

CitiFinancial



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

July 12, 2011

Mr. Jonathan 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. and CitiFinancial Credit Company*  
Nos. 11-024-B-HC and 11-024-B-DEO – Consent Order dated April 13, 2011

Dear Mr. Polk:

CitiFinancial Credit Company (“CitiFinancial”) is hereby submitting its written plan for strengthening coordination of communications with borrowers, both oral and written, related to Loss Mitigation and foreclosure activities, to the Federal Reserve Bank of New York for its approval. The purpose of the plan is to ensure that borrower communications are timely and effective and are designed to avoid confusion to borrowers, to ensure continuity in the handling of borrowers’ loan files during the Loss Mitigation and foreclosure processes by personnel knowledgeable about the borrower’s situation, and to ensure that decisions concerning Loss Mitigation options or programs continue to be made and communicated in a timely fashion.

CitiFinancial’s submission today consists of (1) a narrative summary describing CitiFinancial’s plans, programs, and policies and procedures being created or enhanced in response to Paragraph 6 the Consent Order, contained in Appendix 1, and (2) an Action Plan contained in Appendix 2, which sets forth in detail the actions CitiFinancial will take to comply with Paragraphs 6, 7, 8, and 9 of the Consent Order and specifies action steps and timelines for completion.

CitiFinancial has begun implementation efforts on enhancements to its policies and procedures as set forth in the plan. The policies and procedures: (1) will be revised as necessary during the term of the Consent Order to incorporate new or changed requirements and supervisory guidance of the Federal Reserve Board by submission to the Federal Reserve for approval with the quarterly progress reports; and (2) will not

otherwise be amended or rescinded without the prior written approval of the Federal Reserve Bank. We understand that CitiMortgage is continuing to enhance its procedures under the Consent Order issued on April 13, 2011 by the Office of the Comptroller of the Currency, and therefore changes may be made in the future. CitiFinancial will have the opportunity to review and comment on changes in procedures that affect the servicing of CitiFinancial accounts before such changes are finalized.

We acknowledge that this response contains confidential supervisory information within the meaning of 12 C.F.R. Part 261 and should not be disclosed to third parties without the permission of the Board of Governors of the Federal Reserve System.

CitiFinancial is committed to full compliance with the requirements of the Consent Order, and we are working to improve our practices to that end. In this regard, our plan and approach to approving CitiFinancial's policies and procedures regarding communications with borrowers and this response have been reviewed by, among others, the CitiFinancial Board of Directors and the Mortgage Compliance Committee of the Citigroup Board of Directors. My staff and I are available to respond to any questions or to provide additional information to you at your convenience.<sup>1</sup>

Very truly yours,



Mary H. McDowell  
President and CEO

Enclosures

CC: R. Ryan, S. Das, J. Garner, M. Helfer, S. Hemperly, A. Park, A. Romero, D. Short, K. Reimann, K. Thurm

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<sup>1</sup> We respectfully request, pursuant to 5 U.S.C. § 552(b) and 12 C.F.R. §§ 261.14(a)(4), 261.14(a)(8), that confidential treatment be accorded this enclosure, and the confidential and privileged business, commercial, and financial information it contains, 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. We further note that this enclosure is 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.

**Appendix 1 –  
Narrative Summary**

**Paragraph 6 – CitiFinancial Activities<sup>1</sup>**

**(6) Within 60 days of this Order, CitiFinancial shall submit to the Reserve Bank an acceptable written plan for strengthening coordination of communications with borrowers, both oral and written, related to Loss Mitigation and foreclosure activities to ensure that communications are timely and effective, are designed to avoid confusion to borrowers, to ensure continuity in the handling of borrowers' loan files during the Loss Mitigation and foreclosure processes by personnel knowledgeable about the borrower's situation, and to ensure that decisions concerning Loss Mitigation options or programs continue to be made and communicated in a timely fashion. Prior to submitting the plan, CitiFinancial shall conduct a review to determine (i) whether processes involving past due mortgage loans or foreclosures overlap in such a way that they may impair or impede a borrower's efforts to effectively pursue a Loss Mitigation option or program, and (ii) whether employee incentive compensation practices discourage Loss Mitigation. The plan shall provide for at least the same level of coordination of communications with borrowers as the level that the Bank and CitiMortgage are required to maintain in their consent order with the OCC.**

**Introduction to CitiFinancial's Residential Mortgage Loan Servicing Activities**

CitiFinancial's community-based business model consists of approximately 1,300 full-service branches with an average of three employees each and approximately 160 servicing centers<sup>2</sup> with an average of eight employees each. CitiFinancial branches deal directly with borrowers and provide personalized service. CitiFinancial's relationship with the borrower begins with the loan closing, which is conducted in person at the borrower's local branch and gives borrowers a chance to meet the branch employees. Some borrowers elect to make their loan payments in person at the branch, and others speak with branch employees by telephone on a regular basis.

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<sup>1</sup> Terms used herein and not otherwise defined shall have the same meaning as defined in the FRB Order.

We respectfully request, pursuant to 5 U.S.C. § 552(b) and 12 C.F.R. §§ 261.14(a)(4), 261.14(a)(8), that confidential treatment be accorded this enclosure, and the confidential and privileged business, commercial, and financial information it contains, 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.

We further note that this enclosure is 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.

<sup>2</sup> While full-service CitiFinancial branches originate and service mortgage loans, CitiFinancial servicing centers currently only service loans. CitiFinancial converted the majority of these servicing centers from full-service branches in order to meet local needs. For ease of reference, servicing centers and full-service branches will both be referred to as branches.

As early as a borrower's first missed payment, branch employees communicate with the borrower by phone, by mail, or via face-to-face discussions at the branch to explore the reasons for the delinquency and to assess different Loss Mitigation possibilities. CitiFinancial's physical proximity to the borrower and the established relationship with the borrower facilitate conversation. If the borrower wants to explore any Loss Mitigation opportunities, CitiFinancial branch employees are available to guide the borrower through the Loss Mitigation process from start to finish.

CitiFinancial branch employees work to ensure that borrowers are given the opportunity to utilize Loss Mitigation to avoid foreclosure through extensive outreach and follow-up with borrowers. CitiFinancial's network of community-based branch offices services mortgage loans until a loan reaches a stage of serious delinquency where Loss Mitigation efforts by the branch have been unsuccessful at preventing the loan from moving toward foreclosure. Once the CitiFinancial recommendation to proceed with foreclosure is approved by CitiMortgage, the servicing of the account is transferred to CitiMortgage specialists in residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, generally at 90 days delinquency.<sup>3</sup> Once CitiFinancial transfers the servicing of the account to CitiMortgage, borrowers must communicate directly with CitiMortgage, which conducts further Loss Mitigation and foreclosure activities in accordance with its strengthened policies and procedures as set forth in its response to the OCC Order. The Loss Mitigation opportunities available to borrowers through CitiFinancial will continue to be available to CitiFinancial borrowers through CitiMortgage.

CitiFinancial has implemented enhanced policies and procedures for the oversight of

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<sup>3</sup> Most CitiFinancial accounts going into the foreclosure process are electronically "swept" from the CitiFinancial branch into the centralized CitiMortgage operation for further servicing at about 90 days delinquent, but there are situations for which the timing of the sweep is different. The foreclosure process starts with the CitiFinancial branch preparing a Foreclosure Analysis Review package concerning a seriously delinquent mortgage account. The package is forwarded to the CitiFinancial Foreclosure Support Group for further equity analysis no later than the fifth working day of the month in which the account reaches 60 days past due. By the end of that month, CitiFinancial forwards the package, including the equity analysis and a recommendation to foreclose, to the CitiMortgage Pre-Foreclosure Group, which reviews the package and determines whether to proceed with CitiFinancial's recommendation to foreclose. If CitiMortgage determines to proceed with CitiFinancial's recommendation to foreclose, the account is placed on a weekly sweep report, which results in the account being electronically swept from the branch and into CitiMortgage for further handling. The actual sweep usually occurs in the month when the account is 90 days delinquent. Exceptions to this timing may occur in several situations. If a bankruptcy indicator is placed on a mortgage account, the account is swept into CitiMortgage's Bankruptcy Group in the month in which the bankruptcy indicator is placed, regardless of the delinquency status. Certain states have implemented requirements that borrowers receive a "notice of intent to foreclose" letter, which prohibits initiation of foreclosure for a specified time period. In those states, the foreclosure process is put on hold until after the expiration of the time period during which the borrower may take steps to cure the delinquency. Similarly, the foreclosure process is put on hold if the borrower has undertaken a modification or other Loss Mitigation effort with CitiFinancial. In the case of bankruptcy, the account may be swept before 90 days delinquency and, in the latter two situations, the borrower is allowed further time to pursue mitigation options and the account may not be swept to CitiMortgage or may sweep at a later date. CitiFinancial will also oversee CitiMortgage's handling of any CitiFinancial account being serviced in CitiMortgage's centralized operation if the foreclosure process is suspended for any reason.

