

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] M [REDACTED]	• [REDACTED]
	• [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.

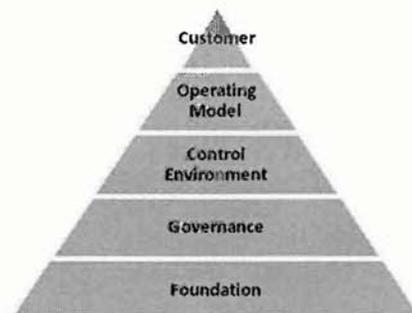
In addition to PwC, Citi has retained Promontory Financial Group (“Promontory”) to advise senior management and the Board on the adequacy of the Board Oversight and Enhancement Plans prepared by Citi to meet the requirements of the FRB Order.

## 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 (“CAMSRA”) 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 4 –**

**Enterprise-wide Compliance Program**

**Paragraph 4 – Enterprise-wide Compliance Program**<sup>1</sup>

**(4) 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.**

Pursuant to Paragraphs 3 and 4 of the FRB Order, Citi conducted an evaluation of the effectiveness of its current ECP with respect to Mortgage Servicing Activities conducted by Citi’s U.S. Residential Mortgage Servicers. Citi’s evaluation was designed to assess the scope and elements of the current ECP related to those activities to evaluate the current ECP in light of the requirements of Paragraph 4; and to determine, based on that assessment and evaluation, areas in which Citi could enhance its ECP. In performing its evaluation, Citi used the guidance in Reserve Bank Supervision and Regulation Letter 08-8 (“FRB SR 08-8”), titled “Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles,” as a guide. Citi also referred to the findings from the horizontal foreclosure practices examination completed in the fourth quarter of 2010.

Based on this evaluation, which was conducted across Citi’s U.S. Residential Mortgage Servicers, Citi developed its plan to enhance the ECP. A summary of the plan is contained below. In addition, the Citi Mortgage Servicing Compliance Program (the “Mortgage Servicing Compliance Program”), which is incorporated herein by reference and attached as Exhibit 1 hereto, sets forth the structure, roles and responsibilities, and activities for Citi’s ECP related to Mortgage Servicing Activities. The Mortgage Servicing Compliance Program is designed in accordance with the requirements set forth in Section 2.2.1 of Citi’s Global Compliance Control Policy.

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<sup>1</sup> This program 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.

**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, encompasses residential mortgage loan servicing, loss mitigation, and foreclosure activities;**

Citi will continue to rely on its “Three Lines of Defense” compliance risk management framework to achieve compliance with the Legal Requirements and supervisory guidance as defined in the FRB Order. The Business, as the first line of defense, will enhance and implement policies, procedures, and controls. Compliance, together with other Independent Control functions forming the second line of defense, will monitor the control environment and utilize CER to conduct independent testing as needed. ARR will be the third line of defense by validating action plan tasks and executing ARR programs for business activities, as well as for the design and operating effectiveness of the overall ECP, as described in this submission. This framework provides the foundation for Citi’s Mortgage Servicing Compliance Program.

Enhance ECP governance and integrate compliance program oversight and standards.

Management is taking a number of steps that will improve Citi’s ability to maintain a broad-scope, consistent Compliance program across U.S. Residential Mortgage Servicers, as follows:

- Citi has created and will fully implement within 120 days of the FRB Order a formal, franchise-wide Citi Mortgage Servicing Compliance Program that documents, in detail, the fundamental elements and activities, applicable guidance and minimum standards, governance, and roles and responsibilities that will apply across Mortgage Servicing Activities;
- The Citi Mortgage Servicing Compliance Program provides that the REOSC will review Mortgage Servicing Activities and compliance performance on an enterprise-wide basis, and describes fundamental compliance roles and responsibilities across business and control groups; and
- The Head of Compliance for Consumer North America Real Estate Lending has been appointed Mortgage Product Compliance Director (“MPC Director”), with responsibility for Compliance activities and standards across all U.S. Residential Mortgage Servicers. This additional responsibility will be reflected in changes to staffing, as further discussed below. Similar changes are being implemented in the CER organization, which will expand and standardize its testing program across Mortgage Servicing Activities.

Enhance the comprehensive risk assessment process for Mortgage Servicing Activities.

The Compliance Annual Risk Assessment (“CARA”) process was constructed to be country- or business unit-specific, and to roll up to the corporate level those risks material to Citi and CBNA. Citi’s 2010 CARAs of CitiMortgage and CitiFinancial, while distinct by business unit, followed a consistent approach and included key compliance risks by

business line. The assessments reflected current and potential compliance risks, identified through analysis of consistent quantitative and qualitative data items, derived from a number of compliance risk drivers.

In order both to produce the desired Citi-wide view and leverage this work to produce an initial “base line” assessment to support future prioritization of risks and associated program enhancements, Compliance designed a comprehensive risk assessment of the ECP associated with Mortgage Servicing Activities, drawing upon the efforts of a multi-disciplinary group of Compliance, Independent Risk, In-business Risk, and Business product specialists, that covered the following areas:

- Evaluation of inherent and residual risks associated with mortgage products;
- Linkage to key rules and regulations, with the ability to update to reflect new or additional regulations and their impact; and
- Flexibility to include additional, specific mortgage-related business metrics.

A “top-down” analysis of compliance risks associated with Mortgage Servicing Activities is underway, which will be informed by more granular “bottom-up” input of mortgage compliance and business professionals.

As a result, we anticipate that a comprehensive compliance risk assessment for Mortgage Servicing Activities, with an enhanced product view across Citi entities and addition of mortgage business metrics, will be available in July 2011. This work product will provide a foundation both for developmental work in connection with the FRB Order and for a more streamlined, integrated, and sustainable CARA for Mortgage Servicing Activities in the future. The enhanced ECP described above will additionally support a more integrated approach to both the compliance risk assessment process and the use of its output.

#### Enhance the scope and application of third party oversight controls.

The enhanced Mortgage Servicing Compliance Program will reinforce, on an enterprise wide-basis, the requirements that all third party relationships involved in Mortgage Servicing Activities, including servicers, be covered by Citi’s standards. To support this mandate, Citi will enhance the inventory of applicable laws and regulations, policies and procedures, monitoring, testing, training, risk assessments, MIS, and reporting, as required by the Mortgage Servicing Compliance Program. Specific actions that have been completed to date, or are planned for the near future, include the development by CitiFinancial of a policy and procedures for the oversight of Mortgage Servicing Activities conducted by CitiMortgage on CitiFinancial’s behalf. In addition, specific Mortgage Servicing Compliance Program attributes and coverage are being put in place for third party law firms acting on behalf of Citi, to include expansion of the inventory and analysis of applicable state and other requirements, as well as enhanced document management, oversight, monitoring, testing, onboarding, and specific fitness

requirements. Similarly, overall enhancements will be put in place to govern the MERSCORP relationship.

