

HSBC Mortgage Corporation (USA) **Announcement**

To: Wholesale - INTERNAL / Effective Date: February 26, 2008

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Due to system updates, please note that all announced enhancements, pricing changes and product changes will go into effect at 10AM (EST) on the effective date posted on the announcement.

Advisory Letter 2003-3: "Avoiding Predatory and Abusive Lending Practices in Brokered and Purchased Loans"

HSBC Mortgage Corporation (USA) ("HSBC") is the mortgage banking subsidiary of HSBC Bank USA, National Association and is regulated by the Office of the Comptroller of the Currency ("OCC"). The OCC issued Advisory Letter 2003-3 which addressed "Avoiding Predatory and Abusive Lending Practices in Brokered and Purchased Loans". Specifically, Advisory Letter 2003-3 addressed a lender's responsibility to review for written agreements between a borrower and a broker to ensure the agreements disclose fees to be paid to the broker for its services. The agreement must contain a specific request for such broker services at the disclosed fee, and include a signed and dated acknowledgment of receipt by the borrower before the broker commences services. The lender must retain copies of this documentation in each loan file.

In an effort to comply with this requirement, HSBC has created the attached form for use by all of its brokers to submit with all registrations beginning 3/1/08 and all loan packages submitted 3/17/08 and later.

See attached form (page 2): [OCC AL 2003-3 Form.doc](#)

The requirements of submission of the form are outlined below:

- Applies to: Broker loan submissions
- All applicants must execute the attached form. This executed form must be submitted with all loans registered on or after 3-1-08 and packages received no later than 3/17/08. The form will be made available on Fax On Demand - Document # 705 and can also be found in the exhibit section on Webloan and the Product Manual labeled OCC AL 2003-3 Form.
- Imagequick submissions by brokers must be placed in the "Application Disclosures" folder.
- All Good Faith Estimates ("GFE") must contain the amount or a range (in dollars or as a percentage of the loan amount) of the yield spread premium the broker expects to collect, including any overlays, as compensation for the loan.
- Processing of loans lacking this form and/or a signature from each applicant will be suspended and the broker notified accordingly. No loan may be approved subject to its receipt.
- Verification of Fees - Processing/Closing staff must verify, prior to closing, that the amount of fees disclosed as being paid to the broker (according to the HUD-1 Settlement Statement) do not exceed the amount, or vary from the type, of fee disclosed per the GFE. Any increase in excess of 10% of the amount originally quoted or any newly introduced fee over \$100.00 to be paid to the broker must be explained, documented and agreed to by the applicants in writing prior to closing.
- All of the aforementioned documentation is to be retained with each imaged loan file.
- Quality Assurance - Operations Administration is asked to ensure that this policy is being complied with for a minimum of 1 month while loans are in process or until such time that compliance is attained. Thereafter, and applicable to originated loans, Quality Assurance will add to its review procedures the requirements enumerated above. Both Teams are asked to keep the Director of Compliance or her designate advised of progress.

If you have any questions, please contact your Manager.



We have requested various services from a mortgage broker to assist us in obtaining a residential mortgage loan. We acknowledge receipt, prior to the commencement of these services, of the Good Faith Estimate of Settlement Services (“GFE”) provided by our Broker.

- We understand that the fees contained in this document are estimates of the amount of, or range of, charges for the specific settlement services we are likely to incur in connection with the settlement of my mortgage loan;
- We request the broker perform such services for the stated fees, including but not limited to the fee stated for broker compensation; and
- We understand that actual fees for specified services may be higher or lower than estimated.

We further understand that the mortgage broker fees may be paid either by us directly, or by the mortgage lender. If the mortgage broker fees are paid by the lender, this is called a yield spread premium, and we understand that our interest rate will be higher if we choose a yield spread premium than if we pay the mortgage broker directly. If a lender paid mortgage broker fee (or yield spread premium) is quoted on the attached GFE, we understand that this amount may change by the time of closing if our loan amount changes.

Applicant Date

Applicant Date