CitiMortgage's foreclosure activities as described in CitiFinancial's May 26, 2011 response to Paragraph 7 of the FRB Order. Separately from the oversight described therein, and in addition to the requirements of the FRB Order, CitiFinancial will develop a plan for oversight of CitiMortgage's residential mortgage loan servicing, Loss Mitigation, and foreclosure activities. This oversight will be implemented in connection with a service-level agreement ("SLA") that will also contractually obligate CitiMortgage to adhere to CitiFinancial's servicing standards and provide information to allow CitiFinancial to oversee adherence to these standards. The SLA will be implemented by July 31, 2011, and CitiMortgage has represented to us that it will negotiate and enter into an SLA with CitiFinancial by that date.

### **Communications with Borrowers**

In response to Paragraph 6 of the FRB Order, CitiFinancial Compliance, Legal, and Operations staff conducted a review of CitiFinancial's residential mortgage loan servicing, Loss Mitigation, and foreclosure activities to determine whether processes involving past due mortgage loans or foreclosures overlap so as to impair a borrower's ability to avoid foreclosure. The review consisted of a review of CitiFinancial's relevant policies and procedures, branch training materials, standard customer letters, and billing statements, as well as interviews with key business managers. In the course of this review, CitiFinancial found areas in which it could augment its policies and procedures to strengthen the coordination of communication with borrowers related to Loss Mitigation and foreclosure activities.

CitiFinancial is committed to providing its customers with the highest level of customer service and to meeting its obligations to borrowers, including improved communication with the borrower whose account is being transferred to CitiMortgage with a foreclosure recommendation. CitiFinancial has a number of policies and procedures designed to communicate effectively with borrowers regarding Loss Mitigation activities, and it has developed a plan to strengthen those policies and procedures. Among other enhancements, CitiFinancial will:

- Improve communications with the borrower at the time servicing of an account is transferred to CitiMortgage by providing information regarding the reason for the account transfer; contact information for CitiMortgage Default Servicing; and the availability of Loss Mitigation opportunities with CitiMortgage. In addition, if a borrower calls a CitiFinancial branch after the servicing of the account has been transferred to CitiMortgage, the CitiFinancial branch employee will contact CitiMortgage with the borrower on the line, subject to the borrower's permission, to transfer the call to CitiMortgage Default Servicing.
- Enhance policies and procedures to prohibit the transfer of servicing to CitiMortgage when borrowers are actively engaged in Loss Mitigation activities with CitiFinancial, which may include short-term or long-term modification, waiver of fees, short sale, or deed-in-lieu. This prohibition will also apply during

the pendency of any borrower complaint concerning denial of a Loss Mitigation request.

- Augment policies and procedures to designate the Branch Manager of each CitiFinancial branch as the single point of contact for borrowers whose accounts are serviced by that branch and who request Loss Mitigation. Written communications with borrowers who request Loss Mitigation will contain the name and contact information of their Branch Manager, along with information for borrowers to contact other CitiFinancial branch employees in the event the Branch Manager is unavailable.
- Enhance existing policy to require Branch Managers to send borrowers who are denied second mortgage modifications a written notice of adverse action within 48 hours of the decision.
- Reclassify training with respect to mortgage delinquencies, Loss Mitigation, and loan modification from “suggested” to “required,” and require all employees to complete these programs within the first six months of employment.
- Augment the CitiFinancial customer self-service website with the toll-free number for CitiFinancial’s Customer Complaint Hotline, which borrowers may call to file or escalate complaints regarding Loss Mitigation, loan modification, or foreclosure activities.
- Augment the HUD Homeownership Counseling letter to include additional language with respect to loan modification options and the potential for foreclosure.
- Draft and implement policy to ensure that all CitiFinancial junior liens are taken into consideration when an analysis of a loan modification request begins on the CitiFinancial first mortgage.
- Augment policies and procedures to require CitiFinancial Branch Managers to (1) send any borrower who requests Loss Mitigation a letter within 48 hours of the request explaining the required documentation and notifying the borrower of the deadline for submitting required documentation and (2) notify borrowers of CitiFinancial’s Loss Mitigation decisions orally within 10 days of the decisions.
- Monitor customer complaints concerning Loss Mitigation and establish key risk indicators that will trigger targeted reviews of branches.

Implementation of this plan will require the involvement of several teams within CitiFinancial, including Risk, Operations, Compliance, Legal, Home Office Credit,

Finance, and Business Services.<sup>4</sup> As CitiFinancial implements this plan, it will evaluate appropriate MIS enhancements to monitor compliance with the plan's requirements.

### **Compensation Policies**

CitiFinancial also conducted a review of its employee incentive compensation practices to determine whether CitiFinancial's compensation practices in any way discourage Loss Mitigation. CitiFinancial Compliance and Legal staff reviewed the branch employee incentive compensation plans and met with key members from the Incentives Department to ask specific questions related to how, if at all, Loss Mitigation efforts by branch employees are impacted by the incentive compensation structure. The review confirmed that employee incentive compensation practices do not discourage Loss Mitigation efforts in any way. As described below, the CitiFinancial incentive program is designed to reward positive performance from both a sales and a servicing perspective. Effective delinquency control is only possible if the branch employees work diligently with borrowers to exhaust all possible Loss Mitigation options in an attempt to prevent foreclosure. The results of the review were shared with the business, including Branch Operations, and no further action in the way of process changes or remediation was necessary to comply with the FRB Order.

Loss Mitigation efforts are the responsibility of CitiFinancial branch employees, which include a Branch Manager, a Branch Account Manager, and one or more Branch Account Executives. Branch employees receive a base salary and may receive incentive compensation based upon branch and individual performance.

CitiFinancial's incentive compensation system takes into account a number of factors, including loan delinquencies and branch profitability. Branch employees' incentive compensation is negatively affected when loans serviced by the branch are delinquent and when the branch incurs losses as a result of foreclosures. To the extent that CitiFinancial branch employees successfully engage in Loss Mitigation efforts, their compensation is affected positively because their branch has fewer delinquent loans and avoids losses as a result of foreclosures.

### **Staffing Review**

CitiFinancial regularly assesses its branch staffing levels to ensure that branches have adequate staff to meet their borrowers' needs, including with respect to Loss Mitigation and loan modification requests. CitiFinancial determines the appropriate number of employees per branch based on a number of historical data points, including the time it takes to lend, collect, and service accounts; current loan and delinquency volumes; and the number of customers who are enrolled in automatic payments. CitiFinancial's analysis of these data points shows that one employee for every 360 accounts, the majority of which are personal loan accounts, is sufficient to meet its borrowers' needs.

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<sup>4</sup> Implementation of all enhanced policies, procedures, or programs under this plan will be completed in the CitiFinancial Online Manual on or before August 11, 2011. All interim implementation dates will be referred to in the Action Plan.

CitiFinancial's current staffing levels average approximately 60 mortgage loan accounts per employee. Based on these assessments, CitiFinancial's current staffing levels are deemed to be sufficient to implement fully each of the enhancements set forth in this response.

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In order to ensure that CitiFinancial's plan will maintain at least the same level of coordination of communications with borrowers as the level that CBNA and CitiMortgage are required to maintain under the OCC Order, CitiFinancial has carefully reviewed its practices to determine what process improvements, policies and procedures, or other enhancements are necessary and appropriate to comply with the OCC Order. For ease of reference, we describe below CitiFinancial's processes and planned improvements to processes for coordination of communications with borrowers in accordance with the specific requirements of Article IX of the OCC Order.

#### Article IX(1)

**(a) Measures to ensure that staff handling Loss Mitigation and loan modification requests routinely communicate and coordinate with staff processing the foreclosure on the borrower's property.**

CitiFinancial has determined that there are certain ways in which it can enhance its existing policies and procedures to ensure that information regarding borrowers is communicated to the staff at CitiMortgage that is responsible for processing the foreclosure on the borrower's property, and that the servicing of a loan account is not transferred to CitiMortgage while Loss Mitigation is pending.

