

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



July 12, 2011

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 the Consent Order (the "FRB Order") issued on April 13, 2011 by the Board of Governors of the Federal Reserve System relating to U.S. residential mortgage loan servicing activities conducted by Citigroup Inc. through Citigroup's indirect wholly-owned subsidiaries, CitiFinancial Credit Company and CitiMortgage, Inc., a wholly-owned subsidiary of Citibank, N.A. ("CBNA" or "Bank"). I refer also to the Consent Order issued on April 13, 2011, by the Office of the Comptroller of the Currency in the matter of Citibank, *No. AA-EC-11-13* (the "OCC Order" and together with the FRB Order, the "Consent Orders").

Considerable and substantive work has been completed since 2008, resulting in a stronger Citi, including strengthening the balance sheet, enhancing governance, building talent, reducing downside risk, and focusing strategy. A key component of that strategy is a commitment to treating customers fairly, supporting them in times of financial difficulty, and providing access to financial services for those who would otherwise be excluded from the economic mainstream. Consistent with these efforts, Citi, with the full support of its Board of Directors ("Board"), has continued its efforts across business lines and legal entities to strengthen the businesses conducting U.S. residential mortgage loan servicing, loss mitigation, and foreclosure activities ("Mortgage Servicing Activities") and to strengthen Citi's Risk Management & Control Programs -- enterprise-wide independent risk management and Internal Audit -- that support Citi's Mortgage Servicing Activities. These changes address the critical operational process breakpoints reflected in the Consent Orders and the programs that independently monitor and test those breakpoints.

These actions are described in this cover letter in the following sections:

## **I. Governance and Oversight**

Citi has implemented a defined governance structure to oversee not only the actions taken in response to the Consent Orders, but also Citi's ongoing Mortgage Servicing Activities. It includes defined roles and responsibilities for the Board, senior management, business management, and the independent control functions.

## **II. Changes in the Business Model**

Citi is strengthening the business model for its Mortgage Servicing Activities. This begins with increasing the depth and enhancing the quality of its executive management team. In addition to his current business responsibilities, Mr. Sanjiv Das, CEO of CitiMortgage,<sup>1</sup> will be responsible for the oversight of Mortgage Servicing Activities across all Citi U.S. entities. Supporting Mr. Das will be accountable senior managers in Mortgage Operations and Technology, Legal, Independent Risk, and Compliance.

Support and control functions have been consolidated in order to provide end-to-end consistency in oversight across the mortgage business. Additional changes in the business model are designed to:

- Improve the customer experience
- Strengthen the operating model
- Enhance the control environment
- Institute superior governance
- Build on a foundation of talent and culture

## **III. Overview of the Board Oversight and Enhancement Plans**

The Board Oversight Plan (to expand the Board's oversight of Mortgage Servicing Activities) and the Enhancement Plans (to improve the Risk Management & Control Programs) are summarized in this section, and described in detail in the narratives in Appendix 2.

Citi is committed to timely and appropriate completion of actions to satisfy the requirements of the Consent Orders, and has dedicated significant management and financial resources to these efforts and to ongoing business needs. Incremental expenses associated with these actions are estimated to be in excess of \$ [REDACTED] for 2011. This estimate will be further refined once the scope of the Foreclosure Review referenced in Article VII of the OCC Order is finalized.

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<sup>1</sup> Approximately 97% of Mortgage Servicing Activities are conducted by CitiMortgage.

Citi's submission in regard to the FRB Order includes (i) this letter, (ii) the resolutions of the Board of Directors, adopted June 10, 2011 in Appendix 1, (iii) the narratives contained in Appendix 2 covering the Board Oversight and Enhancement Plans (corresponding to the requirements of Paragraphs 2-5 of the FRB Order), and (iv) the FRB Consent Order Action Plan contained in Appendix 3. There is a Glossary attached in Appendix 4. CitiFinancial is delivering materials today under separate cover, in addition to those materials previously delivered on May 26, 2011.

## **I. Governance and Oversight**

Citi is committed to maintaining strong and effective Risk Management & Control Programs for its Mortgage Servicing Activities and to operating its U.S. residential mortgage loan businesses in a safe and sound manner, in compliance with applicable legal requirements, and consistent with applicable supervisory standards and guidance. Consistent with this commitment, Citi has implemented a defined governance structure to support the Board Oversight Plan, to oversee the execution of the Enhancement Plans, and to oversee Citi's ongoing Mortgage Servicing Activities. These governance changes are summarized below. Many of these changes are also described within the Board Oversight Plan and Enhancement Plans summaries in Section III, as they are integral to the success of these plans.

### **A. Board of Directors**

The Citigroup Board understands its responsibility for overseeing the management of Citi's U.S. Residential Mortgage Servicers (CitiMortgage, CitiFinancial, and CBNA) and Citi's Mortgage Servicing Activities, including management's implementation of, and compliance with, the Board Oversight Plan and the Enhancement Plans. On April 4, 2011, the Board established a Mortgage Compliance Committee (the "MCC") to oversee and monitor management's actions to secure compliance with the FRB Order.

The MCC is chaired by Robert Ryan, an outside director, and includes three other outside directors – Robert Joss, Michael O'Neill, and Anthony Santomero. Messrs. Ryan and Santomero also serve on the Board's Audit Committee and its Risk Management and Finance Committee ("RMFC"). Mr. Joss is a member of the RMFC and the Citi Holdings Committee. Mr. O'Neill is Chair of the Citi Holdings Committee. The overlapping membership of the MCC and the standing Board Committees will facilitate robust discussion by the Board in its oversight of the Risk Management & Control Programs and Mortgage Servicing Activities.

The MCC meets monthly, or more frequently at its discretion, to receive reports from senior management regarding the Board Oversight Plan, the status of the Enhancement Plans, and Citi's Mortgage Servicing Activities. The MCC will provide progress reports to the Board and FRBNY at least quarterly regarding the status of the

Board Oversight Plan and the Enhancement Plans. Citi's risk and control functions, including Independent Risk, Compliance, Control and Emerging Risk ("CER"), and Audit & Risk Review ("ARR"), will also report regularly to the Board, through the MCC, about Mortgage Servicing Activities and the status of the Enhancement Plans.

The Board also recognizes Citigroup's responsibility to serve as a source of financial strength to the Bank including taking steps designed to ensure that the Bank complies with the OCC Order. To that end, attached as Appendix 1 is a certified copy of a resolution of the Citigroup Board approving and adopting the Board Oversight Plan and reflecting the Board's express commitment that Citigroup provide the necessary oversight and resources for CBNA, and for Citigroup to implement and comply with the Consent Orders.

In fulfilling that commitment, the Board, or the MCC on its behalf, will (a) authorize such actions on behalf of Citigroup as may be necessary for Citigroup to perform its obligations under the FRB Order; (b) require the timely reporting by senior management to the Board or the MCC of such actions directed by the Board or the MCC to be taken with respect to the FRB Order; and (c) require corrective action (including possible financial remediation) for, and follow-up on, any non-compliance with such actions or directions in a timely manner.

As required by the OCC Order, the CBNA Board of Directors has likewise established a Mortgage Compliance Committee (the "CBNA MCC") to oversee Bank management's actions to secure compliance with the OCC Order. The Bank MCC is also chaired by Mr. Ryan and its members include Messrs. Joss, O'Neill, and Santomero, and Eugene McQuade, the Chief Executive Officer of the Bank.

The overlapping membership of the Citigroup and CBNA MCCs will further strengthen the Citigroup Board's oversight of Citi's Mortgage Servicing Activities. This "horizontal view" across businesses, products, legal vehicles, and control functions will assist the Board in its oversight of Citi's Risk Management & Control Programs.

## **B. Senior Management**

Citi has established two cross-business and cross-functional senior management committees to oversee the implementation of the Board Oversight Plan and the Enhancement Plans, as well as the commitments made by CBNA under the OCC Order. Each committee is comprised of representatives of:

- The Citi businesses that conduct Mortgage Servicing Activities, including CitiFinancial, CitiMortgage, and, to a lesser extent, CBNA's private banking business (the "Citi Private Bank" or "CPB");

- Citi's Global Securitized Markets business ("GSM"), which is part of the Institutional Clients Group ("ICG")<sup>2</sup>; and
- Citi's independent control functions, including Independent Risk, Compliance, CER, and Legal. ARR is also invited to attend all committee meetings.

#### Senior Executive Oversight Committee

The Senior Executive Oversight Committee provides strategic direction in the development, implementation, and communication of the Enhancement Plans; reviews and approves the budget and resources needed to ensure compliance with the Consent Orders; and reviews key submissions and reports regarding the status of the Enhancement Plans to the Board and the MCC. It meets monthly, or at such other frequency as it determines, to receive reports from the Executive Steering Committee relating to the status of the Enhancement Plans or other matters as the Committee deems appropriate.

The members of this Committee are senior Citi executives, including the Committee Chair, Michael Corbat, CEO, Citi Holdings; Don Callahan, Chief Administrative Officer; James Forese, Head, Securities and Banking ICG; Michael Helfer, General Counsel & Corporate Secretary; Bonnie Howard, Chief Auditor & Global Head, Control & Emerging Risk; Brian Leach, Chief Risk Officer; Manuel Medina Mora, Chief Executive Officer, Consumer Banking for the Americas and Chairman of the Global Consumer Council; Eugene McQuade, Chief Executive Officer, CBNA; and Kathryn Reimann, Acting Co-Chief Compliance Officer and Head of Consumer Compliance.

#### Executive Steering Committee

The Executive Steering Committee provides strategic direction in the development, implementation, and communication of the Enhancement Plans; reports to the Senior Executive Oversight Committee and MCC regarding the status of the Enhancement Plans; reviews and approves key submissions and reports to the MCC, the Board, and the FRBNY regarding implementation of the Enhancement Plans; and oversees the ongoing management of mortgage servicing-related risks across businesses. Formalization of cross-business and cross-functional management committees dedicated to Citi's Mortgage Servicing Activities provides a solid foundation for comprehensive and consistent enterprise-wide management of associated risks.

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<sup>2</sup> GSM buys and sells pools of U.S. residential mortgage loans, but does not originate or service them. GSM's business plan contemplates purchases of whole loans on a servicing retained basis (i.e., where the servicing rights are retained by an independent third-party servicer) or on a servicing released basis where GSM intends to resell or securitize the mortgage loans within 90 days. In some cases, however, GSM has retained ownership of the loans and engaged third-parties to service the loans on its behalf. By September 10, 2011, GSM will either (i) sell those loans serviced by third parties on a servicing released basis or (ii) terminate servicing by such third parties and transfer servicing to CitiMortgage.

Sanjiv Das, CEO of CitiMortgage, is the Chairman of the Executive Steering Committee. The members of this Committee and a description of the Committee's roles and responsibilities are summarized below:

Executive Steering Committee	
• Sanjiv Das, Chief Executive Officer, CitiMortgage*	• [REDACTED]
• [REDACTED]	• [REDACTED]
• [REDACTED]	• [REDACTED]ts
• [REDACTED]	• [REDACTED]
• [REDACTED]	• [REDACTED]
• [REDACTED]	• [REDACTED]
• [REDACTED]	• [REDACTED] Risk
	• [REDACTED]**

The Committee will:

- Oversee implementation of the Enhancement Plans and compliance with the Consent Orders
- Identify and assess portfolio, industry, and market developments affecting the residential real estate market
- Approve or request changes to the operating models of the U.S. Residential Mortgage Servicers
- Resolve issues (e.g., inconsistent standards, significant risks, and inadequate controls) escalated from the Real Estate Operating Steering Committee, as described in the Enhancement Plan for the Enterprise-wide Risk Management Program
- Resolve any disconnects with respect to the identification, measurement, mitigation, and monitoring of operational and compliance risks among businesses to drive full alignment
- Align the operating models of the U.S. Residential Mortgage Servicers around known and emerging risks, themes, and trends
- Review executive-level MIS reports highlighting operational performance and potential issues related to operational and compliance risks
- Provide periodic updates and escalate issues to the Senior Executive Oversight Committee, the MCC, and the CBNA  
MCC

\*Committee Chair  
\*\*Attendee only

### C. Project Management & Implementation Committee

To support the development and implementation of the Board Oversight and Enhancement Plans, Citi has established a Project Management Office ("PMO"), which is supported by a cross-business/cross-functional staff and an implementation committee. The PMO resolves project management issues, projects the budget and resources needed to ensure compliance with the Consent Orders, and processes revisions in milestones and action plans. The PMO uses standardized reporting to monitor and report progress on the

development and implementation of the Enhancement Plans. To supplement internal staff and resources dedicated to the PMO, Citi has retained PricewaterhouseCoopers LLP (“PwC”) to provide project support and technical advice on: project management, third party vendor management, management information systems and reporting review, risk assessment and risk management, and support in the testing of processes and controls.

In addition to PwC, Citi has retained Promontory Financial Group (“Promontory”) to advise senior management and the Board on the adequacy of the Board Oversight and Enhancement Plans prepared by Citi to meet the requirements of the FRB Order.