More generally, Citi is in the process of introducing expanded monitoring and service level performance indicators for third parties, to include routine visits and regularly scheduled due diligence, scorecards, and relative performance comparisons.

Enhance the scope and coverage of the Regulatory Requirements Inventory (“RRI”).

Citi is enhancing the level of detail in its RRI. Compliance and Legal have both historically participated in a process to maintain the RRI. Given the criticality of the RRI to the Mortgage Servicing Compliance Program, Citi recently requested that outside counsel examine the existing RRI and update, complete, or expand it as necessary. As a result, outside counsel advised Citi to enhance the RRI by providing detail on each actionable requirement within a regulation, further expanding upon regulatory guidance, and breaking out specific state law requirements that apply to Mortgage Servicing Activities. The RRI will also be enhanced with respect to federal regulatory guidance and GSE investor requirements that apply to Mortgage Servicing Activities.

As further discussed in the response to paragraph (c) below, Citi will also enhance its regulatory change management process to keep the newly enhanced RRI current, utilizing a number of reputable sources to receive timely, ongoing updates on changes to laws and regulations.

Enhance policies and procedures to reflect the appropriate program scope, the expansion of the RRI described above, and the MIS and reporting obligations needed to support enhancements of the governance structure.

Mortgage Servicing Activities policies and procedures will be enhanced based on the expanded RRI, changes in business processes, and the implementation of new or enhanced controls. In addition, protocols and assessment work will be added as appropriate to drive consistency in certain policies and procedures across business units and entities, and enhanced change management methodologies, as described below, will be cascaded to all policy and procedure owners.

Citi is also enhancing policies and procedures to provide a greater level of detail at a step-by-step level for users of systems and processes. Actions to implement these enhancements include:

- Line management and operations are creating an inventory of existing policies and procedures as a first step towards creation of a complete, updated, and sustainable body of policies and procedures that will be documented using a consistent template, stored centrally, and published to employees;
- Policies and procedures are being reviewed to cover the following:
  1. To the Consent Orders, to ensure responsiveness;

2. To the newly enhanced and validated RRI to ensure coverage; and
  3. Against end-to-end process flows to confirm that processes are documented with sufficient specificity to provide clear direction to employees and agents, and to permit the identification of those points at which there should be a control or KRI associated with the process; and
- Enhanced policies and procedures have been created for MERSCORP oversight and are being created for bankruptcy and foreclosure processes, and to support the enhanced Mortgage Servicing Activities, including “single point of contact” and Loss Mitigation processes that Citi is adopting, consistent with the Consent Orders.

The enhanced policies and procedures will drive training, control, monitoring, and testing development, consistent with the Mortgage Servicing Compliance Program.

#### Training.

Staff supporting Citi’s U.S. Residential Mortgage Servicers currently participate in a range of training programs, driven variously at the Citi level, by the business unit, and by Compliance. The current training curriculum and schedule will be enhanced through the use of needs assessments processes, expansion to include additional compliance-related components of the Default Servicing process, formalized annual planning, and more consistency with respect to training frequency and audience across Mortgage Servicing Activities. In addition, training will be provided as appropriate around new and enhanced processes, policies and procedures, and as a result of the Staffing Adequacy Framework (see section 8 below).

#### MIS and Management Reporting.

During the 2nd quarter of 2011, Citi developed a plan for enhancing its MIS for Mortgage Servicing Activities (“MIS Plan”). Key compliance-related information being developed includes the following:

- Compliance and overall risk assessment information including ratings and control remediation plans;
- Complaint volumes, trends, and resolution time vs. established standards;
- Staffing levels;
- Compliance monitoring and testing results, including aged issues and related action plans;
- Results of third party oversight reviews; and
- Trends in compliance risk assessment information obtained through the CARA process.

The planned management reporting will enhance the efficiency and effectiveness of Compliance and other control functions, as well as drive a more integrated control environment.

Staffing Adequacy Framework.

As noted in the Cover Letter, control groups including Compliance are conducting formal assessments of staffing capacity and competency to determine whether human resources should be enhanced to meet Citi's commitments under the Consent Orders.

Compliance worked with Citi HR to complete its assessment. [REDACTED]

[REDACTED] However, as a result of the assessment, Compliance created 17 new positions, resulting in a 15% staffing increase across bank and non-bank units supporting Mortgage Servicing Activities. Significantly, 15 of the new positions were created in the Real Estate Lending Compliance unit to directly support the MPC Director and the new enterprise-wide Mortgage Servicing Compliance Program, resulting in a 57% increase in that unit. Compliance anticipates that additional headcount will be added to the CER unit, as well, to support compliance testing. Recruiting and hiring for these positions is well underway, with candidates either hired or pending hire for more than 50% of the new roles.

**(b) Ensure compliance with the legal requirements and supervisory guidance of the Board of Governors;**

The ECP enhancements described above, and further detailed in the Mortgage Servicing Compliance Program attached as Exhibit 1, have been designed to meet all legal and supervisory guidance requirements, including those laid out in FRB SR 08-8. Ongoing confirmation of the quality and consistency of execution, as well as the sustainability of the Mortgage Servicing Compliance Program, will be provided through an integrated program of in-business and independent monitoring and testing, together with a robust mechanism for reporting results and flagging KRIs for management and oversight committees.

Monitoring and testing is part of Citi's "Three Lines of Defense" framework. This section focuses on the First and Second Lines, as ARR (the Third Line) is covered separately. Citi plans to enhance monitoring and testing according to the following general principles:

- Adopting a more granular approach to risk assessment, including RRI, validation of the related controls, adjustment of monitoring and testing scope and techniques, as well as consideration for Mortgage Servicing Activities across multiple lending businesses, third party vendors, MERSCORP, and law firms;
- Enhancing the control assessment process in the Business, including O&T, to establish Key Operating Risks and associated KRIs, as well as enhanced QA programs related to Loss Mitigation, foreclosure, and bankruptcy activities; and

- Augmenting traditional sampling-based testing with additional alternative testing methodologies, as applicable.

In addition, Citi will take the following steps:

- The compliance risk assessment will be enhanced to consider Mortgage Servicing Activities across all U.S. Residential Mortgage Servicers, and, as a result, a holistic monitoring and testing program for Mortgage Servicing Activities will be executed across all U.S. Residential Mortgage Servicers;
- Confirm applicability of each regulatory requirement to individual businesses, the related controls, and the appropriate level of monitoring and testing. This review will result in updates to the monitoring and testing programs. The primary focus of this review will be on the key default servicing related regulatory topics, such as Equal Credit Opportunity Act (ECOA), ServiceMembers Civil Relief Act (SCRA), Foreclosure, Loss Mitigation, Federal Housing Authority (FHA) Loss Mitigation, Rural Development Home Affordability Modification Program (RD/HAMP), Bankruptcy, and Fair Debt Collection Practices Act (FDCPA);
- Evaluate new processes and procedures established as a direct result of the Consent Orders for additional monitoring and testing opportunities; and
- Complete testing to validate In-business Risk's new QA program identified above.

