

**HSBC settles US fraud charges over foreclosure fees**  
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HSBC Holdings Plc agreed to pay US\$10 million (RM32.05 million) to settle US government charges that it defrauded taxpayers by submitting inflated bills to process residential foreclosures.

The civil settlement announced yesterday is the first to result from an investigation by US Attorney Preet Bharara in Manhattan into whether mortgage servicers overcharged the government on foreclosures on federally-backed home loans.

According to settlement papers, HSBC admitted and accepted responsibility for having failed in 2009 and 2010 to properly police foreclosure-related fees charged by outside lawyers and other service providers.

HSBC would submit inflated fees to the Federal Housing Administration, which is part of the Department of Housing and Urban Development, and government-controlled mortgage company Fannie Mae for reimbursement, the papers show.

The British lender's inadequate oversight led to millions of dollars of losses for the FHA and Fannie Mae, Bharara said.

"Their lack of controls showed gross neglect and an abject failure to serve their customers, FHA and Fannie Mae, and therefore the taxpayers," Michael Stephens, acting inspector general at the Federal Housing Finance Agency, which oversees Fannie Mae, said in a statement.

HSBC spokesman Rob Sherman said the bank is pleased to settle. "Since 2010, we have taken steps to enhance oversight of foreclosure law firms, and put in place a robust law firm management and oversight program even before we received notice of this particular action," he said.

The accord resolves claims under a federal whistleblower law known as the False Claims Act. The identity of the whistleblower could not immediately be determined.

A typical foreclosure can cost US\$1,000 to US\$3,000. Much of the sum goes toward legal fees, and other expenses can go toward court filing costs, mailings and title searches.

At least US\$6 trillion of loans overseen by large servicers in the United States from 2009 to 2012 were delinquent or in foreclosure, the trade publication Inside Mortgage Finance said.

Other companies have also received subpoenas from Bharara's office related to foreclosure fees charged to the FHA, Fannie Mae and Freddie Mac.

Among the recipients are Banco Santander SA, MetLife Inc, PHH Corp, PNC Financial Services Group Inc and Royal Bank of Scotland Group Plc's Citizens Financial unit, according to regulatory filings. None immediately responded yesterday to requests for comment. – Reuters, July 2, 2014.

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