

Stephen E. Simcock
General Counsel
Global Consumer

Citigroup Inc.
399 Park Avenue
3rd Floor
New York, NY 10022

Tel [REDACTED]
Fax [REDACTED]
[REDACTED]@citi.com



FOIA CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO
5 U.S.C. § 552(b); 12 C.F.R. §§ 261.14(b)(4), 261.14(b)(8)

March 19, 2012

Mr. Jonathan I. Polk
Senior Vice President, Bank Supervision
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

*In the Matter of Citigroup Inc. ("Citigroup" and together with subsidiaries, "Citi")
and CitiFinancial Credit Company ("CitiFinancial")
Nos. 11-024-B-HC and 11-024-B-DEO*

Dear Mr. Polk:

I am writing in regard to your letter of March 8, 2012 to Mark Mason advising Citigroup Inc. ("Citi") that the Internal Audit Plan ("the Plan") submitted by Citi under the April 13, 2011 Consent Order is conditionally acceptable. In your letter you requested that Citi address three issues with respect to the Plan. Attached is a Supplement to Paragraph 5 of the Plan addressing the issues that you raised.

Please let us know if any additional information would be helpful for your consideration of this matter.¹

Sincerely,

[REDACTED]

Stephen Simcock

Enclosures

¹ We respectfully request, pursuant to 5 U.S.C. § 552(b) and 12 C.F.R. §§ 261.14(a)(4) and (a)(8), that confidential treatment be accorded this letter, the accompanying enclosures, and the confidential and privileged business, commercial, and financial information they contain, as well as any transcripts, notes, memoranda, or other records created by, or at the direction of, the Federal Reserve Bank of New York, its officers, or staff that reflect or relate to this confidential information. We also respectfully request that you promptly inform us of any request under the Freedom of Information Act seeking access to any of the information enclosed herewith, to permit us to substantiate the grounds for confidential treatment. These materials are not otherwise available to the public and their disclosure will lead to substantial competitive harm to Citi.

We further note that this letter and the accompanying enclosures are protected by legal privileges, including but not limited to the attorney-client and work product privileges. In accordance with 12 U.S.C. § 1828(x), we do not waive, and expressly preserve, all such privileges and protections.

Amended Supplement to Paragraph 5, The Internal Audit Plan, to address points raised by the Reserve Bank

The administrative reporting line of the Chief Auditor should be changed from the Citibank, N.A. Chief Executive Officer to the Citigroup Chief Executive Officer.

The Chief Auditor will have a joint administrative reporting line internally to the Chief Executive Officer of Citigroup Inc. and the Chief Executive Officer of Citibank, N.A. whose roles are limited to providing administrative support to the Chief Auditor in the following areas:

- Oversight of Internal Audit staff human resources issues, including recruitment, development, and retention of high-quality Internal Audit staff
- Initiation of capital expenditures to support the mission of Internal Audit
- Information about guidelines on corporate budget and expense policies
- Approval of expense reports under Citigroup policies and management of premises and other logistical requirements.

The Chief Executive Officer of Citigroup Inc. may delegate in part day to day responsibilities to the Chief Executive Officer of Citibank, N.A. Key administrative decisions (including staffing and budget) rest with the CEO of Citigroup Inc.

The internal administrative reporting relationship will be reassessed by the Audit Committees periodically to ensure that adequate organizational independence is maintained and to take account of any senior level Citigroup management changes.

The Internal Audit Plan should address how needed improvements in the Audit and Risk Review's (ARR) issues escalation process and Audit Committee oversight affect the escalation of issues within the Mortgage Servicing Business and its related governance structures (i.e. the MCC and sub committees).

Internal Audit identifies Mortgage Servicing issues during audits and through its continuous risk assessment process. Internal Audit escalates issues and delayed corrective action plans to Mortgage Business Senior Management through quarterly Business Risk Control Committee and Audit Committee Governance forums.

Effective 2Q 2011, Internal Audit expanded its reporting and escalation of global mortgage issues to the CBNA and Citigroup Audit Committees to include Residential Mortgage Loan Servicing issues and trends across Citi's U.S. Residential Mortgage Servicers. Key quarterly metrics reported include audit results; corrective action plans delayed 60 days or more; project updates; and emerging and/or existing risk topics.

Effective August 2011, the escalation process was further expanded by having Internal Audit participate in Mortgage Compliance sub-committee forums which are the basis for determining whether Mortgage Servicing Business Issues are communicated to the Mortgage Compliance Committee (MCC). In addition, Internal Audit has implemented a monthly Mortgage Compliance Committee Dashboard Report, independent of the business, highlighting the status of completion and validation of Mortgage Servicing consent order submission level tasks and sustainability of actions taken. Summaries of audit issues, past due issues and areas of focus, as well as an overall view of the control environment are included within the Dashboard. Internal Audit's MCC monthly report is focused on Mortgage Servicing in contrast to the quarterly Audit Committee report which includes a broad view of Global and U.S. Residential Mortgage issues and trends.

The actions described above have enhanced escalation of Mortgage Servicing issues and trends.

The Internal Audit Plan should detail the ongoing evaluations of ARR staffing adequacy with respect to coverage of the Mortgage Servicing Business and consent order provisions.

On an annual basis, Internal Audit staff complete a skills assessment matrix outlining skills and product knowledge proficiency based on a combination of audit and operations experience. In addition to their own data, Managers have access to their team's input and must verify their review and agreement with each individual employee's updated skills assessment.

Subsequent to completion of the skills assessment, Human Resources works with the Audit Executive Committee to identify gaps and, as appropriate, develop a recruiting plan to obtain skill sets needed to execute the audit plan. The resulting information is important for audit planning and for validating the staffing model while allowing managers to leverage Internal Audit's overall skills and experience.

The 2011 skills assessment process was modified to include years of audit and operations experience focused specifically on the Mortgage Servicing Business and benchmarking to industry standards. The modified assessment was the basis for identifying gaps within the Internal Audit Residential Mortgage team and developing a recruitment plan to obtain necessary skill sets required to execute the Post Consent Order expanded Mortgage Servicing Audit Plan commencing September 2011. The Internal Audit Mortgage "end state" organization has been defined (35 FTE) and critical staff necessary to execute the 2012 plan are on board, including added depth (10 Positions) at Director and Audit Manager levels with a combination of Mortgage Serving Operations and audit experience linked to Consent Order Requirements as well as additional resources to support data retrieval and data mining initiatives. Citigroup's 2012 talent review process will commence during May, 2012.

Internal Audit's Training Program was modified during 2011, requiring Mortgage team members to complete a specific Collections, Loss Mitigation, Bankruptcy and Foreclosure Mortgage Servicing internal training course. The program has been expanded, adding additional internal and external training sources, to ensure that audit staff is knowledgeable about changes in Mortgage Servicing Business processes, regulatory requirements and industry trends. The plan establishes minimum requirements for all Mortgage team members based on an internal skills assessment and coverage responsibilities and will include internal and external training sources. The plan also employs an underlying strategy to create a culture that encourages team members to redistribute knowledge gained at conferences and external events to the broader group. Internal Audit Mortgage team members will complete a minimum of 48 hours of training during 2012. As part of the on-boarding process, newly hired staff received "side by

side” training through participation during 2012 1Q in Mortgage Servicing Escrow, Collections, Compliance Program and Bankruptcy reviews. In addition, new hires took, on average, 5-10 hours of Mortgage Servicing training courses during 1Q 2012.