Each CitiFinancial branch office has access to a centralized computer system (██████████) that contains information regarding the borrower, including account information and servicing notes on the status of collections; background on any repayment difficulties; and information regarding Loss Mitigation opportunities available to each borrower.<sup>5</sup> This system allows CitiFinancial branch employees to gather information quickly and reach out to borrowers whenever borrowers miss a payment to discuss available Loss Mitigation opportunities, which may include short-term or long-term modification, waiver of fees, short sale, or deed-in-lieu. In the event that any CitiFinancial branch employee makes contact with a delinquent borrower, orally or in writing, information relating to such contact, including discussions regarding Loss Mitigation opportunities, is noted in the ██████████ system.

At least two days before CitiFinancial transfers any loan account to CitiMortgage for servicing, Branch Managers are provided with a systemically generated list of all accounts that are about to be transferred. Branch Managers are able to see any notes in the ██████████ system made by CitiFinancial employees regarding Loss Mitigation, and

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<sup>5</sup> CitiFinancial is in the midst of replacing ██████████ with a new information system with the same functionality for all relevant purposes.

Branch Managers have the ability to place a “hold” on accounts to prevent them from being transferred to CitiMortgage.

In order to ensure that servicing of a loan account is not transferred to CitiMortgage while borrowers are engaged in Loss Mitigation with CitiFinancial, CitiFinancial will augment its policies and procedures to direct Branch Managers to place a hold on any account where the borrower is actively pursuing Loss Mitigation with CitiFinancial. To ensure that Branch Managers appropriately place these holds, CitiFinancial District Managers will be required to review accounts set to be transferred to CitiMortgage for servicing and submit their approval prior to the transfer. As a result of the hold, the servicing of the account will not be transferred to CitiMortgage unless and until (1) CitiFinancial has made a determination that the borrower is not eligible for the borrower’s requested Loss Mitigation opportunity; or (2) the borrower confirms in writing that he or she is no longer interested in pursuing Loss Mitigation; or (3) the borrower has ceased pursuing Loss Mitigation.<sup>6</sup> Furthermore, CitiFinancial will augment its policies and procedures to direct Branch Managers to place a hold on a borrower’s account until any complaint concerning denial of a Loss Mitigation request is addressed.

If the servicing of the account is transferred to CitiMortgage, CitiMortgage Loss Mitigation and foreclosure staff have access to the history of Loss Mitigation efforts undertaken by CitiFinancial with respect to the borrower. CitiMortgage uses the [REDACTED] software system to collect information contained in the [REDACTED] system and present it to the Loss Mitigation and foreclosure staff. Per existing policy, in the event that CitiFinancial receives an inquiry from a borrower after servicing of the borrower’s account has been transferred to CitiMortgage, CitiFinancial requires branch employees to provide the borrower with the toll-free number of CitiMortgage Default Servicing. CitiFinancial will augment its policies and procedures to require that, when a borrower calls a CitiFinancial branch after the servicing of the account has been transferred to CitiMortgage, the CitiFinancial branch employee will contact CitiMortgage with the borrower on the line to transfer the call to CitiMortgage Default Servicing. Should the borrower call CitiMortgage Default Servicing and express interest in a Loss Mitigation program, CitiMortgage will assign the borrower a single point of contact and identify secondary points of contact in the event the primary point of contact is unavailable in accordance with its procedures outlined in the response to Article IX(1)(c) below.

CitiFinancial will implement quality control testing to ensure that Branch Managers appropriately place holds on accounts to prevent them from transferring to CitiMortgage when Loss Mitigation is pending. This testing will be added to the existing Branch Self-Assessment (“BSA”), Center Self-Assessment (“CSA”), Center Manager Review (“CMR”), and District Manager Review (“DMR”) programs. The BSA and DMR support the CitiFinancial full-service branches, and the CSA and CMR support the CitiFinancial servicing centers. Full-service branches perform a BSA monthly and a DMR semi-annually in accordance with the program designed by the Compliance

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<sup>6</sup> CitiFinancial will consider a borrower to have ceased pursuing Loss Mitigation when the borrower fails to respond to CitiFinancial’s request for borrowers to provide or execute necessary documents within 30 days of when the borrower initiated the Loss Mitigation request.

Department to verify compliance with company policies surrounding branch management. Servicing centers perform a CSA monthly and a CMR quarterly, both of which include tests similar to the BSA and CSA. The results of these self-assessments and reviews are tracked by the Compliance Department.

The Branch Audit team will also add to its existing branch audits a review of whether Branch Managers appropriately place holds on accounts to prevent the servicing of those accounts from being transferred to CitiMortgage when Loss Mitigation is pending. The Branch Audit team performs on-site, independent audit and control reviews of each branch to ensure compliance with consumer protection laws and company policies and procedures. The Branch Audit team conducts reviews of CitiFinancial branches every 12 to 30 months. The frequency of the reviews depends on a number of risk factors, including accounts per employee, participation in training programs, and prior audit results. The Branch Audit team establishes and tracks required corrective action, including timelines for implementation of such corrective action, and presents monthly reports on branch compliance to senior management, including field management, and CitiFinancial's Chief Compliance Officer and General Counsel.

**(b) Appropriate deadlines for responses to borrower communications and requests for consideration of Loss Mitigation, including deadlines for decision-making on Loss Mitigation Activities, with the metrics established not being less responsive than the timelines in the HAMP program.**

Due to CitiFinancial's community-based business model, CitiFinancial branch employees are able to devote personal attention to borrowers as soon as borrowers miss a payment. CitiFinancial branch employees proactively reach out to borrowers, both orally and in writing, to assist with the Loss Mitigation process from document collection to execution. Once a borrower completes the paperwork necessary for a Loss Mitigation request, CitiFinancial uses an automated, centralized system to make decisions regarding the borrower's request. As a result of these processes, CitiFinancial typically provides borrowers with oral preliminary decisions—subject to receipt of required and verified documentation—on borrowers' Loss Mitigation requests within 48 hours of the request, which is well within the timelines of the HAMP program.

CitiFinancial branch employees typically place a number of phone calls to borrowers reminding borrowers to submit required documentation. As a result, borrowers are likely to respond quickly and obtain a decision on their Loss Mitigation request within timeframes that are well within HAMP Guidelines. CitiFinancial will augment its policies and procedures to require Branch Managers to send any borrower who requests Loss Mitigation a letter within 48 hours of the request explaining the required documentation and notifying the borrower of the pending 30-day deadline for submitting required documentation. This letter will contain a telephone number and address for the borrower to reach his or her Branch Manager for assistance, as well as information for the borrower to contact other CitiFinancial branch employees if the Branch Manager is unavailable.

CitiFinancial's approach to soliciting documentation from borrowers in order to make a decision on Loss Mitigation has been an effective tool in reducing the time periods within which decisions on a Loss Mitigation request are made. This benefits borrowers by helping them to avoid harm to their credit as the result of lengthy delinquency. Given its approach to ensure timely decisions on Loss Mitigation requests, CitiFinancial believes its processes are at least as responsive as those specified by the HAMP Guidelines, although specific timelines may differ.

As a general practice, CitiFinancial branch employees communicate Loss Mitigation approvals to borrowers orally within 48 hours of CitiFinancial's decision. CitiFinancial will augment its policies and procedures to require formally that Branch Managers communicate all final Loss Mitigation decisions to borrowers orally within 10 days of such decision.

CitiFinancial's policies and procedures require that borrowers who are denied first mortgage modifications are sent a written notice of adverse action within 48 hours of the decision. CitiFinancial will improve these policies and procedures to require Branch Managers to send borrowers who are denied second mortgage modifications a written notice of adverse action within 48 hours of the decision.

CitiFinancial will implement quality control testing to ensure that Branch Managers send borrowers timely letters explaining Loss Mitigation documentation requirements, timelines, and decisions. This testing will be added to the existing self-assessment and review programs. The results of these tests are tracked by the Compliance Department. In addition, the Branch Audit team will add to its existing branch audits a review of whether Branch Managers send borrowers timely letters explaining Loss Mitigation documentation requirements, timelines, and decisions. The Branch Audit team establishes and tracks required corrective action and presents monthly reports on branch compliance to senior management, including field management, and CitiFinancial's Chief Compliance Officer and General Counsel.

Once the servicing of an account is transferred to CitiMortgage, CitiMortgage will evaluate all Loss Mitigation and loan modification requests according to its policies and procedures. CitiMortgage's policies and procedures applicable to Loss Mitigation programs mandate responses to borrowers' requests for Loss Mitigation within timelines that are equivalent to or faster than those provided under HAMP guidelines. Specifically, CitiMortgage's policies and procedures provide timelines for the completion of various milestones in the Loss Mitigation process, including deadlines for file processing, provision of files to underwriters, and approval by underwriters (if appropriate), in timeframes that are the same or shorter than those set forth in HAMP guidelines.

