



Rose C. Mancini
Group General Counsel

August 29, 2008

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Docket No. R-1321

Dear Ms. Johnson:

In response to the Board of Governors of the Federal Reserve System (the "Board") request for comment, HSBC Finance Corporation's ("HSBC Finance Corporation") retail lending branches, which operate under the Beneficial and HFC brands ("HSBC Consumer Lending") and HSBC Mortgage Corporation (USA) ("HSBC Mortgage Corp"), an operating subsidiary of HSBC Bank USA, N.A. (collectively "HSBC") are pleased to offer remarks on the proposed amendments (the Proposal) to the rules for reporting pricing information for higher-priced loans under the Home Mortgage Disclosure Act (HMDA). As one of the nation's largest consumer finance companies, HSBC Consumer Lending has approximately 950 branches in 46 states and 8 servicing facilities across the United States. HSBC Mortgage Corp offers prime and Alt A mortgage loans and home equity loans nationwide through retail loan production offices, bank branches, telesales, correspondents and mortgage brokers.

HSBC supports the Board in its efforts to modify the HMDA rate-reporting benchmark from Treasury securities to the Freddie Mac Primary Mortgage Market Survey[®] (PMMS), the same trigger that will be used for coverage under the new rules for "higher-priced" loans under HOEPA, as this will ensure consistency of data and relieve the compliance burdens of managing to multiple thresholds.

The Board has proposed that data collection pursuant to the Proposal begin on January 1, 2009, to accommodate the October 1, 2009 effective date of the HOEPA amendments. While the report will not be due until March 1, 2010, all of the fields of information needed to calculate the rate spread would have to be captured at the time of application starting January 1, 2009, months before the effective date for the HOEPA amendments. The proposed January 1, 2009 effective date provides lenders with only a few short months to make the necessary programming changes, complete system testing and provide updated training to personnel to ensure compliance with the new

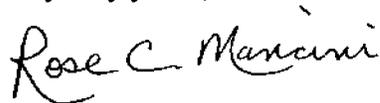
requirements. For these reasons, HSBC urges the Board to postpone the new data collection requirements until January 1, 2010. This extra time would allow lenders sufficient time to implement the necessary changes, while capturing almost all loans made under the amendments to Regulation Z.

While HSBC supports reconciling the HMDA reporting timing requirements with the rules for determining the higher-priced loan threshold under HOEPA, the Proposal does present some implementation challenges. The text of the proposed regulation states that the average prime offer rate ("APOR") will be updated "at least weekly," while Attachment I indicates that it will be published on the Federal Financial Institutions Examination Council web site "by Thursday night. Because loans could lock almost immediately after the rate is published, particularly in parts of the country where publication would occur during business hours, it will not be feasible to comply with the requirement to use "the most recently available" rate as lenders would have only one business day to update the rate in their systems.¹

We believe that the effective date of the new APOR should be the first business day of the week following its publication (*i.e.*, the next Monday, or Tuesday, if Monday is not a business day for the reporting institution) for several reasons. The new benchmark rates will affect not only HMDA reporting but also whether the HOEPA rules for higher-priced mortgage loans apply, which, in turn, could affect the terms and cost of the transaction. Lenders need the extra lead time to update the rate in their systems and react to any changes in the terms and costs of the transaction. HSBC believes this is a further reason to delay the mandatory collection date for HMDA data until January 1, 2010.

HSBC appreciates the opportunity to comment on the Proposal. If there are any questions concerning this letter, or the Board requires additional information, do not hesitate to contact me.

Very truly yours,



Rose C. Mancini

¹ The threshold rate for HOEPA high-cost loans is based on the comparable Treasury rate "as of the 15th day of the month immediately preceding the month in which the application for the extension of credit is received by the creditor, which provides lenders with 15 days or more to update the rate in their systems. 12 C.F.R. 226.32(a)(1)(i).