As part of enhanced testing for fees, specific testing is being developed against processes to manage and update fee tables in accordance with state fee restrictions and within state foreclosure and bankruptcy matrices, as well as against associated customer correspondence.

As the First Line of Defense, Business management is responsible for assessing and controlling the regulatory compliance risks inherent in their business activities. The Business designs and implements controls to mitigate regulatory risk and performs in-business monitoring and assessment or testing activities to ensure control effectiveness. Based on the results of Citi's evaluation, the following will occur:

- When conducting the control assessment, the Business will consider, in addition to its own monitoring and testing activities, all relevant results from ARR and other Independent Control functions, as well as regulatory examination results;
- Consistent with the new ORM Policy, issued in April 2011, the Business will establish Key Operating Risks, including regulatory compliance, and develop relevant KRIs; and
- In-business Risk will formalize the QA program to assess operational risk as well as regulatory compliance effectiveness of foreclosure, Loss Mitigation, and bankruptcy processes. Coverage includes validation of the accuracy of

MERSCORP documents, as well as evaluation of law firms' uploading of required documents according to the various stages of foreclosure.

As the Second Line of Defense, following Reserve Bank regulatory guidance in FRB SR 08-8, functions that are independent of business lines develop and execute the independent regulatory compliance monitoring and testing programs. Monitoring takes many forms, including:

- Reviewing and testing client communications;
- Direct surveillance or review of other control units' surveillance and exception reports;
- Reviewing control assessment results;
- Ongoing review of business processes and adherence to policies and procedures;
- Tracking external examinations relating to regulatory compliance;
- Participating in corporate governance committees where Compliance risk issues are regularly addressed; and
- Participating in system development and User Acceptance Testing related to legal or regulatory-related business processes, including fee processes and associated customer communications.

In addition to enhancing the testing scope, frequency, and coverage as described above, the independent testing program will also be strengthened by applying alternative testing methodologies, including, but not limited to, data retrieval, end-to-end process review, and exception reporting, to enhance Citi's ability to detect weaknesses efficiently and effectively.

**(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;**

Legal and Compliance have created a network of subscriptions to outside services, law firm advisories, regulatory updates, and other sources that are designed to enable Legal, Compliance, and the Business to identify and act upon relevant changes. Prior to formal submission to the change control process, enhanced requirements identified by Legal in this manner will trigger the production of a formal Legal Alert, including the substance and effective date of the new requirement, which will be communicated to the appropriate areas of the impacted businesses. This overview will also be provided to Compliance, which in turn will update the RRI.

For Mortgage Servicing Activities, Citi currently has in place a change management process that addresses implementation of regulatory changes, changes in policies and procedure, and business process changes. The Legal Alert and RRI update will trigger a change control request, which is initiated with supporting documentation, as appropriate. Businesses may also use the process to initiate change requests for other reasons. The request will be reviewed for gaps, completeness, and exception qualifications before it is approved for implementation.

Although the U.S. Residential Mortgage Servicers generally follow a similar process, Citi will implement minimum standards to build a consistent change management framework across its U.S. Residential Mortgage Servicers, beginning with a standardized template for the change control request. In order to support management reporting requirements, the existing Change Control management teams will serve as gatekeepers of all policies and procedures published and housed within a centralized repository. The communication process will also be enhanced to meet the expected increase in both volume and frequency of the regulatory changes expected due to state law updates and recent federal regulatory reform legislation. Within this framework, once implementation occurs, a validation process will confirm the effectiveness of the change.

## **Paragraph 4 – Exhibit 1**

# **Mortgage Servicing Compliance Program**



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

# CITI MORTGAGE SERVICING COMPLIANCE PROGRAM

**OWNER:**  
MORTGAGE PRODUCT COMPLIANCE

**CONTACT(S):**  
[REDACTED]  
DIRECTOR, MORTGAGE PRODUCT COMPLIANCE

**ISSUE DATE:**  
JULY 2011

**REVISED:**

**CONTACTS UPDATED:**  
JULY 2011

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# 1 OVERVIEW

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## 1.1 BACKGROUND

It is the policy and fundamental objective of Citigroup Inc. and Citibank, N.A. and their subsidiaries and affiliates (together “Citi”) to provide products and services, and conduct all activities, in compliance with both the letter and spirit of all applicable laws, rules, regulations, regulatory guidance and Citi internal policies and commitments. In view of the breadth of its global reach and business, and the nature, number and complexity of laws, regulations and supervisory guidance to which it is subject, Citi established a Global Compliance Control Policy (“Global Policy”) and related programs and processes. The Global Policy mandates an independent Compliance function, and a consistent risk-based approach and control framework, including independent compliance testing, to manage and mitigate compliance risk and to assess compliance with the regulatory requirements governing Citi’s various activities. The Policy has the full support of executive management and the Board and have established such as a top priority throughout Citi.

This Mortgage Servicing Compliance Program (“Program”) applies to all U.S. Residential Mortgage Servicers responsible for residential mortgage loan servicing, Loss Mitigation, and foreclosure activities (collectively, the “Mortgage Servicing Activities” or “Mortgage Servicing”).

## 1.2 MAJOR CITI FRANCHISE-WIDE FRAMEWORKS AND PROGRAMS

Citi has adopted and maintains a number of programs and frameworks that are integral to the sustainability and effectiveness of a sound compliance program. Several of the most significant, which will be relied upon to support the Mortgage Servicing Compliance Program, are described below:

i. Code of Conduct: Citi, through its Chief Ethics Officer and Ethics Office maintains and regularly updates the firm-wide Code of Conduct and Ethics Hotline. Every employee around the world receives the Code of Conduct and periodic refresher training, and has access to the Hotline to report ethics matter or suspected violations of policy through a neutral, confidential channel.

ii. Control Framework: Citi’s internal control framework rests upon a “Three Lines of Defense” approach:

- Business divisions (including in-business risk management) own and have primary responsibility for managing their risks with support from functional specialists (e.g., Operations & Technology);

- The "Second Line of Defense" comprises the Control Functions (including Compliance, Independent Risk, and Control and Emerging Risk) independent of the business, which provide advice, tools, standards, methodologies, processes and oversight of controls used by the business divisions to mitigate and manage risks; and
- Audit & Risk Review (ARR) conducts independent reviews on the first two lines of defense based on a Board-approved audit plan and on ARR's audit risk assessment.