**(c) Establishment of an easily accessible and reliable single point of contact for each borrower so that the borrower has access to an employee of the Bank to obtain information throughout the Loss Mitigation, loan modification, and foreclosure processes.**

CitiFinancial will enhance its policies and procedures to identify the Branch Manager of each CitiFinancial branch as the single point of contact for borrowers whose accounts are serviced by that branch. The Branch Manager will be the borrowers' single point of contact for servicing and information related to Loss Mitigation. Written communications with borrowers who request Loss Mitigation will contain the name and contact information of their Branch Manager, along with information for borrowers to contact other CitiFinancial branch employees in the event the Branch Manager is unavailable.

As described above, CitiFinancial borrowers are aware that they may contact their local CitiFinancial branch with questions regarding residential mortgage loan servicing, Loss Mitigation, and foreclosure activities. Borrowers are familiar with their local branches because the branches originate the borrowers' mortgage loans and then provide the borrowers personalized service. As early as a borrower's first missed payment, branch employees will attempt to communicate with the borrower by phone, by mail, or via face-to-face discussions at the branch to explore the reasons for the delinquency and to assess different Loss Mitigation possibilities. If the borrower wants to explore any Loss Mitigation opportunities, the Branch Manager will be available to guide the borrower through the Loss Mitigation process from start to finish. Other CitiFinancial branch employees may also assist borrowers with the Loss Mitigation process as secondary points of contact if the Branch Manager is unavailable.

In some cases, CitiFinancial borrowers may be contacted by employees of other Citi affiliates who engage in collection efforts on behalf of CitiFinancial through automated calling and co-collection programs. Any borrower who responds to these calls by expressing interest in loan modification or Loss Mitigation will be referred to his or her Branch Manager, who will handle any loan modifications or Loss Mitigation as the borrower's single point of contact. Such activity may be handled by other CitiFinancial branch employees during the times the Branch Manager is unavailable.

When CitiFinancial transfers the servicing of a borrower's loan account to CitiMortgage, the borrower will receive a new single point of contact within CitiMortgage, provided that the borrower is eligible for and expresses interest in Loss Mitigation opportunities. CitiMortgage's single point of contact system will be staffed by full-time, trained employees dedicated to assisting borrowers with Loss Mitigation. CitiMortgage will provide eligible borrowers with their new single point of contact's direct telephone number and email address. Within five days of assignment, the single point of contact will attempt to call the borrower to introduce himself or herself. The borrower may also log on to a personalized website containing the contact information for his or her single point of contact. The single point of contact will be responsible for all borrower contact and will be available to guide the borrower through the Loss Mitigation process.

In order to smooth the transition during the transfer of servicing, CitiFinancial will augment its processes by sending borrowers a letter providing information regarding the reason for the account transfer; the toll-free number of CitiMortgage Default Servicing; and the availability of Loss Mitigation opportunities with CitiMortgage. Per existing policy, CitiFinancial requires branch employees to provide any borrower who contacts a branch after servicing is transferred to CitiMortgage with the toll-free number for CitiMortgage Default Servicing. CitiFinancial will augment its policies and procedures to require that, when a borrower calls a CitiFinancial branch after the servicing of the account has been transferred to CitiMortgage, the CitiFinancial branch employee will contact CitiMortgage with the borrower on the line to transfer the call to CitiMortgage Default Servicing. Should borrowers call CitiMortgage Default Servicing and express interest in Loss Mitigation opportunities, CitiMortgage will be able to provide the borrower with a new single point of contact as described above.

CitiFinancial will implement quality control testing to ensure that branch employees appropriately notify borrowers that servicing of their account has been transferred to CitiMortgage and provide borrowers the correct contact information for CitiMortgage Default Servicing. This testing will be added to the existing self-assessment and review programs. The results of these tests are tracked by the Compliance Department. In addition, the Branch Audit team will also add to its existing branch audits a review of whether branch employees appropriately notify borrowers that servicing of their account has been transferred to CitiMortgage and provide borrowers the correct contact information for CitiMortgage Default Servicing. The Branch Audit team establishes and tracks corrective action plans and presents reports on branch compliance to senior management, including field management, and CitiFinancial's Chief Compliance Officer and General Counsel.

**(d) A requirement that written communications with the borrower identify such single point of contact along with one or more direct means of communication with the contact.**

As described above, in the event that a borrower reaches out to his or her local branch to request Loss Mitigation, CitiFinancial will designate the Branch Manager of each CitiFinancial branch as the single point of contact for borrowers whose accounts are serviced by that branch and who request Loss Mitigation. CitiFinancial will augment its policies and procedure to require Branch Managers to send any borrower who requests Loss Mitigation a letter within 48 hours of the request explaining the required documentation and notifying the borrower of the deadline for submitting required documentation. This letter, and all subsequent communications with the borrower regarding the borrower's Loss Mitigation request, will contain the name and contact information of the borrower's Branch Manager, along with information for the borrower to contact other CitiFinancial branch employees in the event the Branch Manager is unavailable.

In order to further encourage borrowers to contact their local branch regarding Loss Mitigation opportunities, CitiFinancial will augment its HUD Homeownership Counseling Letter to include additional language explaining to borrowers that Loss

Mitigation options are available to avoid potential foreclosure. CitiFinancial's policies currently require sending delinquent borrowers the HUD Homeownership Counseling Letter at 40 days delinquency. This letter will contain contact information for the borrower's local branch office. CitiFinancial tests a sampling of delinquent loan account files to ensure that the HUD Homeownership Counseling letter is generated and sent to borrowers in a timely manner.

In order to smooth the transition when the servicing of a loan account is transferred to CitiMortgage, CitiFinancial employees will inform the borrower in writing that his or her file has been referred to CitiMortgage and provide the borrower with a toll-free number for CitiMortgage Default Servicing, which the borrower may contact regarding Loss Mitigation opportunities and to receive a new single point of contact at CitiMortgage as outlined above.

**(e) Measures to ensure that the single point of contact has access to current information and personnel (in-house or third-party) sufficient to timely, accurately, and adequately inform the borrower of the current status of the Loss Mitigation, loan modification, and foreclosure activities.**

The [REDACTED] system allows CitiFinancial branch employees immediate access to account information and systemic servicing notes on the status of collections; background on any repayment difficulties; and a summary of attempted and successful collection contacts with the borrower.

If a borrower seeking information regarding Loss Mitigation cannot reach his or her Branch Manager, other branch employees, even if not personally acquainted with the borrower, can gather quickly any information necessary to respond to the borrower's inquiry on any account-related topic, including Loss Mitigation, by reviewing the [REDACTED] system and consulting with other branch employees. In the event that a borrower contacts CitiFinancial's Customer Account, Research, and Escalation ("Customer CARE") Unit with questions regarding Loss Mitigation options, Customer CARE has access to the borrower's information through the [REDACTED] system.

In the event that servicing of a borrower's account is transferred to CitiMortgage, the borrower's single point of contact at CitiMortgage will have access to the history of Loss Mitigation efforts undertaken by CitiFinancial with respect to the borrower. CitiMortgage uses the [REDACTED] software system to collect information contained in the [REDACTED] system so that it is readily available to Loss Mitigation and foreclosure staff.

CitiFinancial does not employ entities outside Citigroup to contact borrowers regarding Loss Mitigation, loan modification, or foreclosure activities.

**(f) Measures to ensure that staff are trained specifically in handling mortgage delinquencies, Loss Mitigation, and loan modifications.**

CitiFinancial's policies and procedures require branch employees who assist borrowers with Loss Mitigation opportunities to be licensed under the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("S.A.F.E. Act"), as well as any

necessary state laws. The S.A.F.E. Act requires employees to complete 20 hours of pre-licensure training covering federal mortgage-related laws and regulations related to, among other things, mortgage origination, ethics, consumer protection, fair lending, disclosures, and non-traditional mortgage products. Employees must also complete background checks and pass examinations covering pertinent federal mortgage-related laws and regulations. Once licensed, the S.A.F.E. Act requires 8 hours of continuing education per year. State licensing and examination requirements differ, and CitiFinancial's training programs are adapted for each state. CitiFinancial employees are aware of these requirements, and employees who do not have these licenses are trained to refer any questions about Loss Mitigation and loan modification to licensed employees. The CitiFinancial Legal Department tracks employees' compliance with the S.A.F.E. Act's licensing and continuing education requirements, as well as state licensing and continuing education requirements.