## II. Changes in the Business Model

Citi is strengthening the business model for its Mortgage Servicing Activities, beginning with strengthening the depth and quality of its executive management team. Mr. Sanjiv Das, CEO of CitiMortgage, has been appointed as the accountable executive for Mortgage Servicing Activities across all Citi U.S. entities. Supporting Mr. Das will be accountable senior managers in Operations and Technology, Legal, Independent Risk, and Compliance.

Significant management and financial resources have been dedicated in an ongoing effort to build a stronger organization supporting its Mortgage Servicing Activities, focusing on:

- Improving the customer experience
- Strengthening the operating model
- Enhancing the control environment
- Instituting superior governance
- Building a foundation on talent and culture



Many of the actions in support of these objectives are embedded with the Board Oversight and Enhancement Plans described in Section III of this cover letter. These actions exemplify Citi’s commitment to superior business and control practices.

### A. Improving the customer experience

Recognizing the importance of the customer experience, CitiMortgage has established the position of Chief Customer Officer, who will be responsible for instituting

processes to enhance customer interactions, resolve customer issues, and be an ombudsman for internal escalations relating to customer issues.

Specific actions that Citi is taking to ensure higher standards of customer experience across its Mortgage Servicing Activities include:

- strengthening coordination of communications with borrowers engaged in Loss Mitigation or foreclosure activity by providing these borrowers the name of the person at the servicer who is their single point of contact; and
- ensuring that foreclosures are not pursued if a customer is engaged in Loss Mitigation or loan modification activities, unless payments under these programs are not made.

In addition, Citi has designed a variety of outreach programs and services that help borrowers at risk of default obtain guidance and assistance in an effort to help them keep their homes. For example, the Citi Office of Homeowner Preservation (“OHP”) works with Citi’s U.S. Residential Mortgage Servicers to promote and preserve affordable home ownership in the United States. Citi also provides modifications and work-out arrangements and offers the services of expert staff to borrowers and nonprofit counseling organizations.

## **B. Strengthening the operating model**

Citi has identified and begun to implement actions needed to strengthen the operating model, including people, process, technology, and information:

- **People:** Citi currently expects to create approximately 880 additional full-time positions, to be filled by new hires and redeployed Citi personnel, approximately 820 of whom will be assigned to CitiMortgage. Additionally, CitiMortgage has established new senior management positions that are being filled both from within Citi and externally, including a new Chief Administrative Officer (responsible for enterprise operating risk), a new Chief Customer Officer, a new Mortgage Product Compliance Director, and a Head of Mortgage O&T.
- **Process:** CitiMortgage is strengthening its mortgage servicing policies and procedures, including procedures for handling customer complaints and oversight of third parties including law firms. CitiMortgage is also enhancing its default management procedures, customer communications, document management, loan modification, and foreclosure and bankruptcy processing. It is defining additional operational controls, including Quality Control procedures, key risk indicators, and managerial controls to prevent process errors and to improve process and service quality. CitiMortgage expects to adjust its actions in response to volumes,

process reengineering and market fluctuations. CitiMortgage procedures will be maintained in a central repository and the procedures will be certified annually.

- **Technology:** CitiMortgage has made, and will continue to make, upgrades and enhancements to its information technology systems to improve customer service and experience, processes, MIS, and controls. Enhancements to mortgage servicing systems include changes to provide more up to date information regarding status of borrower requests; developing updated checklists for Mortgage Servicing Activities; new functionality to facilitate the flow of information between CitiMortgage personnel across Mortgage Servicing Activities; and new capabilities for communication and control between CitiMortgage and outside law firms. In addition, CitiMortgage is automating selected controls previously performed manually to enhance execution of these controls.
- **Information:** CitiMortgage is also enhancing its management information system (“MIS”) reporting for Mortgage Servicing Activities. The primary focus of these enhancements is expansion of the data and metrics to monitor operations and compliance, as well as to update the set of metrics and reports provided to various levels of management and the Board. In addition, CitiMortgage is enhancing its data reconciliation and validation processes to improve the consistency and accuracy of MIS reports across the organization.

These efforts will be ongoing, as Citi continues to strengthen its operations/business model. Senior management is closely monitoring these efforts and will update the MCC periodically on the implementation of these initiatives.

### C. Enhancing the control environment

Citi is committed to enhancing its existing enterprise-wide risk management (“ERM”) practices to strengthen the control environment for its Mortgage Servicing Activities. Many of these enhancements will address the requirements of the FRB Order; importantly, they will also help to build a superior operational risk management and control organization for the long-term.

Citi’s established enterprise-wide risk framework has three lines of defense:

- The First Line of Defense: The Business

Business managers (including in-business risk managers) have primary responsibility for ensuring appropriate compliance and control processes, managing risks, periodically assessing controls, and ensuring consistent customer experience and service.

- The Second Line of Defense: The Independent Control Functions

The Independent Control Functions establish frameworks and standards, perform risk assessments and independent testing, and provide oversight. These functions include Independent Risk, Compliance, and CER.

Within Independent Risk, Consumer Risk Management and Global Operational Risk Management jointly provide independent risk oversight over how the business manages the risks associated with Mortgage Servicing Activities. In particular, Independent Risk defines the framework and standards for how risks are managed. Independent Risk also monitors and reports to senior management and the Board, on an ongoing basis, about the effectiveness of the business' management of risks.

Compliance provides independent compliance risk oversight over the business management of compliance risks (*e.g.*, failure to comply with applicable federal and state laws and regulations) for Mortgage Servicing Activities. In particular, Compliance establishes standards and processes that enable management to proactively identify, measure, assess, monitor, test, and report compliance risks; provides advice, guidance, and support to the business units so that the businesses can effectively manage the compliance risk inherent in their operations; and develops and oversees execution of an annual compliance risk assessment process. Compliance also reports significant compliance issues, plans for resolution, and the results of its oversight activities to the Board, through the Audit Committee, and senior management on a regular basis.

CER executes independent regulatory compliance testing and provides the business, Independent Risk, and Compliance with independent reports on the control environment. This includes conducting independent testing of key regulatory risks as part of a risk-based Compliance Monitoring and Testing Program.

- The Third Line of Defense: ARR

ARR conducts independent reviews of the businesses and the independent control functions, based on an Audit Committee approved audit plan and on ARR's audit risk assessment. ARR responsibilities include assessing the internal control environment with respect to Citi's Mortgage Servicing Activities through evaluation of financial, operational, and administrative controls; risk management practices; and adherence to laws, regulations, and policies. ARR will also assess the effectiveness of the Risk Management & Control Programs. ARR communicates issues related to Mortgage Servicing Activities to the Board, through the Audit Committee, and to senior management, including the status of corrective actions to ensure visibility and foster timely resolution.

- Governance and Support Infrastructure

The Three Lines of Defense are further strengthened by the Human Resources (“HR”), Finance, and Legal Departments. HR’s role is to support talent development and appropriate levels of training for staff engaged in Citi’s Mortgage Servicing Activities. Finance’s role is to oversee cost discipline and compliance with internal financial control and accounting policies. Legal’s role is to provide advice on legal and regulatory matters and supervise outside counsel representing Citi. Legal staff, together with representatives of O&T, oversee compliance with “Legal Requirements” by external foreclosure and bankruptcy counsel.

#### Enhancements to ERM Practices

In order to improve upon the risk management framework described above, a number of key enhancements to the ERM are being implemented. While many of these changes are also described as part of the Enhancement Plans in Section III, such changes are more generally important steps to building a sustainable and superior operational risk management and control organization.

- ***End-to-End Risk and Control responsibility:*** A new Head of Mortgage O&T position has been appointed, with end-to-end responsibility for mortgage operations in CitiMortgage and a dedicated focus on compliance and controls across Mortgage Servicing Activities.
- ***Enhanced integration of processes:*** In-Business Risk will work with O&T to ensure comprehensive coverage of the key operational risks with Mortgage Servicing Activities and ensure consistency of policies and procedures across Citi’s residential mortgage servicers.
- ***Accountability & Stature:*** New senior business and control positions focused on mortgage servicing oversight have been created to foster management ownership of the various components of the framework (*e.g.*, the Senior Operational Risk Manager (“SORM”), the Consumer Mortgage Specialist in Independent Risk, Mortgage Product Compliance Director, and an ARR Managing Director responsible for audit coverage of Citi’s Mortgage Servicing Activities).
- ***Increased scope and coverage of risk and control programs:*** The existing and newly named senior managers in the control functions, and In Business Risk where appropriate, are enhancing the scope of existing Risk Management & Control Programs to be more comprehensive across businesses engaged in Mortgage Servicing Activities.
- ***Comprehensive Annual Risk Assessment:*** A new comprehensive annual mortgage servicing risk assessment (“CAMSR”) process will be implemented and conducted by In Business Risk, covering the risks that arise from the internal and third party processes related to mortgage servicing. In addition, the

Compliance Annual Risk Assessment (“CARA”) process is being strengthened to take both a bottom-up and a top-down approach that is tied to the enhanced Regulatory Requirements Inventory (“RRI”). With these key changes, there will be a more comprehensive evaluation that will result in an overall summary of the risks and action plans to remediate key areas with unacceptable residual risks. Many of these actions, as well as existing control processes, will require ongoing refinement to ensure effective use of resources and appropriate management of risks.

- **Consistent governance and oversight across businesses:** Consistency across the programs and businesses will be strengthened with the enhanced committee structure and forums for communication, coupled with the individual accountability in place for the existing and new senior managers of the various components.
- **Training:** In partnership with Human Resources, additional training will be implemented to further the sustainability of the Risk Management & Control Programs.
- **Enhancements to ARR:** Consistent with ARR’s efforts to strengthen the internal audit program and enhance the function, ARR is making investments in methods, technology, and staff. Several initiatives and action plans are in process to enhance coverage with priority on the following:
  - Restructuring ARR’s risk assessment methodologies, audit entities and review methodology to strengthen enterprise-wide coverage of Citi’s critical risks;
  - Investing in automated audit and data mining tools to drive efficient, continuous audit coverage and detect emerging risks;
  - Defining a new ARR organization model that supports horizontal and flexible coverage;
  - Meeting the requirements of the new coverage model through an enhanced focus on talent and training (ARR is increasing the number and seniority of staff with the technical skills necessary to achieve the coverage plan and implementing a mortgage specific training plan); and
  - Expanding its reporting to the Citigroup and CBNA Audit Committees and MCCs.

It is critical to the long-term success and sustainability of these enhancements to ensure clarity of scope, defined roles and responsibilities, and effective integration vis-à-vis existing control processes. Many of these actions, as well as existing control processes, will require ongoing refinement to ensure effective and efficient use of resources and appropriate management of risks.

#### **D. Instituting superior governance**

As discussed in section I, Citi has implemented a defined governance structure to support the Board Oversight Plan, to oversee the execution of the Enhancement Plans, and to oversee Citi's ongoing Mortgage Servicing Activities. This includes defined responsibilities for the Board, senior management, business management, and the independent control functions.

#### **E. Building a foundation on talent and culture**

To drive the successful implementation of the planned enhancements to Citi's Risk Management & Control Programs for Mortgage Servicing Activities, management is committed to enhancing a strong risk culture with visible leadership, appropriate regard for risks, shared responsibility when taking risks, and individual accountability to maintain the highest standards. Additional elements include timely and commensurate responsiveness, strong risk awareness, transparency, and effective escalation. To strengthen the risk culture, management will deploy appropriate levers, including: clear policies and procedures, defined roles and responsibilities, appropriate training, incentive redesign as applicable, and codification of risk culture.

To further embed the risk culture and reinforce accountability, there will be increased communication regarding the risk and control culture. In addition, Citi will strengthen the connection between risk performance and compensation through a variety of measures. Employees will have goals that outline responsibilities as well as expectations related to risk and effective controls, which will be documented in the Global Talent & Performance Management System ("GTMS") (or other applicable performance systems). For Material Risk Takers as defined in the interagency guidance on incentive compensation, scorecards will be used to track performance against key metrics; input to annual performance will be provided by control functions on the demonstration of key risk behaviors; and, although discretion will remain an element in incentive compensation decisions, greater transparency will be provided around the process (*e.g.*, the factors considered in determining incentive compensation and the impact of those factors on discretionary elements of the determination).

### **III. Overview of the Board Oversight and Enhancement Plans**

In preparing the Board Oversight and Enhancement Plans, management performed evaluations of the effectiveness of the current Risk Management & Control Programs in relation to Mortgage Servicing Activities. Areas for evaluation included applicable supervisory guidance; levels of interaction with, and reporting to, the Board and senior management; staffing adequacy and training; and scope and coverage of current controls and testing and issue escalation.

Key elements of the resulting Plans are highlighted below and are described more fully in the narratives attached to this letter.

**Paragraph 1 – Source of Strength**

- By resolutions adopted June 10, 2011, the Board recognized that Citigroup is to serve as a source of financial strength to CBNA and committed that Citigroup will provide the necessary resources for CBNA, and for Citigroup to implement and comply with the Consent Orders. Accordingly, Citigroup has allocated significant financial resources to implement and comply with the Consent Orders.

