreclosure Review so that they may appropriately refer and assist borrowers. E&Y will review and approve HSBC's training materials and quality control processes for the Foreclosure Complaints Review Process.

B. Complaint Intake Form and Processing

The Complaint Intake Form will be provided in hard copy in the direct mailing campaign to the Population. The form will be pre-populated with the borrower(s)' name, mailing address, property address and loan number. Borrowers will complete the intake form and submit it to the CAA as directed on the form and as repeated in all other communications. The CAA will accept the intake form and any supporting documentation via a dedicated P.O. Box or online. Complaint Intake

²² Pursuant to page eight, the "outreach to state attorneys general, Department of Justice (DOJ), and other federal regulatory agencies" of the July 7, 2011 testimony of Julie L. Williams, First Senior Deputy Comptroller and Chief Counsel, Office of the Comptroller of the Currency before the Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations of the Committee on Financial Services, United States House of Representatives.

Forms mailed to borrowers will be bar-coded by the CAA to facilitate tracking of borrower correspondence.

Rust will review each paper Complaint Intake Form for completeness. Incomplete forms will be returned to the borrower with a request for the missing information. The criteria for a complete intake form, as well as the template letter requesting the missing information, will be uniform for all servicers participating in the complaints intake process. As currently contemplated, criteria for a complete intake form is a signature. Responses to incomplete forms will be accepted for 30 days after the request for additional information is mailed or until March 30, 2012, whichever comes first. Rust will monitor and provide reporting on complaint forms received that lacked a signature as a part of the reporting on the status of all complaints received.

Rust will image all paper Complaint Intake Forms and any supporting documentation submitted by the borrower upon receipt. A written acknowledgment of the receipt of the complaint will be sent to the borrower by Rust within seven days of Rust's receipt of the complaint. The date that the acknowledgement letter was sent will be recorded in the Rust Complaints Database. The acknowledgement letter template will be common across servicers and will receive regulatory approval.

The information provided on the Complaint Intake Form will be entered into the Complaints Database by Rust representatives. The Complaint Intake Form consists of several questions concerning possible loss mitigation and foreclosure actions in order to identify the specific area(s) in which financial injury may have occurred. If the Form consists of affirmative answers to questions #2-13, the complaint will be considered targeted and will receive a Targeted Review.

Borrowers can also complete an electronic version of the form on the dedicated website, www.independentforeclosurereview.com. The borrower will enter identifying information such as loan number and tax identifier to validate they are part of the servicer's Population. If the borrower is not able to complete the form online they will be directed to call the hotline for assistance.

C. Identification of Complaints Received Outside of the Dedicated Process

At monthly intervals, beginning in October 2011 and continuing throughout the intake period, HSBC will query the ECTS database to identify foreclosure related complaints for accounts in the Population received contemporaneous to the Independent Foreclosure Review through usual HSBC complaints channels. The expectation is that borrowers with in-scope complaints for the Foreclosure Review would be directed to the specific Independent Foreclosure Review intake process by [REDACTED] and [REDACTED] representatives. However the additional query will be run and the results reviewed to identify any complaints not included in the Independent Foreclosure Review process. If warranted, the complaint will be added to the Independent Foreclosure Review process, resulting in the IC review by E&Y.

E&Y will sample complaints within the Population and not categorized as foreclosure complaints, as well as foreclosure complaints outside of the Population, to validate the query.

D. *Complaint Screening*

The Complaints Screening Committee will review complaints for which the Form does not clearly indicate the issue(s) to be reviewed. This includes Intake forms that do not answer affirmatively to any of the questions and that provide narrative information that does not specify an issue. In addition the Screening Committee will review the intake form and supporting documentation provided by the borrower to determine:

- If the complaint is within the scope of the Foreclosure Complaints Review;
- Whether the complaint will result in a Targeted or Comprehensive Review;
- Whether additional information is needed from the borrower.

The Committee will be led by E&Y. Law Firm representatives will provide legal consultation as needed. Representatives for HSBC will participate in the committee in order to provide borrower specific research results and other factual support as needed. Those complaints determined to be out of scope will be addressed by the existing [REDACTED] and [REDACTED] teams, as appropriate. The borrower will be notified by mail by Rust that their complaint is not within the scope of the Independent Foreclosure Review and will be addressed by HSBC. In instances which additional information is needed from the borrower, Rust Consulting will send a letter to the borrower requesting the additional information. The request for additional information will follow the protocol detailed for incomplete intake forms above.

E. *Complaint Research*

Complaints identified by the Screening Committee as general, as opposed to targeted, will receive a Comprehensive Review.