CitiFinancial requires its employees to complete courses on Basic Branch Skills and Collections, which introduce new employees to basic branch functions, such as making collection calls, appropriately referring customer inquiries to employees licensed under the S.A.F.E. Act, and maintaining files. CitiFinancial also has a number of training programs designed to assist employees in handling mortgage delinquencies, Loss Mitigation, and loan modifications. Currently, these programs are offered on an elective basis. Over 97% of CitiFinancial employees have taken one or more courses on these subjects. In order to ensure that these programs are implemented fully, CitiFinancial will reclassify training programs regarding mortgage delinquencies, Loss Mitigation, and loan modification from "suggested" to "required" and include them with the training all employees are required to complete within the first six months of employment.

CitiFinancial training programs teach employees that early detection of customer issues is critical to enable the best usage of Loss Mitigation or loan modification tools. CitiFinancial employees are trained to work with customers on a number of default curing tools, including balance refinancing, deferment, and adjustment of terms. Employees are trained to determine the severity and possible duration of the issues preventing a borrower from keeping his or her account current, and offer appropriate solutions based on the borrower's situation.

CitiFinancial also requires its employees to complete an annual Compliance Refresher course, which provides training to employees regarding changes to CitiFinancial's Compliance policies and procedures. The Compliance Refresher course requires employees to complete a competency test to demonstrate their understanding of the training. In addition, CitiFinancial immediately notifies branch employees of changes to CitiFinancial's Compliance policies or other legal requirements that are relevant to the branch employees as they become effective.

CitiFinancial will ensure that employees complete all required CitiFinancial training programs through the internal [REDACTED] (" [REDACTED] which tracks each employee's progress in completing required courses. Training completion is one of the key performance factors considered when evaluating an employee for promotion. An employee must be in compliance with published Career Track Training Standards in

order to be eligible for promotion. Furthermore, where an employee has not completed required training within the specified time-frame, [REDACTED] generates an exception report identifying the employee. The report is escalated to branch and regional management. If an employee misses a training due to illness or a leave of absence, the training start date is adjusted so that the employee has 6 months of active employment to complete the training. For annual required training, employees are required to complete missed sessions immediately upon return. If any employee fails to complete required training within the deadline, the employee will be subject to disciplinary action, up to and including termination.

Accounts that are transferred to CitiMortgage are also handled by staff trained in handling Loss Mitigation and loan modification issues. CitiMortgage has a comprehensive curriculum for new hires and specific courses for current staff who are reassigned to Loss Mitigation operations from other departments. Training courses include knowledge- and skills-based assessments to determine job readiness. These readiness assessments cover numerous subjects, ranging from Special Situations and Cure Options to System Interaction and Call Flow. CitiMortgage monitors training systems as part of its quality assessment process.

**(g) Procedures and controls to ensure that a final decision regarding a borrower's loan modification request (whether on a trial or permanent basis) is made and communicated to the borrower in writing, including the reason(s) why the borrower did not qualify for the trial or permanent modification (including the net present value calculations utilized by the Bank, if applicable) by the single point of contact within a reasonable period of time before any foreclosure sale occurs.**

As described above, CitiFinancial branch employees communicate Loss Mitigation approvals to borrowers orally within 48 hours of CitiFinancial's decision. CitiFinancial will augment its policies and procedures to require formally that Branch Managers communicate all final Loss Mitigation decisions to borrowers orally within 10 days of such decision.

CitiFinancial's policies and procedures require branch employees to send borrowers who are denied first mortgage modifications a written notice of adverse action within 48 hours of the decision. CitiFinancial will improve these policies and procedures to require Branch Managers to send borrowers who are denied second mortgage modifications a written notice of adverse action within 48 hours of the decision. CitiFinancial's adverse action letters contain a description of why the loan modification was not granted, and they list the branch office's phone number and address in case the borrower wishes to follow up with questions regarding the reasons the loan modification was denied. CitiFinancial will augment its adverse action letters to include the name and contact information of the borrower's Branch Manager, along with information to contact other branch employees if the Branch Manager is unavailable.

Once the servicing of an account is transferred, the borrower's single point of contact at CitiMortgage will be responsible for communicating with the borrower regarding Loss Mitigation requests. CitiMortgage will require the borrower's single point of contact to

communicate orally any final decisions regarding Loss Mitigation requests within two business days of the decision. CitiMortgage's current policies and procedures require that a letter informing all borrowers of any approval or adverse action be sent within ten business days of that decision, and those policies will remain in effect.

Borrowers' accounts are not referred to foreclosure counsel to initiate foreclosure proceedings until after servicing of the accounts is transferred to CitiMortgage. As a result of state foreclosure timelines, along with administrative processing times from CitiFinancial's denial of Loss Mitigation to CitiMortgage's initiation of foreclosure proceedings through foreclosure counsel, there will be a reasonable period of time between any CitiFinancial denial of Loss Mitigation and foreclosure sale.

CitiFinancial will implement quality control testing to ensure that Branch Managers appropriately send borrowers adverse action letters containing reasons for the denial of the borrower's loan modification request. This testing will be added to the existing self-assessment and review programs. The results of these tests are tracked by the Compliance Department. In addition, the Branch Audit team will also add to its existing branch audits a review of whether Branch Managers appropriately send borrowers adverse action letters containing reasons for denial. The Branch Audit team will establish and track any necessary corrective action plans and present reports on branch compliance to senior management, including field management, and CitiFinancial's Chief Compliance Officer and General Counsel.

**(h) Procedures and controls to ensure that when the borrower's loan has been approved for modification on a trial or permanent basis that: (i) no foreclosure or further legal action predicate to foreclosure occurs, unless the borrower is deemed in default on the terms of the trial or permanent modification; and (ii) the single point of contact remains available to the borrower and continues to be referenced on all written communications with the borrower.**

As described above, if CitiFinancial is able to reach a successful Loss Mitigation solution with a borrower before the servicing of an account is transferred to CitiMortgage, the transfer process immediately halts. The account remains with the CitiFinancial branch, and the Branch Manager continues to be the single point of contact in communications with the borrower, with other branch employees serving as secondary points of contact if the Branch Manager is unavailable.

CitiFinancial will enhance its policies and procedures to specifically direct Branch Managers to place a hold on any account where the borrower is actively pursuing Loss Mitigation with CitiFinancial. To ensure that Branch Managers appropriately place these holds, CitiFinancial District Managers will be required to review accounts set to be transferred to CitiMortgage for servicing and submit their approval prior to the transfer. As a result of the hold, the servicing of the account will not be transferred to CitiMortgage unless and until (1) CitiFinancial has made a determination that the borrower is not eligible for the borrower's requested Loss Mitigation opportunity; or (2) the borrower confirms in writing that he or she is no longer interested in pursuing Loss

Mitigation; or (3) the borrower has ceased pursuing Loss Mitigation.<sup>7</sup> Furthermore, CitiFinancial will augment its policies and procedures to direct Branch Managers to place a hold on a borrower's account until any complaint concerning denial of a Loss Mitigation request is addressed.

Once the servicing of a borrower's account is transferred to CitiMortgage, eligible borrowers will receive a new single point of contact at CitiMortgage as outlined above, and CitiMortgage's procedures for halting foreclosure will apply, should a borrower enter the Loss Mitigation process. These procedures include an enhanced centralized system for appropriately postponing foreclosure activity when a borrower engages in, or demonstrates a willingness to engage in, Loss Mitigation or loan modification activity. CitiMortgage is developing a matrix outlining the process for determining when postponement of a foreclosure is appropriate that accounts for factors such as account status, loan type, and state-by-state differences in foreclosure processes. CitiMortgage staff will be trained to use the matrix properly to ensure that postponements occur in a timely and accurate manner.

**(i) Policies and procedures to enable borrowers to make complaints regarding the Loss Mitigation or modification process, denial of modification requests, the foreclosure process, or foreclosure activities which prevent a borrower from pursuing Loss Mitigation or modification options, and a process for making borrowers aware of the complaint procedures.**

On every billing statement, CitiFinancial provides customers with the toll-free number for CitiFinancial's Customer Complaint Hotline, which borrowers are informed they may call if they feel they have been treated unfairly in any way. In the event that a borrower calls the toll-free number with a complaint, the complaint is handled by the Customer CARE Unit, which is a centralized department based in Dallas, Texas. The Customer CARE Unit will attempt to resolve the complaint to the borrower's satisfaction, and, if the complaint cannot be addressed or is sufficiently serious in nature, the Customer CARE Unit will escalate the complaint to CitiFinancial's Compliance or Legal Departments.