**Paragraph 2 – Board Oversight Plan**

- The Board, through the MCC, will oversee and monitor management's actions to implement the Enhancement Plans and secure compliance with the FRB Order. The MCC will also provide focused and sustained oversight of additional enhancements to Citi's Risk Management & Control Programs. In addition, the Audit Committee and the RMFC will continue to exercise their separately chartered oversight responsibilities through existing reporting lines (*e.g.*, Independent Risk, Compliance, and ARR). The Board, through the MCC, will provide written progress reports to the FRBNY pursuant to the FRB Order.
- Senior management will provide comprehensive and integrated reporting to the Board, through the MCC, addressing Citi's Mortgage Servicing Activities and the effectiveness of controls and processes in place (or being enhanced) to manage risks arising from those activities across businesses.

**Paragraph 2(a) – Policies For Proper Risk Management of Mortgage Servicing Activities**

- The Board, through the MCC, will consider for approval a Mortgage Servicing Oversight Policy designed to ensure that Citi's enterprise-wide risk management program provides adequate risk management oversight of its Mortgage Servicing Activities.

**Paragraph 2(b) – Policies For Proper Risk Management of Third Parties Engaged to Support Mortgage Servicing Activities.**

- Citi is enhancing its vendor classification framework, bolstering the due diligence and ongoing oversight tests to which vendors will be subjected, and updating the governance and oversight model to manage the vendors supporting Citi's Mortgage Servicing Activities.
- Management has recommended that MERS be designated as a "Most Critical Supplier" under the Citi-level Supplier Selection and Management Policy

“CSSMP”), which would subject MERS to the highest level of third party oversight. MERS also is subject to Citi’s Third Party Information Security Assessment pursuant to Citi’s Information Security Standards.

- A new Law Firm Oversight Policy has been developed to govern engagement and oversight of foreclosure and bankruptcy law firms that support Citi’s U.S. Residential Mortgage Servicers.
- CitiFinancial has developed enhanced policies and procedures covering its oversight of CitiMortgage for servicing of CitiFinancial-originated mortgages.

**Paragraph 2(c) – Staffing Adequacy and Qualifications**

- Management is conducting formal assessments of staffing adequacy to ensure that Citi officers and staff who engage in or provide oversight of Mortgage Servicing Activities have the requisite skills, qualifications, and ability to comply with the FRB Order.
- To provide assurance at the Board level that these staffing assessments are conducted in a consistent and comprehensive manner across the enterprise, Independent Risk and HR have collaborated to develop a Staffing Adequacy Framework that utilizes a common methodology and reporting template.
- HR is mapping assessment results against the requirements of the Enhancement Plans and developing corrective action plans to remedy staffing and competency shortfalls, in consultation with affected units and other stakeholders. Such plans will be in place by August 11, 2011.
- Management will advise the MCC, and, as appropriate to their separate oversight responsibilities, the Citigroup Audit Committee, RMFC, and Personnel and Compensation Committee (“Compensation Committee”) of the results of the staffing assessments and on subsequent progress in implementing staffing corrective action plans.
- Senior management will monitor staffing levels on an ongoing basis to ensure levels are adequate given volume and/or market changes.

**Paragraph 2(d) – Reporting and Monitoring of Mortgage Servicing Activities**

- The newly-developed Board Mortgage Package will be the primary tool for providing the Board with an integrated, comprehensive, and enterprise-wide overview of Citi’s Mortgage Servicing Activities. This package will include an executive summary and separate “dashboards” addressing the following components:

- Customer service and problem resolutions;
  - Foreclosure documentation and filings;
  - Staffing and managerial resource adequacy;
  - Third-party (including law firm) oversight;
  - Citi's outstanding residential mortgage portfolio amount; and
  - Trends in delinquencies, losses, foreclosures, and loan modifications.
- In addition to the Board Mortgage Package, management has enhanced Board reporting in other respects. As an example, ARR will report significant audit issues arising from Citi's Mortgage Servicing Activities to the Audit Committee. Key quarterly metrics will include audit results and the status of corrective action plans for Citi's U.S. Residential Mortgage Servicers.

### **Paragraph 3 – Risk Management Program**

- Pursuant to Paragraph 3 of the FRB Order, Citigroup conducted an evaluation of the effectiveness of Citi's current risk management programs related to Mortgage Servicing Activities.
- Citi's evaluation was structured to assess the effectiveness of the current risk management program, the extent to which the risk management program satisfied the requirements in Paragraph 3, and to determine appropriate enhancements to the risk management program where warranted.
- In particular, areas of risk management framework evaluation included the following:
  - Organization and governance;
  - Risk policies and processes; and,
  - Risk infrastructure.
- As a result of the evaluation, management concluded that a number of existing operations and risk management areas should be enhanced. The enhancements will be made along four critical elements:
  - Strengthening the organization and governance across Citi's U.S. Residential Mortgage Servicers;

- Enhancing risk processes, especially related to operational risk management (including In Business quality control and quality assurance, as well as Independent Risk oversight);
- Augmenting the existing risk infrastructure (*e.g.*, MIS and technology) to further enhance monitoring and management by the respective businesses and functions; and
- Establishing triggers that will serve as early indicators of potential problems with respect to operational risks.

#### **Paragraph 4 – Compliance Program**

- Citi management performed an evaluation of its enterprise-wide compliance program (“ECP”) with respect to Citi’s Mortgage Servicing Activities. The scope of the evaluation covered the U.S. performing and default mortgage servicing operations, including foreclosure, loan modification, and loss mitigation processes, procedures, and controls.
- In performing the evaluation, management used the Federal Reserve guidance in FRB Supervision and Regulation Letter 08-8 (“SR 08-8”), titled “Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles,” as a guide, as well as findings from the FRB/OCC horizontal foreclosure practices examination completed in the fourth quarter of 2010.
- The evaluation involved analyzing the examination findings and comparing the existing compliance program oversight, structure roles and responsibilities, risk assessment process, monitoring and testing, training, and reporting to FRB requirements and expectations.
- Based on the results of the evaluation, management has developed a plan to implement compliance program enhancements to ensure consistency in execution, as well as to strengthen the tools, processes, and monitoring and testing activities to ensure compliance with applicable federal and state laws and regulations, and supervisory guidance applicable to Mortgage Servicing Activities.
- Specific changes include:
  - Enhancing the Mortgage Servicing Activities governance structure;
  - Establishment of a Mortgage Servicing Compliance Program document;
  - Enhancing the Compliance Annual Risk Assessment process (“CARA”) for Mortgage Servicing;
  - Enhancing compliance monitoring and testing;

- Standardizing the change control policy and process; and
- Enhancing management information and reporting, including compliance reporting to the MCC.

#### **Paragraph 5 – Audit Program**

- Utilizing the findings arising from the FRB/OCC horizontal foreclosure practices examination of mortgage servicing operations, ARR conducted an evaluation of its current internal audit programs in the areas covered by the Consent Orders. Based on this evaluation, ARR is implementing a number of enhancements designed to ensure that its audit program covers Mortgage Servicing Activities from a horizontal perspective and that it has the necessary staff and expertise to provide effective, independent testing of such Activities:
  - Ensuring consistent coverage through assurance reviews and targeted audits to be performed across Citi's Mortgage Servicing Activities;
  - Extending coverage of audits performed on the design and operating effectiveness of the Risk Management & Control Programs as they relate to Citi's Mortgage Servicing Activities;
  - Ensuring appropriate structure, number, and skill of the staff conducting internal audits of Mortgage Servicing Activities; and
  - Expanding reporting of audit issues and ensuring appropriate escalation.
- The results of these internal audit actions will be reported to management and the MCC, to enable management to take corrective actions on deficiencies noted, and to inform the Board as to the effectiveness of both the primary and secondary layers of control in Citi's risk management framework.
- In addition to executing actions required by the Consent Orders, ARR will perform an internal validation process for all corrective actions by Citi's U.S. Residential Mortgage Servicers to address the provisions of the Consent Orders. This validation process will be performed in a two-phased approach designed to ensure the completeness and sustainability of corrective actions. Corrective action completeness will be assessed through the review of policies/procedures, physical evidence and performance of substantive testing, as needed. Corrective action sustainability will be assessed through the performance of ongoing ARR validation (*e.g.*, management oversight, exception reporting, quality control, etc.) extending beyond August 11, 2011 as a part of the enhanced internal audit program.

### **Paragraphs 6 and 7 – CitiFinancial**

- CitiFinancial has also developed a written plan for strengthening coordination of communications with borrowers related to Mortgage Servicing Activities that it performs. CitiFinancial's submission of the written plan under Paragraph 6 of the FRB Order is being made contemporaneously with this submission under separate cover.
- CitiFinancial is adopting enhanced policies and procedures to oversee Mortgage Servicing Activities performed on its behalf by CitiMortgage on CitiFinancial-originated mortgages. CitiFinancial submitted the policies and procedures in accordance with Paragraph 7 of the FRB Order by letter, dated May 26, 2011.

Pursuant to paragraph 8 of the FRB Order, the Enhancement Plans (1) will be adopted by Citigroup within ten days of approval by the FRBNY; (2) will be revised as necessary during the term of the FRB Order to incorporate new or changed legal requirements and supervisory guidance of the Board of Governors, which revisions will be reflected in a submission to the FRBNY for approval at the same time as the quarterly progress reports required by paragraph 9 of the FRB Order; and (3) will not otherwise be amended or rescinded without the prior written approval of the FRBNY.

\* \* \* \* \*

Citigroup has prepared this submission of the materials with substantial engagement from the Senior Executive Oversight Committee, the Executive Steering Committee, and senior management and staff from the relevant Citi businesses, Independent Risk, Compliance, CER, ARR, and Legal. PwC and Promontory also provided significant advice, as described above. The Enhancement Plans reaffirm Citi's continuing commitment to maintaining strong and effective Risk Management & Control Programs in support of its Mortgage Servicing Activities and to conducting those activities in a safe and sound manner, in compliance with applicable legal requirements, and consistent with applicable supervisory standards and guidance.

Jonathan I. Polk  
Federal Reserve Bank of New York  
July 12, 2011

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Please let us know if any additional information would be helpful for your consideration of the enclosed materials. You may direct further questions or requests to Anita Romero, General Counsel of Citibank, at [REDACTED].<sup>3</sup>

Sincerely,

*Michael L. Corbat*  
*by AR*  
Michael L. Corbat

Enclosures (listed on following page)

cc: Citi Board of Directors

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<sup>3</sup> We respectfully request, pursuant to 5 U.S.C. § 552(b) and 12 C.F.R. §§ 261.14(a)(4), (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.

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.

Jonathan I. Polk  
Federal Reserve Bank of New York  
July 12, 2011

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**Enclosures**

Appendix 1 – Resolutions of the Board of Directors, adopted June 10, 2011

Appendix 2 – Narratives:

Summary of Board Oversight Plan (Paragraph 2 of the FRB Order)

Enhancements to ERM Program (Paragraph 3 of the FRB Order)

Enhancements to ECP Program (Paragraph 4 of the FRB Order)

Enhancements to Internal Audit Program (Paragraph 5 of the FRB Order)

Appendix 3 – FRB Consent Order Action Plan

Appendix 4 - Glossary

# **Appendix 2 – Narratives**

**Paragraph 3 –  
Risk Management**

**Paragraph 3 – Risk Management**<sup>1</sup>

**(3) Within 60 days of this Order, Citigroup shall submit to the Reserve Bank an acceptable written plan to enhance its ERM program with respect to its oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The enhanced program shall be based on an evaluation of the effectiveness of Citigroup's current ERM program in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the risk management program in these areas.**

Citi recently conducted an evaluation of the effectiveness of Citi's current risk management program for Mortgage Servicing Activities. Citi's evaluation was structured to assess the design and the effectiveness of the current risk management program, to determine the extent to which the risk management program satisfies the requirements of the FRB Order, and to determine appropriate enhancements to the risk management program where warranted. The evaluation covered the following:

- Organization and governance: Review the scope of the risk management program and adequacy of existing senior management and Independent Control Function oversight. In addition, the existing committee charters in CitiMortgage and CitiFinancial with risk oversight roles and responsibilities were reviewed, in particular as they relate to the processes that impact customer experience and outcomes, and oversight of third parties that represent Citi (particularly law firms). An assessment of staffing adequacy is being conducted by the businesses, Operations, In-Business Risk Management, and the control functions; as a related matter, the committee structure and memberships will be enhanced to ensure appropriate parity and cross functional participation;

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<sup>1</sup> This plan is accompanied by a cover letter that provides an overview of Citigroup's response to the FRB Order and that includes a glossary of terms and acronyms used but not defined herein.

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.

- Risk policies and processes: Review the independent control functions' and In-Business Risk's policies and procedures, and Independent Risk controls, including third party process control and oversight, breakpoints, Quality Control (transactional testing that serves as a preventative control, conducted by Operations), Quality Assurance (detective testing of quality controls based on statistical sampling, conducted by In-Business Risk) and metrics, as well as the monitoring and testing of identified breakpoints; and
- Risk infrastructure: Review of risk identification, measurement, reporting, and MIS, including In-Business and Independent Risk senior management and committees' risk reports, as well as the systems facilitating risk identification and control.