iii. Independence of functions: Establishment and maintenance of independent functions, including Compliance, is fundamental to Citi's control framework. Management reporting for the Global Compliance, Control and Emerging Risk, Independent Risk and Audit & Risk Review occurs outside the business management chain, and performance reviews, compensation, bonuses and staffing are managed completely independent of the business. Capacity planning and staffing decisions are driven by risk and need analysis, rather than business performance. The heads of these functions interact directly with the Board Audit Committee and the Citi Chief Auditor has a reporting line to the Board Audit Committee.

iv. Compliance Performance Impact on Business Manager Compensation: Citi has a formal process, administered by Human Resources, to ensure that information and assessments regarding the compliance and regulatory performance of business managers are incorporated by executive management in determining the annual performance management rating and incentive compensation.

v. Specialized US or Global Programs: In addition to the Code of Conduct and Control framework mentioned above, Citi maintains specialized compliance programs through utilities or control functions. These include Fair Lending, Anti-Money Laundering and Privacy, as well as programs and governance processes directed specifically at maintenance of appropriate standards for consumer protection, responsiveness to consumer complaints, avoidance of conflicts of interest, enhancement of consumer service levels and in the Mortgage Servicing area, programs for assisting consumers that are specific to Citi.

### **1.3 MORTGAGE SERVICING IMPLEMENTATION OF GLOBAL FRAMEWORK**

This Mortgage Servicing Compliance Program ("Program") implements the Global Policy and control framework, and is structured to proactively identify, assess, control, monitor, test and report compliance risks applicable across Citi's Mortgage Servicing Activities.

Consistent with the Global Policy, business managers have the overall and ultimate responsibility for the management of day-to-day compliance risk in their lines of business. Mortgage Servicing Business Managers, which includes those managing supporting operations and technology teams, as the "First Line of Defense," must drive a compliance culture, establish effective compliance processes, build policies, procedures and controls into their business delivery and operations functions and take compliance performance into account in assessing performance of their units and staff.

The "Second Line of Defense" includes a number of independent, global functions, including Compliance, Risk and Control & Emerging Risk (CER).

Compliance administers this Program, which establishes, as applied to Mortgage Servicing, substantive and actionable guidance to business managers on the establishment of their compliance policies, procedures and controls. The Program further sets standards for conducting independent compliance monitoring and reporting of compliance risks and required actions to Business executive management and Global Compliance.

The Program recognizes that other global functions managed outside the business conduct independent monitoring and testing of the business controls.

Audit and Risk Review (ARR), the "Third Line of Defense," is responsible for conducting independent testing of the design and operating effectiveness of the business unit compliance controls and the overall Program. The Three Lines of Defense are further strengthened by the Human Resources, Finance and Legal Departments.

#### **1.4 PROGRAM OBJECTIVES**

This Program establishes the framework, structures and processes for compliance risk management of Mortgage Servicing Activities. The objectives for this Program include:

- Building an environment that fosters a strong proactive culture of compliance in which compliance is an integral part of the Mortgage Servicing business strategy and operating environment, and the principles of responsible finance and customer centricity are central to decision making;
- Establishing the governance structure for Program activities;

- Establishing and documenting the compliance roles and responsibilities of Business Managers, employees, Compliance and other control functions, including ARR;
- Establishing compliance risk management standards and processes that enable management to proactively identify, measure, assess, monitor, test and report Mortgage Servicing compliance risks throughout Citi;
- Maintaining independent compliance monitoring, testing and issue tracking and corrective action/resolution processes;
- Overseeing Mortgage Servicing business lines in their development, implementation and monitoring of compliance policies, procedures and controls to meet their compliance obligations;
- Assisting Mortgage Servicing business line management in assessing the impact of changes in regulations and business operations on the compliance risks and controls affecting their businesses;
- Fostering an environment of timely, clear and open communication, within the business and Citi's customers, and escalation of compliance-related matters;
- Providing compliance risk reporting to business senior management;
- Maintaining escalation protocols of compliance risk issues to senior management and appropriate committees;
- Advising business line management on meeting strategic goals and objectives in accordance with applicable compliance requirements, prudential standards and Citi's compliance risk appetite; and
- Developing and implementing training and educational programs that foster a better understanding of Citi's and its employees' regulatory compliance obligations and responsibilities.

## 1.5 SCOPE

This Program covers all Mortgage Servicing activities and applies to all U.S. Residential Mortgage Servicers and their employees engaged in Mortgage Servicing ("Covered Business Units").

Additionally, this Program extends to activities performed by third parties engaged in servicing loans for or on behalf of Citi. Acquisition of U.S. Residential Mortgage loans or interests therein by a Citi business unit other than to hold do not (i.e., as part of trading activities) alone qualify those businesses as Covered Business Units.

The Program encompasses compliance with federal law and regulations, state law requirements, bank supervisory guidance requirements, directives issued by Fannie Mae, Freddie Mac, Federal Housing

Administration ("FHA"), Veterans Administration ("VA"), and MERSCORP, Inc. ("MERS") rules that have an impact on real estate lending, and specific internal Citi policy requirements as appropriate.

## **1.6 PROGRAM ADMINISTRATION**

Citibank's Chief Compliance Officer has appointed a Director of Mortgage Product Compliance (MPC Director). The MPC Director is responsible for maintaining this Program document. The business unit, Compliance and other control functions' responsibilities for executing the Program are outlined in Section 4 of this Program. The Program shall be updated as necessary and reviewed by Compliance at least annually. Material changes to the Program must be reviewed and approved in the manner set forth in Program Governance, Section 2 of the Program.

## **1.7 PROGRAM ADOPTION AND EFFECTIVE DATE**

This Program is effective as of July 13, 2011. Covered Business Units will fully implement the Program no later than August 11, 2011. This Program is meant to be read in conjunction with existing policies and procedures. In the case of a conflict with respect to existing policies and procedures, this Program takes precedence.

## 2 PROGRAM GOVERNANCE

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### 2.1 PROGRAM DEVELOPMENT AND OVERSIGHT

This Program was developed with input and approval from an Implementation Committee, Executive Steering Committee (ESC) and Senior Executive Committee and was approved by the Citibank Chief Compliance Officer for initial adoption.

Beginning in the first full quarter following adoption of the Program, the ESC and MCC will review data and information regarding the implementation and performance against the Program at least quarterly. Any proposals for amendments to the Program, must be made in compliance with the Consent Orders dated April 13, 2011, and must be approved by the Citibank Chief Compliance Officer, reviewed with the Real Estate Operations Steering Committee (REOSC) and ESC and presented to the MCC for approval. MCC approval is required prior to the petitioning of the OCC Deputy Comptroller for the approval of any material amendments to the Program.