In addition, all billing statements and deficiency letters sent to borrowers list the contact information for the borrowers' local branch offices, which borrowers may contact with complaints or inquiries. If branch employees cannot resolve a borrower's complaint, or the complaint is sufficiently serious in nature, branch employees have specific instructions to escalate the borrower's complaint to the Compliance or Legal Departments.

In order to enhance its processes for handling borrower complaints, including complaints regarding Loss Mitigation or loan modification processes, CitiFinancial will augment the CitiFinancial customer self-service website with the toll-free number for CitiFinancial's

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<sup>7</sup> CitiFinancial will consider a borrower to have ceased pursuing Loss Mitigation when the borrower fails to respond to CitiFinancial's request for borrowers to provide or execute necessary documents within 30 days of when the borrower initiated the Loss Mitigation request.

Customer Complaint Hotline, which borrowers may call to file or escalate complaints regarding Loss Mitigation, loan modification, or foreclosure activities. In addition, all adverse action letters sent to borrowers who are denied loan modifications will contain contact information for the borrowers' Branch Manager, whom borrowers may contact to dispute CitiFinancial's loan modification decisions. As described above, CitiFinancial will direct Branch Managers to place a hold on a borrower's account until any complaint concerning denial of a Loss Mitigation request is addressed.

After servicing of an account is transferred, customer complaints will be handled by CitiMortgage in accordance with its enhanced policies and procedures. Under CitiMortgage's enhanced policies and procedures, CitiMortgage will provide borrowers with information regarding how to file or escalate complaints (i) on CitiMortgage's website at cmi.com; (ii) in all adverse action letters sent to borrowers; and (iii) in notices of referral to foreclosure. Each includes the toll-free telephone number for borrower escalation assistance, the hours of availability for the toll-free telephone number, and an email address and mailing address where borrowers can send written complaints or disputes.

**(j) Procedures for the prompt review, escalation, and resolution of borrower complaints, including a process to communicate the results of the review to the borrower on a timely basis.**

Borrowers may contact either their CitiFinancial branch or CitiFinancial's Customer CARE Unit to file or escalate complaints. If the CitiFinancial branch or the Customer CARE Unit cannot quickly address the complaint, or the complaint is sufficiently serious in nature, the complaint will be escalated to the Compliance or Legal Departments. The Compliance or Legal Department will begin investigating the complaint within two to three business days of receipt. CitiFinancial's policies and procedures require a response to escalated complaints within 30 days of escalation. Any complaint that is received in writing receives a written response.

Complaints that are not addressed within 30 days are discussed in a weekly escalation meeting with the Legal and Compliance Departments. The Legal and Compliance Departments follow up to ensure that an escalated complaint is then addressed in a timely fashion.

CitiFinancial's Customer CARE Unit uses a centralized system to track complaints from escalation to disposition, and CitiFinancial's Compliance Department compiles a quarterly analysis of customer complaints by complaint category and by state. This system tracks the initiation and disposition dates for customer complaints. It also tracks complaints that are aged over 30 days. The analysis of the complaints is compiled and submitted to senior management for review. CitiFinancial will monitor customer complaints concerning Loss Mitigation and establish key risk indicators that will trigger targeted reviews of branches.

After servicing of an account is transferred, CitiMortgage's enhanced policies and procedures will apply to the review, escalation, and resolution of borrower complaints.

CitiMortgage will provide borrowers with two initial avenues available to raise a complaint. Borrowers may either ask to speak to their single point of contact's manager or call CitiMortgage's toll-free escalation hotline. If a borrower calls the toll-free escalation hotline and is unable to resolve his or her complaint with a Loss Mitigation agent, the borrower will be directed to the manager of the Loss Mitigation agent. If, after speaking to a manager, a borrower is unable to resolve his or her dispute and/or complaint, the borrower will be directed to the CitiMortgage Executive Response Unit ("ERU"). If necessary to provide sufficient relief through the dispute and/or complaint resolution process, an ERU specialist can postpone foreclosure processes until the dispute and/or complaint is resolved.

**(k) Policies and procedures to ensure that payments are credited in a prompt and timely manner; that payments, including partial payments to the extent permissible under the terms of applicable legal instruments, are applied to scheduled principal, interest, and/or escrow before fees, and that any misapplication of borrower funds is corrected in a prompt and timely manner.**

CitiFinancial is able to accept payments on borrower accounts from a variety of payment sources and options, and CitiFinancial policy provides for posting of all payments within one business day of receipt. Borrowers are always free to come into the branch and pay by cash or check. Alternatively, monthly statements also provide the address for a payment lockbox where borrowers may mail their monthly payment. CitiFinancial also accepts phone payments, Western Union payments, auto-debit payments, and electronic payments. In addition to full monthly payments, CitiFinancial branches will also accept partial payments from borrowers in situations where it is not possible for the borrower to remit the full amount due. Payments are applied to scheduled principal, interest, fees and/or escrow in compliance with the provisions of the promissory note and applicable state laws.

CitiFinancial's policies and procedures for payments are set forth in CitiFinancial's Online Manual ("OLM"). The OLM provides that the effective date of a mailed payment is the date of receipt regardless of the day the payment is posted. In instances where a customer has mailed a payment that was not then posted, CitiFinancial employees are required to contact the customer, obtain a copy of the customer's cashed check, and investigate further with the [REDACTED] Support Department to ensure that the payment is processed correctly.

The OLM also gives guidance on how to handle misapplied payments or payments that are not readily identifiable as belonging to a particular account. CitiFinancial employees are required to obtain a cancelled check or receipt, examine the date on documentation, review the branch accounts for the amount of the payment, and review the daily cash summary report for any overages around the time of the payment to determine how the payment was applied. A misapplied payment is then corrected and credited as appropriate.

CitiFinancial has quality control testing to ensure that payments made to branches are appropriately posted and any misapplication of funds is corrected in a timely manner.

The results of these tests are tracked by the Compliance Department. In addition, the Branch Audit team determines whether payments are appropriately posted and any misapplication of funds is corrected in a timely manner. The Branch Audit team establishes and tracks any necessary corrective action plan and presents reports on branch compliance to senior management, including field management, and CitiFinancial's Chief Compliance Officer and General Counsel.

Payments made to lockboxes are reviewed by CBNA's North American Operations & Technology group, which creates daily and monthly scorecards measuring volume and cycle-time performance and tests monthly payment samples. The same process applies for payments made to CitiMortgage after the servicing of a loan is transferred to CitiMortgage.

**(l) Policies and procedures to ensure that timely information about Loss Mitigation options is sent to the borrower in the event of a delinquency or default, including plain language notices about loan modification and the pendency of foreclosure proceedings.**

As part of its Collection Follow Up policy, in the event of delinquency, CitiFinancial branches send borrowers letters in plain language detailing payment options and other Loss Mitigation tools that may be available, as well as contact information for CitiFinancial branch employees who may further assist borrowers with Loss Mitigation opportunities.

CitiFinancial's processes gives branches the flexibility to send letters at various stages of delinquency based upon their knowledge of borrowers' particular situations. The discretion afforded to branches is guided by data analysis and supervision by management. The [REDACTED] system contains a collection worklist, which lists delinquent customers. Because individual branches have a relatively small number of employees and interact with customers often, Branch Managers are involved with collections and Loss Mitigation efforts and require employees to contact customers proactively.

As described above, CitiFinancial will enhance its existing procedures by updating the HUD Homeownership Counseling letter, which is sent to all borrowers when they are 40 days delinquent, to include additional language explaining to borrowers that loan modification options are available to help them avoid potential foreclosure. This letter will contain contact information for borrowers' local branch offices. CitiFinancial tests a sampling of delinquent loan account files to ensure that the HUD Homeownership Counseling letter is generated and sent to borrowers in a timely manner. The results of these tests are tracked by the Compliance Department.

For borrowers whose accounts have been transferred to CitiMortgage for servicing, CitiMortgage is developing new procedures for providing notification to all borrowers of the full range of potentially available Loss Mitigation and loan modification treatments.

**(m) Policies and procedures to ensure that foreclosure, Loss Mitigation, and loan modification documents provided to borrowers and third parties are appropriately maintained and tracked, and that borrowers generally will not be required to resubmit the same documented information that has already been provided, and that borrowers are notified promptly of the need for additional information.**

CitiFinancial branch offices maintain physical files for borrowers that branch employees update from origination to payout. CitiFinancial branches do not image borrower documents or store loan documentation electronically. The physical files include all loan documentation, including correspondence, modification paperwork, and any other relevant document detailing account activity throughout the course of the loan's lifecycle.

With regard specifically to loan modification documentation, CitiFinancial branch employees update worksheets as documents are requested by the branch and received from the borrower. Information on all pending requests for loan modification documents is available in the [REDACTED] system so that any branch or other CitiFinancial employee can view the status of the borrower's loan modification.