As a result of this evaluation, management concluded that a number of existing operations and risk management areas in Mortgage Servicing should be enhanced. Citi will take several measures to strengthen the existing risk management framework and improve the oversight of the process and customer service quality related to Mortgage Servicing Activities. Considering this framework and the evaluation described above, ten systemic enhancements have been identified. Many of these actions, as well as existing control processes, will require ongoing refinement to ensure effective and efficient use of resources and appropriate management of risks. The enhancements will cover four fundamental elements across Mortgage Servicing Activities:

- A. Strengthening Organization and Governance;
- B. Enhancing Operational and Customer Service-related Risk Processes;
- C. Augmenting the Risk Infrastructure; and
- D. Establishing Operational and Customer Service Quality Triggers.

Based on the evaluation, management developed this plan to enhance the mortgage servicing risk management program for Mortgage Servicing Activities within Citi's ERM program. The plan will be documented in mortgage servicing risk management procedures. All action plans described below will be accomplished within timeframes prescribed by the FRB Order.

**The plan shall, at a minimum, be designed to:**

**3(a) Ensure that the fundamental elements of the risk management program and any enhancements or revisions thereto, including a comprehensive annual risk review, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;**

Citi will continue to rely on its "Three Lines of Defense" risk management framework as the foundation to achieve compliance with the Legal Requirements and supervisory guidance as defined in the FRB Order. The business (including Operations and In-Business Risk), as the first line of defense, will enhance and implement policies, procedures, and controls. The second line of defense is comprised of Compliance, Independent Risk, and CER. Compliance and Independent Risk will monitor the control environment with additional staff in senior roles and with enhanced MIS. CER will conduct independent testing. ARR, as the third line of defense, will validate action plan tasks and execute ARR independent control testing programs. These three lines of defense are further strengthened by the Human Resources, Finance, and Legal departments. Cross-functional committees will enhance interaction and communication among the businesses and control functions, provide a forum for escalation and strategic oversight, and enable greater

management of issues. Considering this framework and the evaluation described above, ten systemic enhancements have been identified. Many of these actions, as well as existing control processes, in line with our normal practice, may be refined over time to ensure effective and efficient use of resources and appropriate management of risks.

## **A. Strengthening Organization and Governance**

Citi is strengthening the business model for its Mortgage Servicing Activities. This begins with strengthening the depth and quality of its executive management team. Citi has appointed Mr. Sanjiv Das, CEO of CitiMortgage, to be the accountable executive for oversight of its Mortgage Servicing Activities. Supporting Mr. Das will be accountable executives representing Operations and Technology, Legal, Risk Management, and Compliance.

### **1. Create new management positions.**

#### *The First Line of Defense*

To enhance governance, oversight, and accountability in the areas of Mortgage Servicing Activities, the U.S. Residential Mortgage Servicers have implemented or will implement staffing changes.

- A new Head of Mortgage O&T position has been established, with end-to-end responsibility for mortgage operations in CitiMortgage and a dedicated focus on compliance and controls across Mortgage Servicing Activities. The new Head of Mortgage O&T has been appointed and reports jointly into both the CEO of CitiMortgage and the Head of NA O&T.
- The new Global Operational Risk Management policy and the Mortgage Servicing Compliance Program based on the Global Compliance Control Policy will be the foundation for the enhancements to the in-business oversight of operational and compliance risks in Mortgage Servicing Activities. Under this framework, CitiMortgage, CitiFinancial, ICG, and CPB will be identifying or hiring Senior In-Business Operational Risk Managers (“SORMs”) to ensure a focused effort to monitor and address operational, compliance, and customer service risks.

The SORMs will receive operational risk Quality Control (QC) reports from the business operations groups, and operational risk Quality Assurance (QA) reports from In-Business Risk. SORMs will escalate risks, as needed, to the CEOs of Citi’s U.S. Residential Mortgage Servicers, the in-business CRO, and to Independent Risk. In addition, the SORM for CitiMortgage will ensure uniform implementation of operational procedures across U.S. Residential Mortgage Servicing entities.

- Recognizing the importance of customer experience, CitiMortgage has established and filled the position of a Chief Customer Officer who is responsible for instituting processes to enhance customer interactions, resolving customer issues, and acting as the ombudsman for internal escalations as they relate to customer issues.

- CitiMortgage has established a new position of CitiMortgage General Counsel to act as a point person managing end-to-end legal matters related to Mortgage Servicing Activities.

### *The Second Line of Defense*

To further strengthen governance, oversight, and accountability in the Second Line of Defense, the Independent Control Functions have identified or will identify new positions to oversee Mortgage Servicing Activities.

- Independent Risk has augmented oversight expertise with the creation of a Consumer Mortgage Specialist position, reporting directly to the Consumer CRO. The Consumer Mortgage Specialist has been hired and will represent Independent Risk on the Real Estate Operations Steering Committee (“REOSC”), and will provide oversight and ensure consistency across CitiMortgage, CitiFinancial, and CPB. The Consumer Mortgage Specialist will work with SORMs within CitiMortgage, CitiFinancial, and CPB on escalated operational risks issues. If required, the Consumer Mortgage Specialist will further escalate the related issues to the Consumer CRO and/or Global Operational Risk Management.
- The Head of Compliance for Real Estate Lending has been additionally appointed Mortgage Product Compliance Director (“MPC Director”), with responsibility for Compliance activities and standards across U.S. Residential Mortgage Servicers.

### *The Third Line of Defense*

- ARR has created a Managing Director position to enhance residential mortgage loan servicing coverage and build a deep bench of professionals that has the stature and technical expertise to influence a strong control culture. Recruiting is underway and the incumbent will direct consistent and in-depth Residential Mortgage Coverage.

## 2. Implement changes to the Committee structure.

The firm has made several changes designed to enhance governance and oversight, maintain strong Risk Management & Control Programs, and ensure the safe, sound operation of the U.S. residential mortgage loan business. Starting with the most senior levels, three new committees have been formed, one at the Board level and two senior management forums that are cross-functional and cross-business in nature. These three committees are explained in more detail in the cover letter but are briefly described below:

- The Mortgage Compliance Committee (the “MCC”): The Board established the MCC to oversee and monitor management’s actions to secure compliance with the FRB Order. The MCC meets monthly, or more frequently at its discretion, to receive reports from senior management regarding the Board Oversight Plan, the status of the Enhancement Plans, and the Programs themselves.

- The Senior Executive Oversight Committee (the “SEOC”): The SEOC provides strategic direction in the development, implementation, and communication of the Plans; reviews and approves the budget and resources needed to ensure compliance with the FRB Order; reviews key submissions and reports regarding plan status to the MCC; and meets monthly, or at such other frequency as it determines, to receive reports from the Executive Steering Committee relating to plan status or other matters as the Committee deems appropriate.
- The Executive Steering Committee (the “ESC”): The Executive Steering Committee provides strategic direction in the development, implementation, and communication of the Plans; reports to the Senior Executive Oversight Committee and MCC regarding plan status; and reviews and approves key submissions and reports to the MCC, the Board or the FRBNY regarding plan implementation, and oversees the ongoing management of mortgage servicing-related risks across businesses.

Additional components of the enhancements to the committee structure include:

- The oversight of operational risk management for Mortgage Servicing Activities will be explicitly built into the mandates of the business oversight committees and control functions;
- Changes to the mandates of the existing In-Business risk committees will be made to strengthen oversight of operational risks across Mortgage Servicing Activities and In-Business Risk operating procedures;
- Changes to the mandate of the NA Consumer Risk Committee will require regular reviews of the essential control elements within key businesses; and
- Creation of new committees at the business level (*e.g.*, REOSC) is designed to provide greater oversight and monitoring by senior management in Mortgage Servicing Activities.
- The Real Estate Operations Steering Committee (the “REOSC”): The REOSC is a newly created, cross-business committee with the broad mandate to oversee and manage compliance with relevant policies, laws, and regulations across Citi’s U.S. Residential Mortgage Servicers. The REOSC will be attended by senior executives from CitiMortgage, CitiFinancial, CPB, and ICG and enable consistency of processes and actions across the businesses, as appropriate. REOSC will take inputs concerning Mortgage Servicing Activities-related operational risks from the various In-Business risk committees (*e.g.*, CitiMortgage Operational Risk Committee, CitiFinancial’s Risk Control Committee, and CPB’s Risk Committee), escalate potential issues to the ESC, and oversee the execution of changes to the operating models for Mortgage Servicing Activities as directed by the ESC.

**Real Estate Operations Steering Committee**

- |   |  |
|---|--|
| • CitiMortgage SORM, Chairperson                | • Director of Mortgage Product Compliance  |
| • CitiMortgage CRO                              | • Legal representative                     |
| • CitiMortgage O&T representative               | • CitiFinancial business representative    |
| • CitiFinancial SORM                            | • CPB business representative              |
| • ICG SORM                                      | • NA Consumer Bank business representative |
| • CPB SORM                                      | • ICG business representative              |
| • Independent Risk Consumer Mortgage Specialist | • ARR Representative (non-voting)          |

The REOSC will:

- Oversee compliance of Mortgage Servicing Activities with relevant policies, laws, and regulations related to operational and compliance risks
- Identify any inconsistencies with respect to the identification, measurement, mitigation, and monitoring of operational, compliance, legal, and reputational risks among businesses
- Review operational risk and compliance MIS, including the QC, QA results, and key risk indicators for operational breakpoints across Mortgage Servicing Activities
- Review regular reports from the Director of Mortgage Product Compliance and other control functions
- Review and adopt policies and procedures in accordance with the Compliance Program
- Proactively identify control gaps related to emerging issues, anticipate similar problems, and develop action plans/projects to mitigate future exposures
- Follow up on Corrective Action Plans and open control items
- Monitor current issues, assess and communicate cross-business impacts, and oversee related projects
- Escalate issues to the ESC, including inconsistent standards, lack of adherence to policies, significant risks, and inadequate controls, as appropriate

- **The CitiMortgage Operational Risk Committee:** Given that most of the Mortgage Servicing Activities across the U.S. Residential Mortgage Servicers are centralized in CitiMortgage, a new Operational Risk Committee will be created in CitiMortgage to oversee the management of operational and compliance risks in the business and the identification, measurement, mitigation, and monitoring of these risks. It will also monitor the adequacy of the controls in O&T to ensure the highest standards of process and service quality for Mortgage Servicing Activities across businesses and share findings with the CitiMortgage Risk Committee.

**CitiMortgage Operational Risk Committee**

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• CitiMortgage SORM, Chairperson</li> <li>• CitiMortgage CRO</li> <li>• CitiMortgage CFO</li> <li>• Head of Mortgage O&amp;T</li> </ul> | <ul style="list-style-type: none"> <li>• Compliance representative</li> <li>• Legal representative</li> <li>• Head of Default Operations Collections</li> </ul> |
|--|---|

The ORC will:

- Oversee the identification, measurement, mitigation, and monitoring of key operational, compliance legal, and reputational risks
- Review In-Business third party management procedures to ensure proper risk management of independent contractors, consulting firms, law firms, and other third parties
- Review the efficacy of current operational procedures in mortgage operations
- Review staff adequacy in mortgage operations
- Monitor customer experience and customer complaints
- Review operational risk MIS, including key operating performance metrics, QC and QA results
- Monitor adherence to approved tolerance thresholds for key operational breakpoints
- Monitor compliance with operational risk policies and procedures, corporate policies, and regulatory/legal requirements
- Review compliance and audit results as they relate to operational risk in the mortgage business
- Escalate risks and issues to CitiMortgage Risk Committee and REOSC

In addition to the creation of new committees, the membership and mandate of In-Business risk committees will be enhanced to include increased oversight of operational risk for U.S. Residential Mortgage Servicers. The membership enhancements will ensure that the In-Business SORMs and representatives from both Compliance and Legal are represented on the committees. These In-Business risk committees are supported by an existing governance framework on credit, fraud, market, and macroeconomic risks. Citi will strengthen the mandates of these committees with respect to the governance of operational risks.

In addition, the mandate of the NA Consumer Risk Committee, which functions subject to the Global Consumer Credit and Fraud Risk Policy (“GCCFRP”) and all other relevant Citigroup and Global Consumer policies, will be enhanced to include increased oversight of operational risk for Mortgage Servicing Activities and will conduct regular reviews of the essential control elements within key businesses, including the following:

- Reviews that the QA / QC activities across businesses are effective;
- Ongoing reviews of control MIS, including staffing, to highlight emerging trends;
- Review of operational risks across businesses that may undermine the integrity of the control framework; and
- Presentation of recent activities and findings from other control functions.

3. Strengthen oversight by management of staffing adequacy and capacity plans.

Staffing adequacy assessments are being conducted across the businesses and the control functions for each of their respective units as it pertains to Mortgage Servicing Activities,

along with a review of the membership structure of the various committees that will provide further oversight and governance.