At the management level, the REOSC oversees policies, procedures, processes and controls and provides senior management oversight of this Program across Citi businesses engaged in Mortgage Servicing. Membership or participation in the REOSC is determined by its charter.

- The REOSC meets at least quarterly or as needed, and reviews existing governance, policies, and procedures to identify gaps and weaknesses. Through these reviews, the REOSC assures that the businesses proactively identify controls gaps as they relate to emerging issues collectively and consistently, anticipate similar issues throughout the business units, and see that the business units, develop action plans to mitigate future exposure. The REOSC is also tasked with solving problems that emerge between and among business functions and communicating cross-business impacts. The REOSC monitors progress against Mortgage Servicing Corrective Action Plans (CAPs) and maintains full accountability for confirming the timely resolution of identified issues.
- The REOSC will receive regular reports from the MPC Director regarding the health and operation of this Program. Additionally, the REOSC will periodically invite the heads of Independent Risk, Quality Control and ARR for Mortgage Servicing to report on the results of their monitoring and reviews, and will further assess the authority, resources and business access of these individuals to perform their duties.
- The REOSC will review sufficient MIS and reports from the MPC Director and other control function heads to confirm that identified deficiencies are corrected in a timely manner.

In addition to the above, Citi has established a number of special purpose, cross-functional committees to provide oversight and channels of escalation for specific issues:

- Business Practices Committee: Citi's business practices committees review business activities, sales practices, products, potential conflicts of interest, complex transactions, suitability and other reputational concerns providing guidance to ensure that Citi's business practices meet the highest standards of ethics, integrity and professional behavior. The business practices committees guide the development of business practices and may change them when necessary or appropriate. These issues are reported on a regular basis to the Citi Business Practices Committee and the board.
- Business Risk and Control Committee (BRCC): Quarterly BRCC meetings serve as an internal discussion and oversight body for senior management on significant risk, compliance, control and legal issues. Additional objectives include the review of risk, compliance and control related performance and communication with senior executives on material external factors impacting our business (e.g. macro-economic, legislative).
- Anti-Money Laundering Committee: The Global Business Anti-Money Laundering Risk Committee meets monthly to review and discuss Anti-Money Laundering related matters.
- CRA/Fair Lending Committee: The CRA/Fair Lending Committee meets quarterly to review and discuss CRA and Fair Lending related matters, including, but not limited to business' compliance performance against Fair Lending and CRA requirements; Fair Lending and CRA exams; Fair Lending and CRA issues identified during testing or exams; regulatory changes or other policy changes that have potential Fair Lending and/or CRA impact.
- New Product and Service Approval Committees: Pursuant to the New or Complex Products and Services Policy, Citi requires that new, complex or significantly altered products, services or business lines that may materially alter Citi's franchise risk profile undergo independent, cross functional review before launch. The Consumer Product Approval Committee (CPAC) and the Capital Markets Product Approval Committee (CMAC), chaired by Independent Risk, establish a rigorous and consistent framework for the escalation, review, and approval of new or enhanced products or services before they are offered to Citi customers. All covered products must have formal business senior sponsorship, and must present a documented proposal including a description of potential risks and mitigants, and an anti-money laundering risk assessment, before they are formally approved by the relevant committee. Committee members must include, at a minimum, the relevant senior Risk, Compliance, ARR, Legal, Finance and



Operations representatives. Meetings are formal and minuted. To the extent that new Mortgage Servicing products or services meet CPAC review requirements, they are subject to this process.

### **3 PROGRAM COMPONENTS AND REQUIREMENTS**

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#### **3.1 KEY PROGRAM COMPONENTS**

In addition to a sound governance structure and franchise-level framework, the key components of the Mortgage Servicing Compliance Program are as follows:

- A. Identification and assessment of compliance risks;
- B. Identification, updating and dissemination of applicable laws, regulations, rules, supervisory guidance, regulatory developments and significant internal or external commitments;
- C. Establishment and maintenance of policies, standards and procedures;
- D. Planning for continuous enhancement
- E. Monitoring and testing
- F. Training and awareness
- G. MIS and reporting
- H. Tracking and remediating issues
- I. Complaint management
- J. Staffing and capacity planning
- K. Oversight of Third Party Vendors
- L. Assignment of Roles and Responsibilities

#### **3.2 IDENTIFICATION OF COMPLIANCE RISK: COMPLIANCE ANNUAL RISK ASSESSMENT (CARA)**

The Mortgage Servicing annual compliance risk assessment process follows a repeatable, formal process conducted by the Global Compliance Department, relying on quantitative and qualitative data and input from business units, functions and external sources as appropriate. Inputs encompass information that allows Compliance to consider factors including changes to business strategy and products or services; changes in business environment; performance metrics; bank supervisory results; results from ARR, CER, and other monitoring and testing activities; impact of current and anticipated regulatory change and regulatory or operational risk events.

The output of the process helps drive the annual compliance plans and objectives, training plans, compliance monitoring and testing programs, resource deployment and activity prioritization.

The compliance risk assessment results must be shared with Mortgage Servicing business heads, control functions, the REOSC and the MCC. The results shall also be provided to In-Business Risk for inclusion in its comprehensive annual mortgage servicing risk assessment (CAMARA).

### **3.3 REGULATORY REQUIREMENTS INVENTORY**

Citi utilizes an internal convention known as the Regulatory Requirements Inventory (RRI) to capture regulatory requirements and standards that form the basis of its compliance and control programs.

For Mortgage Servicing, the RRI includes federal law and regulations, state law requirements, bank supervisory guidance requirements, directives issued by Fannie Mae, Freddie Mac, FHA, VA, any MERS rules that have an impact on real estate lending, and specific internal Citi policy requirements as relevant.

To support comprehensive action, consistent with the Consent Order, the process for establishing the enhanced 2011 RRI for Mortgage Servicing includes obtaining a survey from qualified attorneys covering the above listed standards. This is augmented by Citi policy requirements and supervisory guidance specific to Citi Mortgage Servicing. Going forward, the RRI will be maintained by Compliance, and reviewed and approved by Legal in accordance with prevailing Citi practices.

#### i. Regulatory Change Management:

The RRI must be updated with sufficient frequency to reflect compliance with new and changing legal, regulatory and other standards. It is the responsibility of Citi Legal to maintain appropriate subscription and other relationships to assure timely receipt of updates to federal regulations, state laws, regulatory guidance, and directives issued by Fannie, Freddie, FHA, and VA from various sources such as AllRegs, House Law, and Westlaw, as well as to remain current on membership requirements of MERS and applicable investor rules.