In the event the servicing of an account is transferred to CitiMortgage, CitiFinancial will deliver to CitiMortgage the complete original physical file for each account and maintain a copy of the file for its records. Once the file is delivered to CitiMortgage, CitiMortgage images and categorizes all documents, and places them in CitiMortgage's imaging repository, [REDACTED] from which CitiMortgage staff can access the documents. Documents are stored in [REDACTED] until at least seven years after a loan is liquidated. When documents are sent to foreclosure counsel, they are indexed in CitiMortgage's [REDACTED] system, which is linked to [REDACTED]

CitiFinancial will implement quality control testing to ensure that branch employees appropriately track and maintain borrower loan files, and that branch employees timely notify borrowers of missing documents. This testing will be added to the existing self-assessment and review programs. The results of these tests are tracked by the Compliance Department. In addition, the Branch Audit team will also add to its existing branch audits a review of whether branch employees appropriately track and maintain borrower loan files, and that branch employees timely notify borrowers of missing documents. The Branch Audit team will establish and track any required corrective action plans and present reports on branch compliance to senior management, including field management, and CitiFinancial's Chief Compliance Officer and General Counsel.

**(n) Policies and procedures to consider loan modifications or other Loss Mitigation Activities with respect to junior lien loans owned by the Bank, and to factor the risks associated with such junior lien loans into loan loss reserving practices, where the Bank services the associated first lien mortgage and becomes aware that such first lien mortgage is delinquent or has been modified. Such policies and procedures shall require the ongoing maintenance of appropriate loss reserves for junior lien mortgages owned by the Bank and the charge-off of such junior lien loans in accordance with FFIEC retail credit classification guidelines.**

CitiFinancial's policies and procedures regarding reserves and charge-offs are in compliance with the substance of this provision of the OCC Order. Pursuant to CitiFinancial's policies and procedures, borrowers requesting a modification of a junior lien loan owned by CitiFinancial are considered for CitiFinancial's proprietary modifications. CitiFinancial will draft and implement policy to ensure that all CitiFinancial junior liens are taken into consideration when an analysis of a loan modification request begins on the CitiFinancial first mortgage.

CitiFinancial applies appropriate charge-off guidelines for all owned mortgages, including second-lien loans, consistent with its reserving and charge-off policies and procedures, as follows:

- Reserves have been created for all second-lien loans based upon the CitiFinancial SR-0 model.
- The SR-0 framework applies different reserve ratios to each delinquency bucket.
- CitiFinancial applies an additional reserve to the level recommended by the SR-0 model (for current bucket) based on its Emergent Loss Period ("ELP") analysis. This reserve is designed for current accounts, which may become impaired by a drop in the borrower's FICO score, and addresses accounts that are impaired if the first-lien loan is delinquent or modified. SR-0 assumes that impaired loans in the current bucket will roll to loss within the write-off period plus one month. The ELP factor addresses the additional risk of increased losses associated with impaired loans that are in the current bucket (*i.e.*, an incurred loss event such as loss of a job may have occurred but is not yet visible) and is based on actual observed losses.
- Additional reserves are also applied for loans involved in Loss Mitigation activities. This includes the calculation of TDR reserves and, as necessary, the application of additional reserves for short-term loan modifications over and above the SR-0 model.

Finally, management assesses the need for additional Management Adjustment reserves, over and above what the SR-0 and ELP models require, to address additional headwinds.

**Appendix 2 –**  
**CitiFinancial Consent Order Action Plan**

Federal Reserve Board  
CitiFinancial Consent Order Action Plan  
Pursuant to Paragraphs 6 through 9

FOIA CONFIDENTIAL TREATMENT REQUESTED PURSUANT TO  
5 U.S.C. § 552(b); 12 C.F.R. § 261.14(a)(4), 261.14(a)(8)  
SUBMITTED SUBJECT TO 12 U.S.C. § 1828(X)

Tuesday, July 12, 2011

**CONFIDENTIAL - NOT FOR DISTRIBUTION**



The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 6 - CitiFinancial Activities</b>						
<p><b>Paragraph 6</b> - Within 60 days of this Order, CitiFinancial shall submit to the Reserve Bank an acceptable written plan for strengthening coordination of communications with borrowers, both oral and written, related to Loss Mitigation and foreclosure activities to ensure that communications are timely and effective, are designed to avoid confusion to borrowers, to ensure continuity in the handling of borrowers' loan files during the Loss Mitigation and foreclosure processes by personnel knowledgeable about the borrower's situation, and to ensure that decisions concerning Loss Mitigation options or programs continue to be made and communicated in a timely fashion. Prior to submitting the plan, CitiFinancial shall conduct a review to determine (i) whether processes involving past due mortgage loans or foreclosures overlap in such a way that they may impair or impede a borrower's efforts to effectively pursue a Loss Mitigation option or program, and (ii) whether employee incentive compensation practices discourage Loss Mitigation. The plan shall provide for at least the same level of coordination of communications with borrowers as the level that the Bank and CitiMortgage are required to maintain in their Consent Order with the OCC.</p>	Plan for Strengthening Coordination of Loss Mitigation Communication with Borrowers	6.1	Develop a plan for strengthening coordination of Loss Mitigation communication with borrowers, as required	CFNA	Completed	5/10/2011
		6.2	Submit plan for approval under Deliverable Submission Review Process	CFNA	Completed	6/6/2011
		6.3	Submit plan to the FRB	Legal	Completed	6/13/2011
		6.4	Implement plan for strengthening coordination of Loss Mitigation communication with borrowers	CFNA	In Progress	8/11/2011
	Review for Impediments to Loss Mitigation Process	6.5	Review CitiFinancial's relevant policy and procedures, branch training materials, standard customer letters and billing statements, as well as interviews with key business managers for impediments to Loss Mitigation process	CFNA	Completed	5/5/2011
		CFNA Employee Incentives Review	6.6	Review current incentive compensation practices to determine if they in any way discourage loss mitigation	CFNA	Completed
	6.7		Report results of the review to senior managers and obtain their concurrence on current compensation practices	CFNA	Completed	5/5/2011
	OCC IX a OCC IX h	6.8	Assess and review current policies and procedures as they relate to OCC IX	CFNA	Completed	5/5/2011
		6.9	Augment policies and procedures to direct branch managers to place a hold on any account where a borrower is actively pursuing loss mitigation with CitiFinancial	CFNA	Completed	7/25/2011
		6.10	Augment policies and procedures to direct branch managers to place a hold on a borrowers account until any complaint covering denial of a loss mitigation request is addressed	CFNA	Completed	7/25/2011
		6.11	Implement quality control testing to ensure that branch managers appropriately place holds on accounts to prevent them from transferring to CitiMortgage when loss mitigation activity is pending	CFNA	In Progress	8/1/2011
		6.12	Implement for existing branch audits, a review of whether branch managers appropriately place holds on accounts to prevent servicing transfer to CitiMortgage when loss mitigation activity is pending	CFNA	In Progress	8/1/2011
		6.13	Develop a plan for oversight of CitiMortgage's loss mitigation and default servicing activities only	CFNA	In Progress	7/15/2011
		6.14	Implement the plan for oversight of CitiMortgage's loss mitigation and default servicing activities only	CFNA	In Progress	8/1/2011
	OCC IX b	6.15	CitiFinancial will augment its policies and procedures to require formally that Branch Managers communicate all final Loss Mitigation decisions to borrowers orally within 10 days of such decision.	CFNA	Completed	7/25/2011
		6.16	Augment policy and procedures requiring branch managers to send any borrower who requests loss mitigation, a letter within 48 hours explaining required documentation and notifying borrower of the 30 day deadline for submitting required documentation	CFNA	Completed	7/25/2011
		6.17	CitiFinancial will improve these policies and procedures to require Branch Managers to send borrowers who are denied second mortgage modifications a written notice of adverse action within 48 hours of the decision.	CFNA	Completed	8/1/2011
		6.18	CitiFinancial will implement quality control testing to ensure that Branch Managers send borrowers timely letters explaining Loss Mitigation documentation requirements, timelines, and decisions.	CFNA	In Progress	8/1/2011
		6.19	Implement additional branch audit processes to determine if branches send borrowers timely letters explaining loss mitigation documentation requirements, timelines and decisions	CFNA	In Progress	8/1/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due