In line with the requirements of the GCCFRP and the additional requirements under the FRB Order, In-Business Risk will expand its review and validation of the staffing capacity models and workload assumptions related to Mortgage Servicing Activities. Independent Risk will review staffing levels through its regular monitoring and processes.

## **B. Enhancing Operational and Customer Service related Risk Processes**

### **1. Strengthen O&T operational procedures and controls for Mortgage Servicing Activities.**

To strengthen mortgage servicing procedures for Mortgage Servicing Activities, CitiMortgage and CitiFinancial O&T will define several new operating procedures, including procedures for handling customer complaints, processing state level documentations, and loan modifications. O&T will also define new operational controls, including preventative quality control, IT/automation, training, and managerial controls in Mortgage Servicing Activities, to prevent process errors. In addition, CitiMortgage and CitiFinancial O&T will enhance their default management procedures, including customer communications (*e.g.*, by implementing a single point of contact), document management, loan modification, foreclosure, and bankruptcy processing to improve process and service quality.

To support management in providing necessary oversight and control over specific Mortgage Servicing Activities, In-Business Risk will review existing policies and procedures covering Mortgage Servicing Activities to ensure comprehensive coverage of the key operational risks associated with Mortgage Servicing Activities. In addition, standards and protocols to ensure consistency in procedures across U.S. Residential Mortgage Servicers, and enhanced change management methodologies, are being developed and cascaded to the procedure owners. Operational policies and procedures will be maintained in a central repository, and the procedures will be required to receive, at a minimum, an annual certification.

### **2. Strengthen risk controls for process and customer service breakpoints.**

The mortgage servicing risk management program will be enhanced to address controls, metrics, and responsibilities for process “breakpoints” (defined as a process step deemed critical that has the potential to create an adverse customer impact or expose the firm to material risk if not carried out in accordance with policies and procedures) in Mortgage Servicing Activities; service quality in customer facing functions, including the Single Point of Contact for Loss Mitigation; and documentation accuracy in loan modification, foreclosure, and bankruptcy areas. The controls in these areas will be improved through the use of statistical sampling in quality assurance (QA) under In-Business Risk to detect and fix systemic control gaps and a process to identify key breakpoints and metrics (to be managed by In-Business Risk with oversight by Independent Risk and related control functions). The QA approach / methodology will be approved by Independent Risk and executed by In-Business

Risk. QA for CitiFinancial is conducted by the Compliance Review Group consistent with and pursuant to standards set by CitiFinancial Risk.

*Ensuring comprehensive identification of key operational risk breakpoints and metrics.*

The identification of key risks, their measurement, control, and mitigation, are essential steps in the mortgage servicing risk management program. A preliminary review was undertaken to identify key operational risk breakpoints along Mortgage Servicing Activities processes that present a significant customer experience issue or operational risk. This initial list of operational breakpoints will be the basis for enhancing operational risk controls, metrics, tolerance thresholds, and MIS, and will be further refined through future risk assessments.

Key operational risk and customer experience breakpoints, where enhanced controls will be implemented, are in the following areas: loan modification decisioning and documentation tracking, notarization of affidavits, lost note affidavits, abandoned properties, MERS assignments, law-firm work-load and concentration risk, and aging of customer complaint resolution.

An inventory of operational risk metrics will be established for key breakpoints. Operational risk metrics will be used to identify the occurrence of a risk event along a breakpoint, and a staff member within In-Business Risk will be responsible for addressing potential issues. Independent Risk will approve key operational risk metrics and will ensure that corrective actions are being taken to address potential issues.

*Enhancing controls for key operational risk or customer service breakpoints.*

In-Business Risk will conduct quality assurance (QA) to mitigate operational risk, monitor QC results, and produce controls MIS for review by In-Business risk committees, Independent Risk, and Compliance.

Independent Risk will review the controls MIS provided by In-Business Risk, escalate potential issues to the REOSC and other applicable committees, and ensure that appropriate corrective actions are taken by management and monitor the progress of corrective actions.

As further described in our responses to Paragraphs 4 and 5 of the FRB Order, Compliance, CER, and ARR programs will also be enhanced to ensure sufficient controls and testing are in place for key breakpoints.

3. Strengthen third party oversight.

Independent Risk will approve the third party management framework, policies, and procedures being developed by the Business. In-Business Risk will participate in the third party management process by: participating in third party and law firm oversight committees; ensuring procurement and vendor management policies and procedures are in place and up-to-date; and conducting ongoing third party management and oversight including vendor risk assessment and rating. The authority to terminate a foreclosure law firm is vested in the Law Firm Steering Committee. The General Counsel of U.S. Consumer & Commercial Banking, or a designee approved by Legal, also will have the authority to terminate a law firm relationship based on compliance, legal, reputational, or other risk concerns.

In the case of third-party providers (“TPP”), the authority to terminate is vested in the TPP oversight committee. In addition to the TPP oversight committee, the Chief Risk Officer of CitiMortgage’s mortgage business, or a designee approved by Independent Risk, also will have the authority to terminate CitiMortgage’s relationship with a non-law firm TPP based on compliance, performance, or other risk management concerns. Citi’s third party management process is consistent with the risk management principles delineated in OCC 2001-47.

Our response to OCC Order Article V– Third Party Management contains more details on our plan to enhance third party management and involvement by In-Business Risk and Independent Risk.

4. Enhance and/or document a change control review and approval process for significant process and infrastructure changes.

Citi’s Mortgage Servicing Activity change control process will be enhanced as described in the Citi Mortgage Servicing Compliance Program. In-Business Risk and SORMs will participate in approving the change control process to ensure operational risk is taken into account in each change request.

Citi’s U.S. Residential Mortgage Servicers will have a change control process that addresses implementation of regulatory changes, changes in policies and procedures, and business process changes. The change control process will be consistent with Citi’s overall change management framework. Within this framework, Compliance is engaged in the review and approval of all change control requests and supporting implementation plans. The framework also requires a validation process to confirm the effectiveness of the change. For additional information on the Regulatory Change Management process, refer to Section 3.3 of the CitiMortgage Servicing Compliance Program.

5. Establish the Comprehensive Annual Mortgage Servicing Risk Assessment process for U.S. Residential Mortgage Servicers.

Citi is establishing a comprehensive annual mortgage servicing risk assessment process for Mortgage Servicing Activities (the “CAMSRA”) conducted by In-Business Risk, including SORMs, and will include both internal and third party operational risk areas. The objective of this process will be to continuously improve risk management practices and raise management awareness of risks to better inform relevant decision making. The CAMSRA will incorporate the output from other control functions, in particular the Compliance Annual Risk Assessment (“CARA”) related to Mortgage Servicing to enable In-Business Risk to generate a holistic assessment of risk.

The focus of the CAMSRA will be to conduct a bottom-up assessment at least annually and leveraging the following data sources such as regulatory guidance, output of assessments conducted by other control functions, and management input on processes and risks.

The CAMSRA will include an assessment of inherent risk, strength of controls, and residual risk. The output of the CAMSRA will consist of a report summarizing the key risks, including

a color-coded representation of the risk ratings (“heat map”), as well as a plan to manage areas with unacceptable residual risk or identified control deficiencies.

The process is fully owned by In-Business Risk, including SORMs, and supported by business functions, as well as control and support functions. Independent Risk will review the output of the CAMSRA. A summary of key findings and conclusions will be reported to the Board and senior management.

## **C. Augmenting the Risk Infrastructure**

### **1. Enhance risk management reports and MIS for Mortgage Servicing Activities.**

In order to ensure appropriate controls, additional MIS will be provided to the Board, senior management, Independent Risk, Compliance, and In-Business management. Key reporting recipients, report types, and frequency of reports will be formalized. Risk reporting content and structure will be standardized for Board and executive level reports in order to ensure optimal tailoring of reports for the recipient. Additional risk management reports will be designed as follows:

- An MCC Operational Risk Dashboard (“MCC Dashboard”) will be designed and implemented to ensure that the Board is able to effectively oversee risks in Mortgage Servicing Activities. The MCC Dashboard will include operational risk metrics, compliance risk issues, ARR results and plans, CER results and plans, borrower experience, foreclosure metrics, vendor (including law firm) ratings and exposures, loss mitigation metrics, and staffing adequacy metrics in relation to Mortgage Servicing Activities. In addition, Board reporting will include updates on major operational initiatives that either address risks or might pose additional risks, and unresolved risks;
- An Executive Operational Risk Dashboard (“Executive Dashboard”) will be designed and implemented for use by mortgage senior management, cross-business risk committees, In-Business risk committees as well as corporate risk committees and Independent Risk. The Executive Dashboard will include details of key operational risk breakpoints covering Mortgage Servicing Activities.

Citi will identify additional Reports at the Operating levels to enhance frontline controls. Technology enhancements will be identified, and key IT system enhancements required to fully integrate metrics into MIS will be added to the technology plan. Owners and MIS sources will be determined for key operational risk metrics.

## **D. Establishing Operational and Customer Service Quality Triggers**

### **1. Enhance triggers for key breakpoints.**

Tolerance thresholds for process and service quality will be enhanced around key breakpoints. In order to manage the risk exposure of the breakpoint, each risk metric for a specific

breakpoint will be assigned a tolerance threshold to serve as an early indicator of potential operational risks and risks associated with customer service quality. In-Business Risk will set and monitor these thresholds, which will be approved by Independent Risk.

**3(b) Ensure that the risk management program complies with supervisory guidance of the Board of Governors, including, but not limited to, the guidance entitled, “Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles,” dated October 16, 2008 (SR 08-08/CA 08-11);**

Citi has designed its overall risk management program for Mortgage Servicing Activities with the objective of establishing governance, structure, and processes to support effective management of risk across the enterprise. The framework is set forth in policies that uniformly call for key program elements and segregation of duties. In designing its risk management programs, Citi assesses and incorporates federal bank supervisory requirements, which can include formal written guidance, the results of supervisory self assessments and examination results, and other sources of information.

Federal bank regulatory guidance in FRB SR 08-8 was used as a guide for the evaluation of the ECP, as were findings identified in the horizontal examination completed in the fourth quarter of 2010. The enhancements to Citi’s ECP are described in detail in the response to Paragraph 4 of the FRB Order.

The mortgage servicing risk management program is also consistent with the supervisory guidance delineated in FRB SR95-51. As explained in this overall response, the mortgage servicing risk management program includes: (i) active board and senior management oversight; (ii) strong processes for managing policies and procedures and limits; (iii) a framework for risk identification, measurement, monitoring, and MIS; and (iv) comprehensive internal controls and audit.

**3(c) Establish limits for compliance, legal, and reputational risks and provide for regular review of risk limits by appropriate senior management and the board of directors or authorized committee of the board of directors.**

Citi is committed to complying with all applicable federal and state laws, rules, regulations, applicable supervisory guidance, and Citi policies and corporate ethical standards. Consistent with this commitment, Citi expects every manager and employee to adhere to the highest standards of compliant and ethical conduct, and to foster an environment, culture, and reputation for safe, sound, and compliant business practices. These commitments translate into the principles that form the foundation of the management of legal, compliance, and reputational risk at Citi.

Citi also designs its control environment with the objective of achieving these principles in practice. This includes appropriate policies, procedures, controls, and independent assessment of the performance of these controls to determine whether legal, compliance, and reputational risk are being managed effectively. Through the CAMSRA, management will evaluate the performance of controls and determine whether residual risk levels mandate remedial action or escalation for senior management and Board review.

As per FRB SR 08-8, “[c]ompliance Risk does not lend itself to similar [Market and Credit Risk] processes for establishing and allocating overall risk tolerance, in part because organizations must comply with applicable rules and standards.” FRB SR 08-8 expressly defines Compliance Risk as the risk of legal or regulatory sanctions, financial loss, or damage to reputation resulting from failure to comply with laws, regulations, rules, and other regulatory requirements. To help manage these risks within Mortgage Servicing, Citi will establish in-business process risk indicators that will help Citi identify performance anomalies. These indicators will be set by the In-Business risk managers, including SORMs, and approved by Independent Risk (both Operational Risk and Consumer Risk Management) with input from other Independent Control Functions. These indicators, which will be reviewed at least annually, will include, amongst other risks, legal, compliance, and reputational risks.

On an annual basis, ORM models “expected” loss norms for operational risk and allocates those loss norms to express Citi’s overall operational risk tolerance. Variances from the expected loss norms will be included in the reports to senior management and the Board of Directors, or authorized committees of the Board of Directors, along with a description of the impact on capital. The reports will include a description of thematic risks and appropriate corrective actions or mitigants.

Independent Risk Officers may classify any product, process, or situation from which significant ORM losses may arise, or any product, process, or situation that, if not addressed, may result in significant adverse franchise or reputational damage. The Classification Process, which is memorialized in the ORM Policy, includes provisions for escalation to the Board and specific remedies which can, in the extreme, include a removal of managers and discontinuation of the business.