Upon receipt, new requirements are interpreted by Legal, who in turn provides a summary overview of the requirements, identification of the functional areas of the business impacted, and the effective dates of the new requirements. This overview is provided to Compliance, who updates the RRI, and provides it to a designated Management Committee (Oversight Committee). This Oversight Committee reviews and determines the actions necessary to fully implement the controls necessary to comply with the new requirements.

Covered Business Units, with support from Compliance and other functions, as necessary, are responsible for developing and managing action plans to implement all new and changed regulatory requirements. Compliance shall review and approve all regulatory change implementation action plans.

The Oversight Committee tracks and confirms the implementation of the requirements, including updating of policies and procedures, and training curriculum, as needed. The Oversight Committee also monitors validation testing of implemented requirements, as needed, to make sure new processes are functioning as intended.

Where changes to regulatory or other requirements require changes to technology and automated process, Mortgage Servicing relies upon the current established Citi process for producing and validating technology change requests. This process includes input from Compliance.

### **3.4 POLICIES AND PROCEDURES**

This Program requires adherence to and incorporates by reference all applicable Citi policies and procedures. In addition, each Covered Business Unit must establish, with guidance from Legal, Compliance, and other functional or SMEs as necessary, policies and procedures governing the conduct, oversight and monitoring of Mortgage Servicing Activities to the extent that they are needed to augment or implement Citi policies.

Covered Business Units' policies and procedures must be documented utilizing a consistent template, stored centrally and published to all relevant employees. Each policy or set of procedures must have an identified owner, who is responsible for ensuring that the policy is updated and approved appropriately. In addition to scheduled reviews or updates, appropriate reviews, and where determined necessary, changes to policies and procedures should be initiated by the Covered Business Unit owner upon the occurrence of any of the following:

- Notification of a change in law, regulation, rule or supervisory guidance;
- Changes to the relevant business process; or
- Changes to the relevant technology or system.

Covered Business Units must maintain processes for the approval of Mortgage Servicing policies, procedures and manuals. The current Real

Estate Policies and Procedures Approval Process, in which Compliance participates, may be used for this purpose.

Each Covered Business Unit is responsible for creating policies and procedures that are sufficiently detailed to support the repeatable, sustainable operation of all processes at a level that meets required standards.

At a minimum, Covered Business Units must maintain documented procedures meeting the standards of this Program and any applicable Citi policies to address the following requirements:

- Fair Lending;
- US Bankruptcy Code;
- Servicemembers Civil Relief Act (SCRA);
- MERSCORP membership rules;
- Government Sponsored Enterprise and investor servicing guides;
- Home Affordable Modification Program;
- FDIC loss share agreements;
- Oversight of third parties engaged in any aspect of mortgage servicing or foreclosure on behalf of Citi, including brokers and attorneys;
- Oversight of accuracy, completeness and reliability of assertions made on behalf of Citi;
- Oversight of execution and notarization of affidavits used in foreclosure proceedings;
- Review and approval of standardized affidavits and declarations used in foreclosures;
- Documentation of ownership of promissory notes and mortgages;
- Creation of audit trails for all factual information in foreclosure affidavits or declarations;
- Foreclosure sales (including calculation of default period, amounts due and compliance with notice requirements);
- Calculation and assessment of fees, expenses and other charges to borrowers;
- Retention and tracking of mortgage documentation;
- Audit, quality control and testing programs and plans;
- Hiring and staffing practices;
- Capacity and work load planning;

- Single Point of Contact;
- Dealing with customers in bankruptcy;
- Complaint management and escalation;
- Borrower communications; and
- Such other policies or procedures as Legal, Compliance or bank supervisors may direct.

In addition, Mortgage Servicing must adhere to all other Citigroup and Citibank, N.A. polices, and adopt such procedures as these polices may require. Further information and polices are available to all employees via the on-line Citi Policy Directory.

### **3.5 ANNUAL COMPLIANCE PLAN**

Citi Global Compliance sets the approach, timeline and standards for the process that result in the production of Annual Compliance Plans, which are produced for key business and country programs. In general, the Annual Compliance Plan documents those initiatives, projects and activities that serve to drive continuous program enhancement, and address emerging or topical issues. Activities are captured in the plan as a series of objectives that require prioritization, and action outside established routines and requirements in order to achieve them.

Each Compliance team across Citi produces an Annual Compliance Plan, at the direction of Global Compliance. For Mortgage Servicing, the MPC Director will be accountable for producing an Annual Compliance Plan for Covered Business Units. This plan shall include the Monitoring inventory and Compliance Testing plan. The plan will be shared with the REOSC annually, and the MPC Director will update the REOSC quarterly on progress against objectives.

### **3.6 MONITORING AND ASSESSMENT**

Monitoring and assessment activities include the work performed by business units, operations, Compliance, CER and other functional groups to review the ongoing performance of processes and controls, and to assess these and other activities for compliance with laws, rules, regulations, and related Citigroup policies. Issues identified during monitoring activities must be reflected in a Corrective Action Plan (CAP), with a business owner and due date. Compliance must approve the content of the CAP, and document any instance in which it is determined that a CAP is unnecessary.

This Program requires, at a minimum, the development and maintenance of the following:

- An inventory of the core monitoring activities performed by the Compliance Department as part of its responsibilities, to be reviewed and updated by the MPC Director at least annually based upon the compliance risk assessment. The inventory shall include information on the scope, frequency and outputs for the planned monitoring activities;
- Implementation of appropriate in-business and operations quality assessment and/or quality control activities, to include performance standards and reporting, to be incorporated into REOSC and other management reporting at appropriate intervals; and
- Monitoring activities specifically focused on the requirements of the Consent Orders.

Monitoring may encompass many activities including:

- In-process quality assurance and quality control activities, including maker/checker activities, change management processes, management review;
- Establishment and review of Key Risk Indicators, exception reporting and management metrics;
- Reviewing client communications;
- Direct surveillance of business transactions or review of business or other control unit's surveillance reports;
- Oversight of complaint handling;
- Conducting and/or reviewing self assessment and other test results;
- Ongoing review of business processes and adherence to policies and procedures;
- Tracking corrective action plans (CAPs) for CER and ARR reviews and external examinations relating to legal/compliance;
- Participating in corporate governance committees and other meetings where compliance risk issues are regularly addressed;
- Participating in system development/UAT testing related to legal or regulatory related business processes; and
- Appointment of relationship managers, committees or other personnel to oversee performance of specific third party vendors or service providers.