The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<p><b>Paragraph 6 (Continued)</b> - Within 60 days of this Order, CitiFinancial shall submit to the Reserve Bank an acceptable written plan for strengthening coordination of communications with borrowers, both oral and written, related to Loss Mitigation and foreclosure activities to ensure that communications are timely and effective, are designed to avoid confusion to borrowers, to ensure continuity in the handling of borrowers' loan files during the Loss Mitigation and foreclosure processes by personnel knowledgeable about the borrower's situation, and to ensure that decisions concerning Loss Mitigation options or programs continue to be made and communicated in a timely fashion. Prior to submitting the plan, CitiFinancial shall conduct a review to determine (i) whether processes involving past due mortgage loans or foreclosures overlap in such a way that they may impair or impede a borrower's efforts to effectively pursue a Loss Mitigation option or program, and (ii) whether employee incentive compensation practices discourage Loss Mitigation. The plan shall provide for at least the same level of coordination of communications with borrowers as the level that the Bank and CitiMortgage are required to maintain in their Consent Order with the OCC.</p>	OCC IX c OCC IX d OCC IX e OCC IX i	6.20	Implement additional branch audit processes to determine if branches appropriately direct borrowers whose servicing was transferred to CitiMortgage Default Servicing	CFNA	In Progress	8/1/2011
		6.21	Develop customer transfer letter to notify borrowers of transfer to CitiMortgage Default Servicing	CFNA	Completed	7/25/2011
		6.22	CitiFinancial will augment its policies and procedures to require that, when a borrower calls a CitiFinancial branch after the servicing of the account has been transferred to CitiMortgage, the CitiFinancial branch manager will contact CitiMortgage with the borrower on the line, subject to the borrower's permission, to transfer the call to CitiMortgage Default Servicing.	CFNA	Completed	8/1/2011
		6.23	Implement customer transfer letter to notify borrowers of transfer to CitiMortgage Default Servicing	CFNA	Completed	8/1/2011
		6.24	Enhance policies and procedures to identify the Branch Manager of each CitiFinancial branch as the single point of contact for borrowers whose accounts are serviced by that branch and who request loss mitigation.	CFNA	Completed	8/1/2011
		6.25	Written communications with borrowers who request Loss Mitigation will contain the name and contact information of their Branch Manager, along with information for borrowers to contact other CitiFinancial branch employees in the event the Branch Manager is unavailable.	CFNA	Completed	8/1/2011
		6.26	Update systematic HUD homeownership counseling letter sent to borrowers at 40 days delinquent to include loss mitigation options which explains to customers that modification options are available to borrowers	CFNA	Completed	7/30/2011
	OCC IX f	6.27	Reclassify training programs regarding mortgage delinquencies, loss mitigation, and loan modification from "suggested" to "required" for all employees	CFNA	Completed	7/1/2011
	OCC IX g	6.28	Implement quality control testing to ensure branch managers appropriately send borrowers adverse action letters containing reasons for the denial of the borrowers loan modification request	CFNA	In Progress	8/1/2011
		6.29	Implement additional branch audit processes to determine if branch manager appropriately send borrowers adverse action letters containing reason for denial	CFNA	In Progress	8/1/2011
		6.30	Inclusion of local branch manager contact information on adverse action letters sent to borrowers denied loan modifications	CFNA	Completed	7/25/2011
	OCC IX i	6.31	Inclusion of a toll free customer complaint hotline on the CitiFinancial self service website will facilitate borrowers calling to file or escalate borrower complaints regarding loss mitigation, loan modification or foreclosure activities	CFNA	Completed	8/1/2011
	OCC IX j	6.32	Monitor customer complaints concerning loss mitigation and establish a key risk indicator that will trigger targeted reviews to branches	CFNA	Completed	8/1/2011
	OCC IX k	6.33	Ensure CitiFinancial has quality control testing to ensure that payments made to branches are appropriately posted and any misapplication of funds is corrected in an appropriate and timely manner.	CFNA	Completed	6/30/2011
	OCC IX m	6.34	Implement quality control testing to ensure that branch managers appropriately track and maintain borrower loan files, and that branch managers timely notify borrowers of missing documents	CFNA	Completed	8/1/2011
6.35		Implement additional branch audit processes to determine if branch employees appropriately track and maintain borrower loan files, and that branch employees timely notify borrowers of missing documents	CFNA	In Progress	8/1/2011	
OCC IX n	6.36	Augment or draft new policy to ensure that all junior liens owned by CitiFinancial are taken into consideration when analysis of a loan modification begins on a CitiFinancial first mortgage	CFNA	Completed	8/1/2011	
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due



The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 8c</b> - During the term of this Order, the approved plans, policies, and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank.	Amendment Requests	8c.1	Draft proposed changes to approved plans, policies, and procedures, as necessary	Legal	Not Started	Ongoing
		8c.2	Submit proposed changes to approved plans, policies, and procedures for approval under the Deliverable Submission Review Process, as necessary	Legal	Not Started	Ongoing
		8c.3	Request written approval for proposed changes to approved plans, policies, and procedures from the FRB, as necessary	Legal	Not Started	Ongoing
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 8d</b> - During the term of this Order, Citigroup and CitiFinancial, as applicable, shall revise the approved plans, policies, and procedures as necessary to incorporate new or changes to the Legal Requirements and supervisory guidance of the Board of Governors. The revised plans, policies, and procedures shall be submitted to the Reserve Bank for approval at the same time as the progress reports described in paragraph 9 of this Order.	Revision to the Approved Plans, Policies, and Procedures	8d.1	Obtain revised plans, policies and procedures reflecting changes to Legal Requirements and supervisory guidance from repository, as necessary (Citigroup and CFNA)	Operations	Not Started	Ongoing
		8d.2	Submit revised plans, policies and procedures reflecting changes to Legal Requirements and supervisory guidance to Boards, as necessary (Citigroup and CFNA)	Legal	Not Started	Ongoing
		8d.3	Attach revised plans, policies and procedures reflecting changes to Legal Requirements and supervisory guidance to progress reports for submission to the FRB, as necessary (Citigroup and CFNA)	Legal	Not Started	With progress reports
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 9 - Approval, Implementation, and Progress Reports</b>						
<b>Paragraph 9</b> -Within 30 days after the end of each calendar quarter following the date of this Order, Citigroup's and CitiFinancial's boards of directors, or authorized committee of the boards of directors, shall jointly submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Order and the results thereof.	Compliance Committee Progress Reports	9.1	Evaluate Compliance Committee Progress Report requirements as per the Consent Order	Independent Risk / PMO	Completed	6/10/2011
		9.2	Design template for written Progress Report as per Consent Order requirements	PMO	Completed	6/20/2011
		9.3	Validate Progress Report template with key stakeholders	PMO	Completed	6/25/2011
		9.4	Produce Initial Progress Report	PMO	Completed	7/10/2011
		9.5	Submit Progress Report for approval under Deliverable Submission Review Process	PMO	Not Started	7/15/2011
		9.6	Submit Progress Report to Citigroup Board for review and approval	PMO	Not Started	7/20/2011
		9.7	Submit first quarterly Progress Report to FRB	Board / Legal / MCC	Not Started	8/1/2011
		9.8	Produce second quarterly Progress Report	PMO	Not Started	10/10/2011
		9.9	Submit second quarterly Progress Report for approval under Deliverable Submission Review Process	PMO	Not Started	10/15/2011
		9.10	Submit second quarterly Progress Report to the Citigroup Board	Board / Legal / MCC	Not Started	10/20/2011
		9.11	Submit second quarterly Progress Report to the FRB	Board / Legal / MCC	Not Started	10/31/2011
		9.12	Produce third quarterly Progress Report	PMO	Not Started	1/10/2012
		9.13	Submit third quarterly Progress Report for approval under Deliverable Submission Review Process	PMO	Not Started	1/15/2012
		9.14	Submit third quarterly Progress Report to the Citigroup Board	Board / Legal / MCC	Not Started	1/20/2012
		9.15	Submit third quarterly Progress Report to the FRB	Board / Legal / MCC	Not Started	1/30/2012
		9.16	Produce future Progress Reports for FRB submission quarterly, as required	PMO	Not Started	As Required
		9.17	Submit future quarterly Progress Reports for approval under Deliverable Submission Review Process	PMO	Not Started	As Required
		9.18	Submit future Progress Reports to Citigroup Board	Board / Legal / MCC	Not Started	As Required
		9.19	Submit future Progress Reports to the FRB	Board / Legal / MCC	Not Started	As Required
	Monitoring Implementation	9.20	Develop status reporting after 60 day submission	PMO	Completed	6/15/2011
		9.21	Develop Board status reporting calendar	PMO	Completed	7/1/2011
		9.22	Submit Board status report to the MCC for review	PMO	Completed	7/5/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due