**Appendix 3 –  
FRB Consent Order Action Plan**



## Federal Reserve Board Consent Order Action Plan

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 Date
<b>Paragraph 1 - Source of Strength</b>						
<b>Paragraph 1</b> - The board of directors of Citigroup shall take appropriate steps to fully utilize Citigroup's financial and managerial resources, pursuant to section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including but not limited to, taking steps to ensure that the Bank complies with the Consent Order issued by the OCC regarding the Bank's residential mortgage loan servicing activities.	Source of Strength	1.1	Draft Board Resolution declaring Citigroup's support for Citibank	Legal	Completed	5/27/2011
		1.2	Review draft Board Resolution	Independent Risk	Completed	5/28/2011
		1.3	Submit to Citigroup Board for approval and adoption	Legal	Completed	6/6/2011
		1.4	Obtain Citigroup Board approval of Source of Strength resolution	Independent Risk / Legal	Completed	6/10/2011
		1.5	Submit resolution of Citigroup Board to the FRB	Legal	Completed	6/13/2011
<b>Paragraph 2 - Board Oversight</b>						
<b>Paragraph 2</b> - Within 60 days of this Order, the board of directors of Citigroup shall submit to the Reserve Bank a written plan to strengthen the board's oversight of Citigroup's enterprise-wide risk management ("ERM"), internal audit, and compliance programs concerning the residential mortgage loan servicing, Loss Mitigation, and foreclosure activities conducted through Citi Mortgage or CitiFinancial. The plan shall, at a minimum, address, consider, and include: [see paragraph 2, a-d]	Board Oversight Plan	2.1	Draft Citigroup Board Oversight plan	Independent Risk / Legal	Completed	5/20/2011
		2.2	Review Plan and confirm alignment with Consent Order requirements	Independent Risk / Legal	Completed	5/27/2011
		2.3	Submit for approval under Deliverable Submission Review Process	Independent Risk / Legal	Completed	6/1/2011
		2.4	Submit to Citigroup Board for approval	Legal	Completed	6/6/2011
		2.5	Submit Citigroup Board Oversight Plan to the FRB	Legal	Completed	6/13/2011
		2.6	Amend charter for Executive Steering Committee	Independent Risk / Legal	Completed	6/30/2011
	Structure and Oversight	2.7	Develop framework to assess Citigroup Board committee charters and resolutions against FRB Consent Order requirements	Independent Risk	Completed	5/3/2011
		2.8	Identify and inventory existing Citigroup Board committee charters and resolutions with responsibility for risk & governance functions	Independent Risk	Completed	5/6/2011
		2.9	Assess Citigroup Board committee charters and resolutions for gaps against the Consent Order requirements	Independent Risk	Completed	5/6/2011
		2.10	Review and discuss identified gaps with relevant stakeholders and owners	Independent Risk	Completed	5/18/2011
		2.11	Agree on gap remediation with relevant stakeholders and owners	Independent Risk	Completed	5/23/2011
		2.12	Draft amendments to existing charters and resolutions, or draft new charters and resolutions as needed	Legal	Completed	5/27/2011
		2.13	Submit resolutions for approval under Deliverable Submission Review Process	Independent Risk	Completed	6/1/2011
		2.14	Submit resolutions to Citigroup Board for approval	Legal	Completed	6/6/2011
		2.15	Submit approved resolutions to the FRB	Legal	Completed	6/13/2011
		Compliance Committee	2.16	Establish Citigroup Mortgage Compliance Committee (Citigroup MCC)	Board	Completed
	2.17		Revise Citigroup MCC Board resolution	Board	Completed	5/27/2011
	2.18		Create new resolution as required for Citigroup MCC	Board	Completed	5/27/2011
<b>Paragraph 3 - Board Oversight</b>						
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The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due Date
<b>Paragraph 2 (a)</b> - Policies to be adopted by the board of directors that are designed to ensure that the ERM program provides proper risk management with respect to CitiMortgage's and CitiFinancial's residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, particularly with respect to compliance with Legal Requirements, and supervisory standards and guidelines as they develop	Risk Management and Operational Risk Policies	2a.1	Develop framework to evaluate risk management policies against Consent Order requirements at Citigroup Board level	Independent Risk	Completed	5/6/2011
		2a.2	Identify and inventory existing risk management policies at Citigroup Board level	Independent Risk	Completed	5/9/2011
		2a.3	Assess existing risk management policies against the Consent Order requirements at Citigroup Board level	Independent Risk	Completed	5/13/2011
		2a.4	Review and discuss identified gaps with relevant stakeholders and owners	Independent Risk	Completed	5/20/2011
		2a.5	Agree on gap remediation with relevant stakeholders and owners	Independent Risk	Completed	5/23/2011
		2a.6	Draft amendments to existing risk management policies, or draft new policies as needed	Independent Risk	Completed	6/30/2011
		2a.7	Submit for approval under Deliverable Submission Review Process	Independent Risk	In Progress	7/20/2011
		2a.8	Submit to the Risk Policy Coordination group	Independent Risk	Not Started	7/19/2011
		2a.9	Submit Mortgage Servicing Oversight Policy to the Citigroup Board for approval and adoption	Independent Risk	Not Started	8/9/2011
		2a.10	Provide amended and/or new policies to FRB in progress report, if required	Legal	Not Started	8/1/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 2 (b)</b> - Policies and procedures to ensure that the ERM program provides proper risk management of independent contractors, consulting firms, law firms, or other third parties who are engaged to support residential mortgage loan servicing, Loss Mitigation, or foreclosure activities or operations, including their compliance with the Legal Requirements and Citigroup's internal policies and procedures, consistent with supervisory guidance of the Board of Governors	Citi Supplier Selection and Management Policies	2b.1	Develop framework to evaluate policies governing Third Party vendors against Consent Order requirements	Independent Risk	Completed	5/6/2011
		2b.2	Identify and inventory existing policies governing Third Party vendors against Consent Order requirements	Independent Risk	Completed	5/9/2011
		2b.3	Assess existing policies governing Third Party vendors against Consent Order requirements	Independent Risk	Completed	5/13/2011
		2b.4	Review and discuss identified gaps with relevant stakeholders and owners	Independent Risk	Completed	5/20/2011
		2b.5	Agree on gap remediation with relevant stakeholders and owners	Independent Risk	Completed	5/23/2011
		2b.6	Draft amendments to existing policies governing Third Party vendors, or draft new policies as needed	Operations & Technology	Completed	6/6/2011
		2b.7	Submit amendments for approval under Deliverable Submission Review Process	Independent Risk	Completed	6/6/2011
		2b.8	Submit amendments to the Citi Policy Committee for approval, as required	Independent Risk	Completed	6/8/2011
		2b.9	Submit amended policy to the Citigroup Board for review	Independent Risk	Completed	6/10/2011
		2b.10	Submit relevant policies to the FRB	Legal	Completed	6/13/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 2 (c)</b> - Steps to ensure that Citigroup's ERM, audit, and compliance programs have adequate levels and types of officers and staff dedicated to overseeing CitiMortgage's and CitiFinancial's residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, as applicable, and that these programs have officers and staff with the requisite qualifications, skills, and ability to comply with the requirements of this Order	Staffing Adequacy	2c.1	Develop framework to evaluate staffing adequacy against Consent Order requirements	Human Resources	Completed	5/16/2011
		2c.2	Communicate the Staffing Adequacy Framework to Covered Business Units	Human Resources	Completed	5/16/2011
		2c.3	Assess Covered Business Units for gaps using Staffing Adequacy Framework	Human Resources	Completed	6/30/2011
		2c.4	Review and discuss identified gaps with relevant stakeholders and owners	Human Resources	Completed	6/30/2011
		2c.5	Develop staffing gap remediation with relevant stakeholders and owners	Human Resources	Completed	6/30/2011
		2c.6	Develop enhanced staffing plan based on gaps	Human Resources	Completed	6/30/2011
		2c.7	Submit staffing plan for approval under Deliverable Submission Review Process	Human Resources	Not Started	7/22/2011
		2c.8	Develop staffing adequacy metrics	Human Resources	Not Started	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due



The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due Date
<b>Paragraph 2 (d)</b> - Steps to improve the information and reports that will be regularly reviewed by the board of directors or authorized committee of the board of directors regarding residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, including, compliance risk assessments, and the status and results of measures taken, or to be taken, to remediate deficiencies in residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, and to comply with this Order	Board Monitoring MIS and Remediation Tracking	2d.1	Identify MIS Objectives for Board Mortgage Servicing Information Package, against key areas covered in the Consent Order requirements	Independent Risk	Completed	5/9/2011
		2d.2	Design Board Mortgage Servicing Information Package	Independent Risk	Completed	5/13/2011
		2d.3	Review requirements with data producers for metrics feasibility and generation	Independent Risk	Completed	5/20/2011
		2d.4	Determine required systems and technology to produce Board Mortgage Servicing Information Package	Technology	Completed	5/20/2011
		2d.5	Validate enhanced Board Mortgage Servicing Information Package sample with key users and Executive Sponsor	Independent Risk	Completed	5/27/2011
		2d.6	Produce enhanced sample of Board Mortgage Servicing Information Package with metrics	Independent Risk	Completed	6/20/2011
		2d.7	Submit Board Mortgage Servicing Information Package for approval under Deliverable Submission Review Process	Independent Risk	Completed	6/27/2011
		2d.8	Integrate Citigroup MCC's feedback into the Board Mortgage Servicing Information Package	Independent Risk	Not Started	7/15/2011
		2d.9	Include Board Mortgage Servicing Information Package in first Board status report	Independent Risk	Not Started	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 3 - Risk Management</b>						
<b>Paragraph 3</b> - Within 60 days of this Order, Citigroup shall submit to the Reserve Bank an acceptable written plan to enhance its ERM program with respect to its oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The enhanced program shall be based on an evaluation of the effectiveness of Citigroup's current ERM program in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the risk management program in these areas.	Risk Management	3.1	Conduct an evaluation of the effectiveness of CitiGroup's current risk management program for Mortgage Servicing Activities to identify enhancements needed	In Business Risk	Completed	6/10/2011
		3.2	Report the recommended enhancements to the Executive Steering Committee (ESC)	In Business Risk	Completed	6/10/2011
		3.3	Develop an action plan to enhance risk management for Mortgage Servicing Activities based on the findings of the effectiveness evaluation	In Business Risk	Completed	6/10/2011
		3.4	Verify that ICG has sold (to 3rd party) or transferred to CMI any loans where Citi owns the servicing rights	In Business Risk	Not Started	9/10/2011
		3.5	Establish process to ensure that on an ongoing basis any loans that are purchased by ICG where Citi owns the servicing rights are either sold (to 3rd party) or transferred to CMI within 90 days of purchase	In Business Risk	In Progress	8/3/2011
		3.6	Submit the action plan for approval through the Deliverable Submission Review Process	In Business Risk	Completed	6/6/2011
		3.7	Submit the action plan to the FRB	Legal	Completed	6/13/2011
		3.8	Implement the action plan	Independent Risk	In Progress	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 3 (a)</b> - The plan shall, at a minimum, be designed to: (a) Ensure that the fundamental elements of the risk management program and any enhancements or revisions thereto, including a comprehensive annual risk assessment, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;	Risk Management Organization	3a.1	Appoint a Consumer Mortgage Specialist in Independent Risk	Independent Risk	Completed	6/6/2011
		3a.2	Ensure that an In-Business SORM is identified or hired for the U.S. mortgage servicing businesses	Operational Risk Management	Completed	7/1/2011
		3a.3	Ensure Head of Mortgage O&T, CitiMortgage Chief Customer Officer, and CitiMortgage Chief Legal Counsel are identified or hired	CitiMortgage Risk	Completed	6/10/2011
	Committee Structure	3a.4	Draft new or enhanced charters and mandates for the ESC, REOSC, Operational Risk Committee, in-business Risk Committees, and the NA Consumer Risk Committee	In Business Risk	Completed	6/17/2011
		3a.5	Refine enhanced charters and mandates for the ESC, REOSC, Operational Risk Committee, in-business Risk Committees, and the NA Consumer Risk Committee	In Business Risk	Completed	7/1/2011
		3a.6	Submit enhanced ESC mandate and charter to for approval, pursuant to the Deliverable Submission Review Process	CitiMortgage Risk	Not Started	7/15/2011
		3a.7	Obtain ESC mandate and charter approval	CitiMortgage Risk	Not Started	8/11/2011
		3a.8	Submit enhanced NA Consumer Risk Committee mandate and charter for approval, pursuant to the Deliverable Submission Review Process	Independent Risk	Not Started	7/15/2011
		3a.9	Obtain NA Consumer Risk Committee mandate and charter approval from Citi CRO	Independent Risk	Not Started	8/11/2011
		3a.10	Submit enhanced REOSC, CitiMortgage, CitiFinancial, and Private Bank mandates and charters to ESC for approval, pursuant to the Deliverable Submission Review Process	In Business Risk	Not Started	7/15/2011
		3a.11	Obtain REOSC, CitiMortgage, CitiFinancial, and Private Bank mandates and charters approval from ESC	In Business Risk	Not Started	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due