Targeted, in-scope complaints research will be managed by a dedicated team of HSBC representatives and overseen by E&Y. HSBC representatives will be responsible for collecting data and documentation for each loan and providing that information to E&Y for the IC review²³. In order to collect the documentation necessary to review issues raised in borrower complaints, the HSBC representative will assign inquiries to business units using the Complaints Database. The protocols, which are largely an existing part of normal HSBC complaints processing, will be modified or supplemented to accommodate the particular features of the Foreclosure Complaints Review Process and related workflow. The business units contacted (e.g., Foreclosure) will respond to the inquiry with summary comments and upload any documentation to the Complaints Database. Where appropriate, the business unit(s) may recommend remedial measures based on the results of their research.

²³ A check will be performed to determine if the complaint relates to a loan already identified as a part of the Foreclosure Review (i.e. included in the statistically valid sample). If a complaint pertains to a loan already included in the Comprehensive Review, HSBC will not perform research and will instead forward the complaint on for E&Y to include in the Comprehensive Review.

Immediate remedial action steps may be made by HSBC, however the E&Y will review the proposed and/or completed remedial measures and determine whether additional remediation is warranted, or if remediation to previously completed actions are necessary. Once all necessary information is obtained, the HSBC representative will update the Complaints Database to prompt the E&Y review.

E&Y will perform an independent review of the research process on a sample basis.

F. Independent Review

For those complaints which detail a specific issue(s), the Complaint Intake Form, documents provided by the borrower, and documents collected in the research process will be provided to E&Y for a Targeted Review. The Targeted Review will be performed by E&Y, with the assistance of the Law Firm, for those areas of the Targeted Review Checklist relevant to the complaint to identify borrowers who suffered, or may have suffered, financial injury as defined in the OCC and FRB Guidance - Financial Injury or Other Remediation, issued on August 29, 2011. For Targeted Reviews, the complaint investigation and review will be limited solely to those issues raised in the complaint and determined to be within the scope of the Foreclosure Review Complaints Process.

The results of the Targeted Review Checklist, the response of the business unit and any proposed remediation actions, will be reviewed by E&Y, with input from the Law Firm, in order to identify findings and proposed recommendations for remediation as appropriate. A Comprehensive Review will be performed for those in-scope complaints which do not specify a particular issue and are general in nature.

HSBC will be afforded the opportunity to conduct additional research for complaints for which E&Y identifies Errors or Exceptions and share the additional research with E&Y.

E&Y will bring to the attention of the Law Firm possible errors, misrepresentations or other deficiencies it identifies as requiring legal interpretation regarding whether Errors or Exceptions exist. The Law Firm's legal determinations of whether a borrower has suffered or may suffer financial injury in a particular case shall be based upon the August 29, 2011 OCC guidance on financial injury, and E&Y's findings and the supporting information and documentation that E&Y brings to the Law Firm's attention as requiring legal interpretation. The Law Firm will provide a Final Report that will include its legal conclusions, including its legal determinations regarding financial injury, to each borrower who suffered, or may suffer financial injury in accordance with the August 29, 2011 OCC Guidance on Financial Injury or Other Remediation. E&Y's Final Report will present its findings and will quantify any financial injury and recommended remediation, based upon the Law Firm's corresponding legal determinations regarding financial injury, to each borrower who suffered, or may suffer financial injury in accordance with the August 29, 2011 OCC Guidance on Financial Injury or Other Remediation, only in so far as quantification of financial injury and recommended remediation is possible based on the available information.

G. Complaint Response and Remediation

For complaints for which there are no E&Y findings as it relates to Financial Injury, a letter will be sent to the borrower by Rust indicating as such. The template for this letter will be drafted by the joint servicer team and submitted regulatory approval separately from this letter.

E&Y, with the assistance of the Law Firm and HSBC, will develop a remediation plan, which will be provided to FRB and OCC for prior approval. For those borrowers who have been found to have experienced Financial Injury pursuant to FRB and OCC guidelines, relevant HSBC business unit(s) will be notified by [REDACTED] and [REDACTED] representatives, and will execute the remediation according to the remediation plan. Upon completion of remediation steps, the relevant business unit(s) will notify [REDACTED] and the [REDACTED] and upload all supporting documentation to the Complaints Database. A response writer will draft a response which summarizes the complaint issues and their respective outcome with remedial measures, as appropriate. The approved response will be sent to the borrower by Rust. The response will be scanned and saved in the Complaints Database.

H. Documentation and Reporting

The Complaints Database, and ultimately HSBC's ECTS, will house images of:

- The complaint intake form and any other documents sent by the borrower;
- Communication with the borrower concerning their complaint;
- Documentation compiled during complaint research;
- Documentation around remedial actions taken;
- All subsequent correspondence with the borrower relating to the complaint.