Monitoring activities relating to the requirements of the Consent Orders shall include the following targeted monitoring to be established and implemented no later than August 11, 2011, including but not limited to:

- Incorporation of Consent Order requirements into the inventory of Compliance monitoring activities;
- Quality assurance protocols and compliance oversight of Single Point of Contact and other customer telephone or electronic communications;
- Quality assurance and compliance oversight of the foreclosures process, including work of third party law firms;
- Monitoring and oversight protocols for third party vendors and servicers;
- Monitoring protocol for identification and treatment of borrowers in bankruptcy;
- Monitoring protocol for identification and treatment of borrowers covered by the SCRA;
- Monitoring protocol for MERSCORP membership;
- Quality assurance protocols for documents location and retention; and
- Quality assurance protocols for fee calculation and assessment.

For each of the above required monitoring activities, the process must include identification of a responsible monitoring process owner, and as appropriate, periodic progress reports that will be shared with business heads, the REOSC and the Citibank Chief Compliance Officer upon request. Where it is possible to build automated or systemic controls into processes, or where independent testing processes have been established, monitoring or manual oversight of the process may be rendered unnecessary. In such cases, changes to or exceptions from above required monitoring regimes shall be approved in writing by the REOSC and the MPC Director upon request by the executive process owner. Testing may also be used in place of, or alongside monitoring, provided it meets both the requirements in this section and section E below.

### 3.7 TESTING

i. Independent Compliance Testing: Independent Compliance Testing is a risk-based, point-in-time assessment or validation of controls or procedures to determine whether controls are reasonably designed and functioning effectively. The testing activities must conform to the Global Compliance Policy and CER standards.

Generally testing activities fall into one of the following three categories:

- Mandatory – Tests mandated by regulatory requirements, and/or tests performed by Compliance / CER that have been agreed to with regulators and pre-defined to require ongoing assessment and testing. Where the mandatory requirement allows the defined elements to be tested over multiple years, the frequency is determined using a risk-based approach, by assessing the inherent risk and control adequacy of the individual entities.
- Targeted – Tests determined based on risk assessments, including but not limited to the compliance risk assessment, of the current business and regulatory environment. These tests are defined during the annual test planning process and their applicability is re-examined on an ongoing basis. Targeted reviews are designed to verify the effectiveness of key controls to mitigate risks related to compliance with selected laws, regulations, external standards, and existing firm policies. This testing includes reviews of specific products (including new products and policies).
- Ad hoc – Tests triggered by internal or external events, including organizational or regulatory changes, and/or through the monitoring of Key Risk Indicators (“KRIs”) and other reporting methods. These tests are based on risks assessed at a point in time, as they are identified, and are incorporated into the testing plan as needed.

Independent Compliance Testing is conducted by CER pursuant to an annual plan developed in collaboration with Compliance. The plan must be approved by the MPC Director and CER Consumer head annually. The plan must include an analysis of staffing capacity. CER personnel assigned to Mortgage Servicing must possess the requisite skill and knowledge to complete the testing. Other independent resources such as ARR, Compliance or external auditors, provided they possess the requisite subject matter expertise, may assist in conducting independent compliance testing in accordance with applicable Reliance Standards.

All tests must be conducted using Citi’s current guidelines with respect to sampling and reporting. Test results are to be made available to the Compliance Department and business unit Management as soon as available. Compliance will track results over time to identify trends and program needs. Identified issues must be appropriately reflected in a Corrective Action Plan (CAP), with a business owner and due date. Compliance must approve the content of the CAP, and document any instance in which it is determined that a CAP is unnecessary. The REOSC should receive at least quarterly reporting of summary results, CAP progress and any delays in testing plan or CAP fulfillment.

ii. Business Unit and Other Testing: Covered Business Units or other functions may choose to utilize testing instead of, or in combination with, monitoring and assessment tools described in Section 3.6 above.

### 3.8 COMPLIANCE TRAINING

To be effective, compliance policies, procedures and controls must be adequately published and understood. Training thus is an essential complement to all other business and compliance activities.

Each Covered Business Unit is accountable for maintaining a comprehensive compliance training program and for ensuring that employees receive training on all applicable compliance requirements. Training content must be reviewed and updated to reflect changes in the RRI. The required elements of a Covered Business Unit compliance training program areas are set forth below.

If a Covered Business Unit already maintains a training program, or is part of a larger business group with a training program, the Covered Business Unit may utilize that program to provide Mortgage Servicing training required pursuant to this Program provided that the training program includes all elements and meets all requirements of this section, specifically identifies the segment of Covered Business Unit employees, and specifically incorporates and reports on Mortgage Servicing training as required below.

i. Training Needs Assessment: On an annual basis, Human Resources, in conjunction with the Covered Business Unit and Compliance, will oversee the completion of a training needs assessment. This training needs assessment process includes, at a minimum, consideration of the following:

- Mortgage Servicing Compliance Annual Risk Assessment;
- Customer related issues/complaint trends;
- Relevant monitoring and testing results;
- Regulatory examination results and supervisory guidance;
- Audit and Risk Review results;
- Employee on-boarding and turnover statistics;
- Role of third parties in Mortgage Servicing activities;
- Performance against the Consent Orders, including the implementation of newly developed policies, processes and procedures; and
- Impact of new and/or changed laws and regulations or standards, changes in policies or procedures, new products, and changes to systems and applications.

Human Resources will determine, with input from Compliance, Legal and the business, whether and how to segment the Covered Business Unit employee populations for purposes of assessing and meeting training needs.

ii. Training Plans: Based upon the Needs Assessment, each Covered Business Unit must establish a Mortgage Servicing Training Plan or calendar to provide every employee with the skills and knowledge needed to protect the customer and Citi through defect-free, compliant execution of their job functions. Management should also use elective coursework to continually raise staff skill levels, productivity and improve business results.

a. The Training Plan must address the on-boarding of new employees, as well as refreshing, maintaining and appropriately increasing awareness, skills and knowledge of existing employees.

b. The Compliance Department through the MPC director or delegate, must on an annual basis, review the Needs Assessment, the Business Unit Training Plan and the compliance risk assessment, and determine what Compliance training requirements must be included in the Covered Business Units' Training Plan, or specific training modules, to address compliance and regulatory issues.

iii. Content and Delivery: Scope and content of training is based upon requirements applicable to each business, and tailored as necessary to reflect the responsibilities of each employee unit or segment. The MPC Director is responsible for making sure that Compliance training content is provided by qualified SMEs, and delivered with appropriate expertise. The majority of content will be delivered on-line through the Global Learning Management System (GLMS) or face to face. GLMS deploys archives and tracks attendance for training courses scheduled or delivered using the system. Staff organizing or delivering face-to-face training are accountable for assuring that the training is tracked in GLMS. Employees who take individual courses offered outside of Citi are responsible for entry into their GLMS profile for tracking

In addition, Citigroup and Citibank, N.A. may require completion of certain training on a periodic basis consistent with global policies and requirements. Training may also be augmented by product groups, functions (e.g., Real Estate Lending, Information Security and Global Compliance) or regional business groups (e.g., North America Consumer Banking).

iv. Training Monitoring and Tracking: The Program incorporates controls to monitor employees' compliance with training requirements. Training

reports are available on demand and produced at regular intervals to provide business and operations management with the information needed to monitor compliance with all applicable requirements. The Compliance Department periodically reviews exception reports on required training relative to Mortgage Servicing to validate completion. In the event of material lapses in training completion, the Compliance Department will escalate concerns to management.