The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due Date
<p><b>Paragraph 3 (a) Continued</b> - The plan shall, at a minimum, be designed to: (a) Ensure that the fundamental elements of the risk management program and any enhancements or revisions thereto, including a comprehensive annual risk assessment, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;</p>	Staffing Oversight	3a.12	Refine enhancements to staffing adequacy and capacity plan oversight procedures	In Business Risk	In Progress	7/31/2011
	Mortgage Servicing Operational Procedures	3a.13	Create enhanced operational procedures and define new preventive controls for Mortgage Servicing Activities to prevent service errors	Operations	In Progress	7/15/2011
		3a.14	Draft enhancements for default management procedures, including customer communications (e.g., by implementing a single point of contact), document management, loan modification, foreclosure and bankruptcy processing to improve process and service quality	Operations	In Progress	7/15/2011
		3a.15	Refine enhanced operational procedures	Operations	In Progress	7/31/2011
		3a.16	Ensure enhanced operational procedures for key processes are in place	In Business Risk	Not Started	8/11/2011
		3a.17	Identify key operational risk breakpoints and metrics	In Business Risk	Completed	7/1/2011
	Controls, Metrics and Accountability	3a.18	Enhance controls for key operational risk or customer service breakpoints	In Business Risk	In Progress	8/11/2011
		3a.19	Determine systems and technology enhancements in order to augment the enhanced operational risk controls	In Business Risk	In Progress	8/11/2011
		3a.20	Validate QA approach and methodology for key breakpoints	Independent Risk	Not Started	7/15/2011
	Third Party Oversight	3a.21	Approve foreclosure law firms management framework, policies, and procedures	In Business Risk	Completed	6/10/2011
		3a.22	Approve the third party management framework, policies and procedures	In Business Risk	Completed	6/12/2011
	Change Control Review and Approval Process	3a.23	Ensure In Business Risk involvement in the change control process (Section 3.3 of the Mortgage Servicing Compliance Program) for significant process and systems changes	In Business Risk	In Progress	8/11/2011
	Comprehensive Annual Mortgage Servicing Risk Assessment Process	3a.24	Develop draft methodology for conducting the Comprehensive Annual Mortgage Servicing Risk Assessment ("CAMSRA")	CitiMortgage Risk	Completed	6/2/2011
		3a.25	Define role of Independent Risk in CAMSRA	Independent Risk	Completed	6/9/2011
		3a.26	Finalize methodology for CAMSRA	CitiMortgage Risk	In Progress	7/25/2011
		3a.27	Approve methodology for CAMSRA	In Business Risk	Not Started	8/11/2011
	Risk Management Reports	3a.28	Determine required enhancements to risk management reports and MIS for board ("MCC Operational Risk Dashboard"), and senior management ("Executive Operational Risk Dashboard")	In Business Risk	In Progress	7/31/2011
		3a.29	Determine systems and technology enhancements in order to augment the enhanced process and service quality management reports	In Business Risk / Technology	In Progress	8/11/2011
		3a.30	Ensure risk management dashboards and MIS for board, senior management are in place	In Business Risk	Not Started	8/11/2011
	Triggers for Key Potential Operating Breakpoints	3a.31	Establish process risk indicators (tolerance threshold) that will serve as early indicators of potential problems	In Business Risk	In Progress	7/15/2011
		3a.32	Approve process risk indicators (tolerance threshold)	Independent Risk	Not Started	8/5/2011
		3a.33	Ensure process risk indicators (tolerance threshold) are in place	In Business Risk	Not Started	8/11/2011
	<b>The Order</b>	<b>Workplan</b>	<b>Submission Ref</b>	<b>Task</b>	<b>Functional Lead</b>	<b>Status</b>



The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due Date
<b>Paragraph 3 (b)</b> - The plan shall, at a minimum, be designed to (b) ensure that the risk management program complies with supervisory guidance of the Board of Governors, including, but not limited to, the guidance entitled, "Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles," dated October 16, 2008 (SR 08-08/CA 08-11); and	Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles (Also MRA 3, 5, 6)	3b.1	Ensure plan is in compliance with the guidance entitled "Rating the Adequacy of Risk Management Processes and Internal Controls at State Member Banks and Bank Holding Companies" (SR 95-51 (SUP))	In Business Risk	Completed	6/10/2011
		3b.2	Conduct an assessment of the ERM plan for residential mortgage loan servicing, Loss Mitigation, and foreclosure activities against the guidance entitled "Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profile," (SR 08-08/CA 08-11)	Independent Risk	Completed	6/13/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 3 (c)</b> - The plan shall, at a minimum, be designed to (c) establish limits for compliance, legal, and reputational risks and provide for regular review of risk limits by appropriate senior management and the board of directors or authorized committee of the board of directors.	Process Risk Indicators	3c.1	Establish process risk indicators (tolerance threshold) that will serve as early indicators of potential problems	In Business Risk	In Progress	7/15/2011
		3c.2	Approve process risk indicators (tolerance threshold)	Independent Risk	Not Started	8/5/2011
		3c.3	Ensure process risk indicators (tolerance threshold) are in place	In Business Risk	Not Started	8/11/2011
		3c.4	Enhance reporting formats and reporting procedures to perform periodic reporting of loss norm variances for CMI to senior management and the Board	Operational Risk Management	In Progress	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 4 - Compliance Program</b>						
<b>Paragraph 4</b> - Within 60 days of this Order, Citigroup shall submit to the Reserve Bank an acceptable written plan to enhance its enterprise-wide compliance program ("ECP") with respect to its oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The enhanced program shall be based on an evaluation of the effectiveness of Citigroup's current ECP in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the ECP in these areas.	Enhanced ECP Program (Also MRA 3, 5, 6)	4.1	Conduct an assessment of the ECP for residential mortgage loan servicing, Loss Mitigation, and foreclosure activities against the guidance entitled "Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profile," (SR 08-08/CA 08-11)	Compliance	Completed	6/13/2011
		4.2	Develop an action plan to enhance the ECP, based on the findings of the effectiveness evaluation	Compliance	Completed	6/13/2011
		4.3	Submit for approval under Deliverable Submission review Process	Compliance	Completed	6/13/2011
		4.4	Submit the action plan to enhance ECP to the FRB	Legal	Completed	6/13/2011
		4.4	Implement the action plan	Compliance	In Progress	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due



The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due Date
<b>Paragraph 4 (a)</b> - The plan shall, at a minimum, be designed to: (a) ensure that the fundamental elements of the ECP and any enhancements or revisions thereto, including a comprehensive annual risk assessment, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities	ECP Fundamentals (Also MRA 3, 5, 6)	4a.1	Develop Mortgage Servicing Compliance Program Document	Compliance	Completed	6/13/2011
		4a.2	Approve enhanced Mortgage Servicing Compliance Program Document	Compliance	Completed	6/13/2011
		4a.3	Formalize Governance over Compliance Program	Compliance	In Progress	8/11/2011
		4a.4	Enhance comprehensive annual Compliance Risk Assessment for Mortgage Servicing	Compliance	In Progress	7/15/2011
		4a.5	Develop Compliance Training Program Standards	Compliance	In Progress	8/11/2011
		4a.6	Appoint Mortgage Product Compliance Director	Compliance	Completed	6/1/2011
		4a.7	Adopt CER test plan approved by the Director of Mortgage Product Compliance	Compliance	In Progress	8/11/2011
		4a.8	Define MIS and management reporting requirements to improve efficiency and effectiveness of Compliance and other control functions	Compliance / Operations / Controls & Emerging Risk	Completed	6/30/2011
		4a.9	Establish ongoing analysis of staff competency and capacity	Compliance	In Progress	8/11/2011
		4a.10	Implement Mortgage Servicing Compliance Program	Compliance	In Progress	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 4 (b)</b> - The plan shall, at a minimum, be designed to: (b) ensure compliance with the Legal Requirements and supervisory guidance of the Board of Governors;	Compliance with Legal Requirements and Supervisory Guidance (Also MRA 3, 5, 6)	4b.1	Develop Mortgage Servicing Compliance Program Document	Compliance	Completed	6/13/2011
		4b.3	Enhance Controls & Emerging Risk testing program	Controls & Emerging Risk / Compliance	In Progress	8/11/2011
		4b.4	Adopt enhanced scope and coverage of the regulatory requirements inventory	Compliance	In Progress	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 4 (c)</b> - The plan shall, at a minimum, be designed to: (c) ensure that policies, procedures, and processes are updated on an ongoing basis as necessary to incorporate new or changes to the Legal Requirements and supervisory guidance of the Board of Governors.	Updated Policies and Procedures (Also MRA 3, 5, 6)	4c.1	Implement minimum standards to build a consistent regulatory change management framework across Mortgage Servicing businesses at an enterprise level	Compliance	In Progress	8/11/2011
		4c.2	Formalize existing change management process for regulatory changes, change in policies and procedures and business process changes	Compliance	In Progress	8/11/2011
		4c.3	Incorporate ongoing Legal notification system for regulatory / rules updates for US residential mortgages	Legal	In Progress	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due



The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due Date
<b>Paragraph 5 - Audit</b>						
<b>Paragraph 5</b> - Within 60 days of this Order, Citigroup shall submit to the Reserve Bank an acceptable written plan to enhance the internal audit program with respect to residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The plan shall be based on an evaluation of the effectiveness of Citigroup's current internal audit program in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and shall include recommendations to strengthen the internal audit program in these areas.	Audit Plan Submission	5.1	Prepare the audit plan	ARR	Completed	6/6/2011
		5.2	Submit the audit plan for approval through the Deliverable Submission Review Process	ARR	Completed	6/10/2011
		5.3	Submit the audit plan to the FRB	Legal	Completed	6/13/2011
		5.4	Implement the audit plan	ARR	In Progress	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 5 (a)</b> - The plan shall, at a minimum, be designed to: (a) Ensure that the internal audit program encompasses residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;	Scope of Audit Program (Also in MRA 1)	5a.1	Evaluate the effectiveness of Citigroup's current internal audit program in the areas of Mortgage Servicing Activities and implement enhancements	ARR	In Progress	8/11/2011
		5a.2	Document results of our coverage assessment.	ARR	Completed	6/30/2011
		5a.3	Modify the internal audit program for the assessment of mortgage servicing activities, based on the evaluation.	ARR	Completed	6/30/2011
		5a.4	Begin execution of revised audit programs across Citi US Mortgage Servicers.	ARR	Completed	6/30/2011
		5a.5	Coordinate coverage or establish horizontal reviews across all Citi US Mortgage Servicers.	ARR	In Progress	8/11/2011
		5a.6	Develop framework for the periodic evaluation of emerging risks leveraging Business Monitoring, Assurance reviews, or Targeted Reviews.	ARR	Completed	6/30/2011
		5a.7	Execute periodic evaluations of emerging risks and determine assessment type; Business Monitoring, Assurance reviews, or Targeted Reviews.	ARR	Completed	6/30/2011
		5a.8	Develop audit program for Mortgage Servicing targeted reviews specific to late charge assessments and SCRA.	ARR	Completed	2/28/2011
		5a.9	Conduct Mortgage Servicing targeted reviews specific to late charge assessments and SCRA.	ARR	Completed	2/28/2011
		5a.10	Develop audit program for targeted review of Third Party relationships against OCC guidance.	ARR	Completed	3/31/2011
		5a.11	Conduct targeted review of Third Party relationships against OCC guidance.	ARR	Completed	3/31/2011
		5a.12	Develop data mining and retrievals that provide monitoring capabilities for ARR, CER or Business.	ARR	In Progress	8/11/2011
		5a.13	Develop key risk indicators, including customer complaints, vendor performance and other indicators of emerging risks.	ARR	Not Started	8/11/2011
		5a.14	Embed the use of data mining/automated testing that enables assessments across entire populations, for assurance reviews executed under the revised audit program.	ARR	In Progress	7/15/2011
		5a.15	Embed data mining and automated testing into new systems and processes; 'design in' versus 'built on' retrievals.	ARR	Not Started	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 5 (b)</b> - The plan shall, at a minimum, be designed to: (b) periodically review the effectiveness of the ECP and ERM with respect to residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, and compliance with the Legal Requirements and supervisory guidance of the Board of Governors;	Review Effectiveness of ECP and ERM	5b.1	Review and assess existing audit coverage of compliance and risk programs related to Mortgage Servicing Activities to identify gaps in coverage.	ARR	In Progress	7/13/2011
		5b.2	Develop ECP and ERM coverage plan, including scope and frequency of coverage, leveraging horizontal reviews across all North America residential Real Estate Businesses	ARR	Not Started	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due