The Complaints Database will also record the detail provided on the complaint intake form and includes fields to track the source of referral and type of complaint. The documentation will be maintained per present HSBC business practices and in compliance with state and Federal regulations and guidance.

E&Y will report on the complaints received, complaints determined as out-of-scope, and related findings.

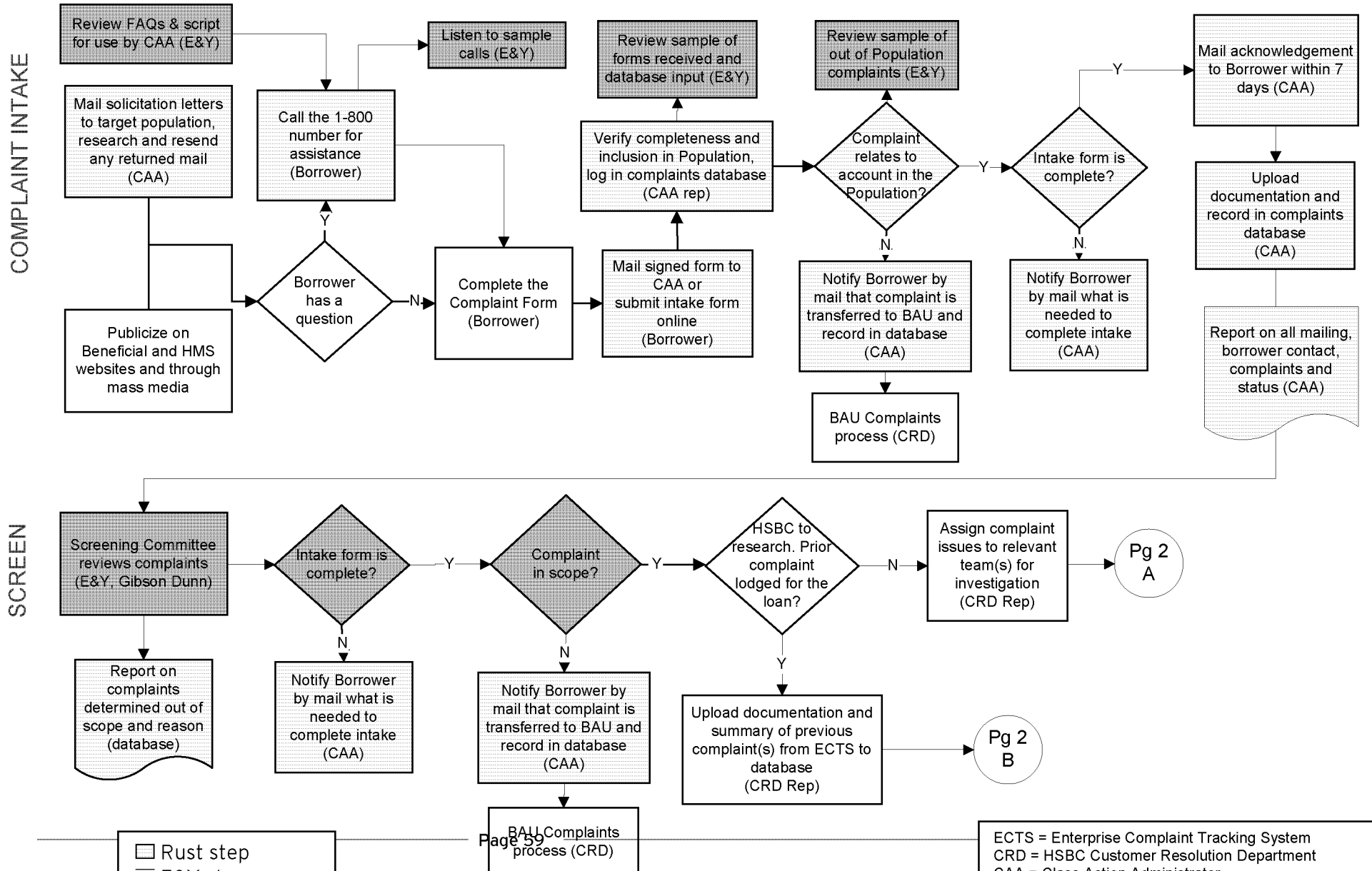
HSBC will provide E&Y with weekly updates on the remediation efforts and responses sent to borrowers. E&Y and HSBC will meet regularly to review the progress of the cases and to address any exceptions to the process and resolve issues as needed. HSBC will compile monthly reports, for review by E&Y and the appropriate regulators, with the following information:

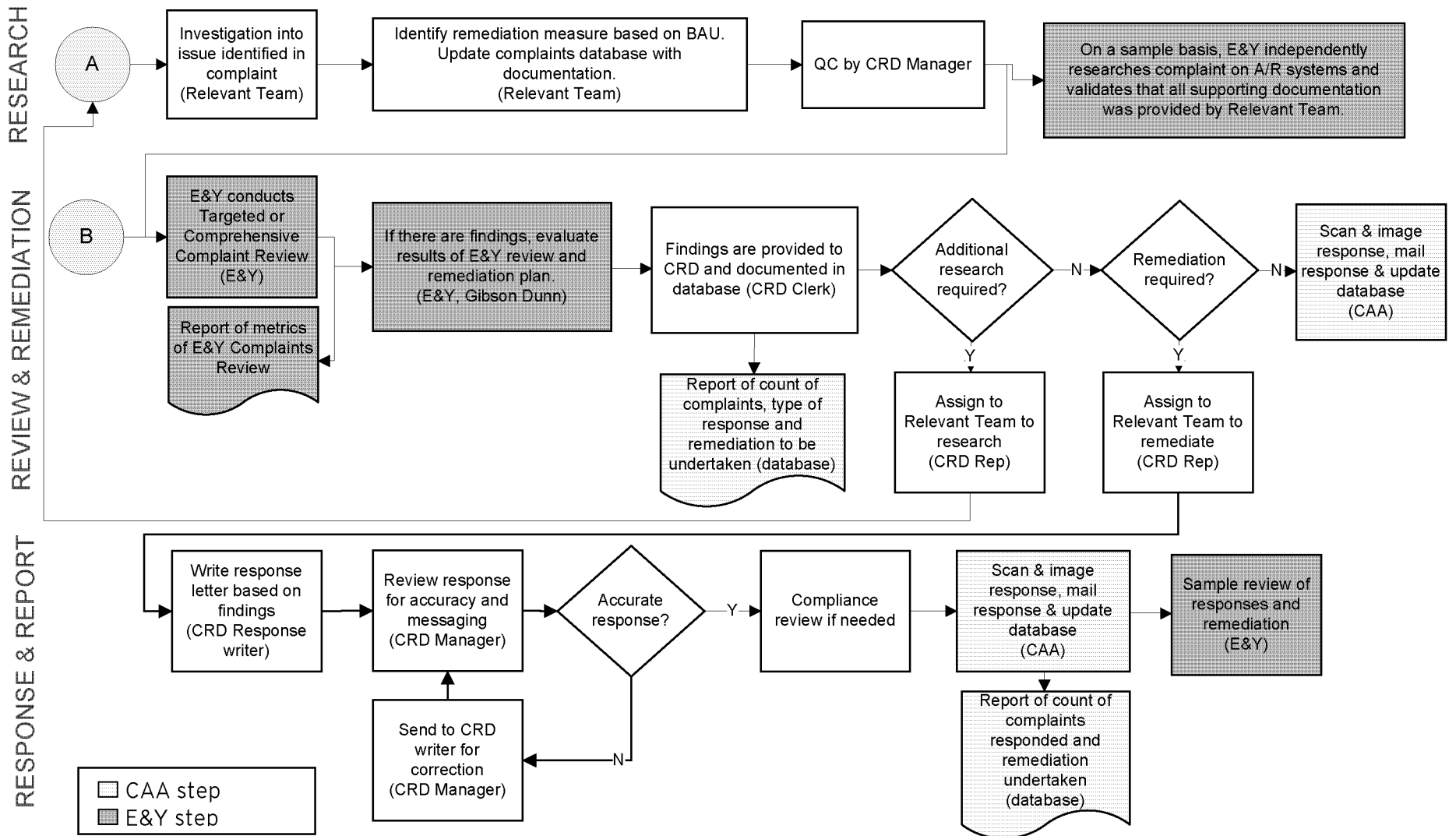
- Number of complaints received;
- Type or Nature of complaint received;
- Number of complaints in-scope and out-of-scope;
- Number of complaints acknowledged;
- Number of complaints in process;
- Number of complaints not yet analyzed;
- Number of complaints responded to;

- Complaints disposition;
- Number of complaints requiring remediation;
- Number of complaints remediated;
- Aging reports (as warranted); and
- Comments section to provide for other pertinent information.

E&Y will not implement the communication and outreach plan, have contact with borrowers or community group representatives, or be responsible for addressing borrower complaints with borrowers.

Appendix D: Foreclosure Complaints Review Process Workflow





□ CAA step
 ■ E&Y step

ECTS = Enterprise Complaint Tracking System
 CRD = HSBC Customer Resolution Department
 CAA = Class Action Administrator