The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due Date
<b>Paragraph 5 (c)</b> - The plan shall, at a minimum, be designed to: (c) ensure that adequate qualified staffing of the audit function is provided for residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;	Adequate Qualified Staffing (Also MRA 8)	5c.1	Prepare a Mortgage skills assessment across ARR divisions	ARR	Completed	5/31/2011
		5c.2	Develop on-going ARR Mortgage training strategy	ARR	Completed	6/30/2011
		5c.3	Define ARR Mortgage end-state organization, including headcount, seniority levels, skills, regional alignment and responsibilities.	ARR	Completed	6/30/2011
		5c.4	Create a Mortgage Managing Director position to assess and define globally consistent coverage, including coverage strategies for Compliance, Risk and vendors and ensure adequacy of staff and training.	ARR	Completed	5/30/2011
		5c.5	Assess if adequate resources are in place to support data retrieval initiatives within the Mortgage program.	ARR	Completed	6/30/2011
		5c.6	Ensure adequate resources are in place to support data retrieval initiatives within the Mortgage based on assessment results	ARR	Completed	6/30/2011
		5c.7	Recruit and hire resources or contract staff required to fulfill the end state organization.	ARR	In Progress	8/11/2011
		5c.8	Increase use of guest reviewers for Mortgage reviews.	ARR	Not Started	8/11/2011
		5c.9	Enforce completion of a minimum of 48 hours of training by ARR Consumer Staff, including industry specific training covering Consumer emerging risks and new regulations to ensure that staff are alert to the potential requirements for targeted reviews.	ARR	In Progress	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 5 (d)</b> - The plan shall, at a minimum, be designed to: (d) ensure timely resolution of audit findings and follow-up reviews to ensure completion and effectiveness of corrective measures;	Timely Resolution of Audit Findings	5d.1	Continuously drive completion of corrective action plans for mortgage related issues through the performance of follow up reviews and escalation of issues.	ARR	In Progress	8/11/2011
		5d.2	Ensure on-going escalation to Business Management of past due corrective actions, especially those delayed greater than 60 days through BRCC and AWG forums.	ARR	In Progress	8/11/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 5 (e)</b> - The plan shall, at a minimum, be designed to: (e) ensure that comprehensive documentation, tracking, and reporting of the status and resolution of audit findings are submitted to the audit committee; and	Comprehensive Documentation and Tracking	5e.1	Develop Audit Committee reporting to clearly highlight residential real estate issues and resolution beginning at 2Q 2011 audit committee meeting.	ARR	In Progress	7/15/2011
		5e.2	Implement Audit Committee reporting to clearly highlight residential real estate issues and resolution beginning at 2Q 2011 audit committee meeting.	ARR	In Progress	7/31/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due
<b>Paragraph 5 (f)</b> - The plan shall, at a minimum, be designed to: (f) establish escalation procedures for resolving any differences of opinion between audit staff and management concerning audit exceptions and recommendations, with any disputes to be resolved by the audit committee.	Escalation Procedures for Resolving Differences of Opinion	5f.1	Ensure compliance with the current escalation process to ensure proper communication of any differences or exceptions in issue resolution.	ARR	In Progress	7/31/2011
		5f.2	Formalize the audit issue escalation process as warranted.	ARR	In Progress	7/31/2011
The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due



The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due Date
<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	5/5/2011
		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
<b>The Order</b>	<b>Workplan</b>	<b>Submission Ref</b>	<b>Task</b>	<b>Functional Lead</b>	<b>Status</b>	<b>Due</b>



The Order	Workplan	Submission Ref	Task	Functional Lead	Status	Due Date	
<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>	<p>OCC IX c OCCIX d OCC IX e OCC IX I</p>	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 Date
<b>Paragraph 7 - CitiFinancial Activities</b>						
<p><b>Paragraph 7</b> - Within 45 days of this Order, CitiFinancial shall submit to the Reserve Bank acceptable policies and procedures for the oversight of foreclosure activities performed by CitiMortgage on behalf of CitiFinancial. The policies and procedures shall, at a minimum, provide for appropriate oversight of CitiMortgage's foreclosure activities with respect to residential mortgage loans otherwise serviced by CitiFinancial to ensure that CitiMortgage complies with the Legal Requirements.</p>	CFNA Oversight of CitiMortgage Foreclosure Activity	7.1	Updated policies and procedures for CitiFinancial oversight of CitiMortgage foreclosure activities only	Compliance	Completed	5/27/2011
		7.2	Submit policies and procedures for CitiFinancial oversight of CitiMortgage foreclosure activities	CFNA	Completed	5/27/2011
	Execute New SLA Between CitiFinancial and CMI	7.3	Draft Service Level Agreement between CMI and CitiFinancial	CFNA	In Progress	7/15/2011
		7.4	Execute Service Level Agreement between CMI and CitiFinancial	CFNA	In Progress	7/31/2011
	Establish Oversight Committee	7.5	Establish Oversight Committee	CFNA	Completed	6/30/2011
		7.6	Create template for reporting material concerns	CFNA	In Progress	7/31/2011
	Develop Processes for Remote Reviews of CMI	7.7	Obtain CMI Scorecards (Law Firms and Third Party Vendors)	CFNA	Completed	6/30/2011
	Hire Oversight Relationship Manager	7.8	Create job description for Oversight Relationship Manager (RM)	CFNA	Completed	5/27/2011
		7.9	Hire RM or designate interim RM	CFNA	Completed	6/9/2011
	Schedule Oversight Committee Meetings	7.10	Schedule quarterly internal meetings	CFNA	Completed	6/9/2011
		7.11	Schedule quarterly meetings with CMI	CFNA	In Progress	7/31/2011
		7.12	Schedule twice-yearly on-site reviews of CMI	CFNA	In Progress	7/31/2011
<b>Paragraph 8 - Approval, Implementation, and Progress Reports</b>						
<p><b>Paragraph 8b</b> - Within 10 days of approval by the Reserve Bank, Citigroup and CitiFinancial, as applicable, shall adopt the approved plans, policies, and procedures. Upon adoption, Citigroup and CitiFinancial, as applicable, shall implement the approved plans, policies, and procedures, and thereafter fully comply with them.</p>	Enhanced ERM Program	8b.1	Adopt and implement the plan approved by the FRB to enhance the enterprise-wide risk management (ERM) program for the U.S. Residential Mortgage Servicers	In Business Risk	Not Started	Within 10 Days of FRB Approval
	Enhanced ECP Program	8b.2	Adopt and implement the plan approved by the FRB to enhance the ECP program	Compliance	Not Started	Within 10 Days of FRB Approval
	Enhanced Internal Audit Program	8b.3	Adopt and implement the plan approved by the FRB to enhance the Internal Audit program	ARR	Not Started	Within 10 Days of FRB Approval
	Enhanced Borrower Communication Plan	8b.4	Adopt and implement written plan, approved by the FRB, for strengthening communication with borrowers	CFNA	Not Started	Within 10 Days of FRB Approval
	CFNA Oversight of CitiMortgage Foreclosure Activity	8b.5	Adopt and implement policies and procedures, approved by the FRB, in accordance with the CFNA oversight plan	CFNA	Not Started	Within 10 Days of FRB Approval
<b>Paragraph 8c - Approval, Implementation, and Progress Reports</b>						
<p><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.</p>	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 Date
<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

## **Appendix 4 –**

## **Glossary**

## **Glossary of Terms**

<b>2MP</b>	Second Lien Modification Program
<b>ARR</b>	Audit and Risk Review
<b>Bank</b>	Citibank, N.A.
<b>BISO</b>	Business Information Security Officer
<b>BP&amp;A</b>	Business Planning & Analysis
<b>BRCC</b>	Business Risk Compliance and Control Committee
<b>BSA</b>	Branch Self-Assessment (CitiFinancial)
<b>CAMBRs</b>	Citi Anti-Money Laundering Business Rule Standards
<b>CAP</b>	Corrective Actions Plan
<b>CARA</b>	Compliance Annual Risk Assessment
<b>CARE</b>	Customer Account, Research, and Escalation Unit (CitiFinancial)
<b>CASP</b>	Citi Approved Supplier Program
<b>CBNA</b>	Citibank, N.A.
<b>CER</b>	Control and Emerging Risk
<b>CIP</b>	Compliance Implementation Plan
<b>CISS</b>	Citi Information Security Standards
<b>Citi</b>	Citigroup, Inc. and its subsidiaries
<b>Citibank</b>	Citibank, N.A.
<b>Citigroup</b>	Citigroup, Inc.
<b>CitiFinancial</b>	CitiFinancial Credit Corporation
<b>CitiMortgage</b>	CitiMortgage, Inc.
<b>CMAC</b>	Capital Markets Product Approval Committee
<b>CMR</b>	Center Manager Review (CitiFinancial)
<b>Consent Orders</b>	The FRB Order and the OCC Order, collectively
<b>Covered Business Unit</b>	For purposes of this document, Mortgage Servicing operations, including collections, loss mitigation, foreclosure operations, Independent Risk, In-business Risk, CER, and Compliance

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

<b>CPAC</b>	Consumer Product Approval Committee
<b>CPB</b>	Citibank Private Bank
<b>CRMS</b>	Corporate Resolution Management System (MERS)
<b>CSA</b>	Center Self-Assessment (CitiFinancial)
<b>CSS</b>	Citi Shared Services
<b>CSSMP</b>	Citi Supplier Selection and Management Policy
<b>CTU</b>	Central Testing Unit
<b>Deliverable Submission Review Process (DSRP)</b>	Deliverables requiring approval prior to going to the MCC go through the tollgate process (as necessary), the IC, the ESC, and the SEOC (as necessary)
<b>DERU</b>	Default Executive Response Unit
<b>DMR</b>	District Manager Review (CitiFinancial)
<b>DRI</b>	Document Retrieval System (CitiMortgage)
<b>ECP</b>	Enterprise-Wide Compliance Program
<b>ERM</b>	Enterprise-Wide Risk Management
<b>ERU</b>	Executive Response Unit
<b>FTE</b>	Full time equivalent
<b>FRB</b>	Board of Governors of the Federal Reserve System
<b>FRB Order</b>	The Consent Order issued on April 13, 2011, by the Board of Governors of the Federal Reserve System in the matter of Citigroup Inc. and CitiFinancial Credit Company
<b>FRB SR 08-8</b>	The Reserve Bank Supervision and Regulation Letter titled “Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles”
<b>GLMS</b>	Global Learning Management System
<b>GSE</b>	Government Sponsored Enterprise
<b>GSM</b>	Global Securitized Markets
<b>HAMP</b>	Home Affordable Modification Program
<b>HR</b>	Human Resources
<b>iCAPS</b>	Citi’s centralized issue and tracking system
<b>ICG</b>	Institutional Clients Group

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

<b>KRI</b>	Key Risk Indicator
<b>Legal Requirements</b>	All applicable state and federal laws (including the U.S. Bankruptcy Code and the SCRA), rules, regulations, and court orders, as well as MERS Membership Rules, servicing guides with GSE or investors, and other contractual obligations, including those with the Federal Housing Administration and those required by HAMP, and loss share agreements with the Federal Deposit Insurance Corporation
<b>LMS</b>	Learning Management System (CitiFinancial)
<b>Loss Mitigation</b>	Activities related to special forbearances, repayment plans, modifications, short refinances, short sales, cash-for-keys and deeds-in-lieu of foreclosure that involve non-performing residential mortgage loans
<b>MAC</b>	Modification Assessment Control
<b>MCC</b>	Mortgage Compliance Committee
<b>MCS</b>	Most Critical Supplier
<b>MERS</b>	MERSCORP, Inc. and MERS, Inc., collectively
<b>MERS Requirements</b>	MERS membership rules, terms, and conditions
<b>MIS</b>	Management Information Systems
<b>Mortgage Servicing Activities</b>	The U.S. residential mortgage loan servicing, Loss Mitigation, and foreclosure activities that are the subject of the Consent Orders
<b>MPC Director</b>	Director of Mortgage Product Compliance
<b>MSD</b>	CitiMortgage Master Servicing Department
<b>NTC</b>	Nationwide Title Clearing
<b>O&amp;T</b>	Operations & Technology
<b>OCC</b>	Office of the Comptroller of the Currency
<b>OCC Order</b>	The Consent Order, issued on April 13, 2011, by the OCC, in the matter of Citibank, N.A.
<b>OLM</b>	Online Manual
<b>ORM</b>	Operational Risk Management
<b>OSP</b>	Outsource Service Provider
<b>PMO</b>	Project Management Office
<b>QA</b>	Quality Assurance

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

<b>QC</b>	Quality Control
<b>RCSA</b>	Risk Control Self Assessment
<b>REL</b>	Real Estate Lending
<b>REOSC</b>	Real Estate Operations Steering Committee
<b>RESC</b>	Real Estate Steering Committee
<b>Reserve Bank</b>	Federal Reserve Bank of New York
<b>Risk Management &amp; Control Programs</b>	Citi's enterprise-wide risk management, compliance, and internal audit programs, collectively
<b>RMFC</b>	Risk Management and Finance Committee
<b>RRI</b>	Regulatory Requirements Inventory
<b>RRM</b>	Regulatory Risk Matrix
<b>SCC</b>	Servicing Compliance Committee
<b>SCM</b>	Strategic Cost Management
<b>SCRA</b>	Servicemembers Civil Relief Act
<b>Servicers</b>	Third parties who own servicing rights
<b>SLA</b>	Service-Level Agreement
<b>SME</b>	Compliance Subject Matter Expert
<b>SORM</b>	Senior Operational Risk Manager
<b>SPOC</b>	Single Point of Contact
<b>TPISA</b>	Third Party Information Security Assessment
<b>U.S. Residential Mortgage Servicers</b>	All Citi businesses that service U.S. residential mortgage loans