Completion of required training is a component of the annual performance and development reviews delivered to all employees. It is the responsibility of business unit managers to track and follow up with employees who fail to complete training requirements or assignments in a timely manner, and to assist employees in managing their workloads and schedules to accommodate their training obligations.

v. Compliance Department Role in Training: In addition to those described above, Compliance has several roles relevant to training which include:

- Participation in the Covered Business Unit's annual training needs assessment and training plan development processes;
- Ongoing review and approval of new or revised training materials;
- Development of training content for key regulatory training programs;
- Monitoring business performance against delivery and attendance of training as required and within prescribed timeframes;
- Recommending training enhancements to address issues found through oversight reviews;
- Overseeing and confirming revision of applicable training to reflect changes in the regulatory environment; and
- Participation in Compliance training as required to enhance and maintain expertise level.

### **3.9 MIS AND REPORTING**

MIS is a critical component of the compliance control framework for overseeing all aspects of Mortgage Servicing. Compliance MIS is to be managed consistent with Citi's current plan for enhancing its MIS for Mortgage Servicing ("MIS Plan"). In general, key elements of the plan which relate to the Mortgage Servicing Compliance Program are:

- Enhancement of reports to the Board of Directors and senior management;

- O & T development of data validation and reconciliation processes to ensure that records pertaining to Mortgage Servicing Activities are accurate;
- Enhancement of change management policies and procedures to track changes to standard MIS and reports to the Board of Directors and senior management reports; and
- Augmentation of existing MIS reports to include information on the single point of contact (“SPOC”) system.

Through ongoing interactions with business process owners, the Compliance Department will have access to available performance and other MIS to assist the function in performing various Program activities. MIS is used for trending and analysis in key operations areas. The comparative analysis of data across sources assists in early identification of problems or assurance of continued compliance.

#### Reporting and Escalation

a. Escalation: All employees are required to observe the escalation and reporting policies or processes in place across Citigroup to escalate Mortgage Servicing issues as appropriate.

b. Compliance Department Reporting Out: Reporting of compliance risks, issues and results identified through assessment and measurement protocols (e.g., review of MIS) is a key component of a robust compliance governance program. Compliance will communicate the results of its oversight activities both within the Global Compliance management chain and to Board and management committees as described in this Program. Reporting will include at a minimum:

- Quarterly Updates to the MCC of the Citigroup / Citibank Board of Directors;
- Quarterly Updates to the REOSC and ESC;
- Quarterly Updates to Business Risk & Control Committees (BRCC’s) – Compliance sections in all individual BRCC’s; and
- CBNA Monthly Updates to Global Regulatory & Compliance Committee (chaired by CBNA Chief Compliance Officer).

At a minimum, Compliance will also cover significant Mortgage Servicing developments, as appropriate, in the following reports:

- Real Estate Lending Weekly Compliance Update;

- Citigroup Monthly Compliance Report; and
- Established committee reporting.

The information that Compliance reports on a regular basis includes, but is not limited to:

- Progress vs. Annual Compliance Plan;
- Key results or status updates of internal and external examinations including self testing;
- Significant Compliance issues and events;
- Changes to key regulations and regulatory guidance;
- Updates on the status of significant corrective action plans;
- Significant changes in the business including structural and product changes;
- Significant political, legislative and news events within the mortgage industry;
- Significant Compliance initiatives planned or in process;
- Results of risk assessment, including key risks and emerging risks; and
- Trending information on customer complaints received.

Identification of significant issues and events, as well as significant emerging risks are reported to business, functional, and Compliance management upon identification. The same information may also be included in additional weekly, monthly, and quarterly reporting that is distributed to wider audiences.

c. Escalation to the Compliance Department: All Covered Business Unit employees must observe established Citi escalation protocols to apprise Mortgage Product Compliance or other control function staff of significant regulatory and compliance related events in a timely manner, including but not limited to:

- Systemic breaks;
- Suspected violations of policy, laws, regulations, etc.;
- Suspicious transactions;
- Errors in customer documentation, disclosures or processes;
- Law enforcement or regulatory inquiries;
- Privacy or information security breaches; and

- Customer complaints.

### 3.10 ISSUE TRACKING AND REMEDIATION

Compliance issues are identified through a variety of Program activities. This includes management supervision, business unit monitoring, Compliance monitoring, monitoring and testing conducted by Risk Management QA and CER, regulatory examinations, ARR reviews, exception or event reporting and complaint analyses. Compliance issues, depending on the severity, are tracked in a firm-wide issue tracking system (iCAPs), which facilitates:

- A central repository to manage mortgage related Issues and CAPs; and
- Transparent and consistent approach to identifying and managing Mortgage Servicing related risk and issues.

Compliance monitors compliance issues until remediation is completed by periodically reviewing updates from the action plan owner. Compliance must sign off prior to the issue being closed in the iCAPs system. Corrective action associated with supervisory guidance or exams must be validated prior to issue closure.

### 3.11 CHANGE CONTROL

Covered Business Units shall have a change management process that addresses implementation of regulatory changes, changes in policies and procedure, and business process changes<sup>1</sup>. The change control process shall 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 this Program

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<sup>1</sup> The following changes are subject to the Change Management process: legal or regulatory requirement changes; issues and processes related to regulatory examinations; policy and procedure changes; significant changes to O&T that impact customer transactions; delegation of authority changes; technical coding changes (*e.g.*, MIS reports); communications with clients (*e.g.*, marketing, disclosure materials, etc.); mergers, acquisitions, or divestitures; any other change or planned action that impacts Mortgage Servicing Activities.

### 3.12 COMPLAINT MANAGEMENT

The Covered Business Units will maintain protocols for management, response and escalation of consumer complaints, including at a minimum the following:

- Escalation processes to facilitate rapid resolution of complaints to avoid consumer harm, including fast-tracking of foreclosure-related complaints;
- Processes to forward to Compliance all regulatory complaints and complaints alleging fair lending or other compliance concerns
- Standards for complaint management, including response time;
- Monthly complaint tracking reports, as available, are to be consulted to identify areas within Mortgage and Default Servicing that have potential regulatory exposures. Based upon the tracking reports, Compliance determines whether exploratory or deep dive testing should be performed. Compliance prepares and analyzes customer complaint trend reports to aid in identifying potential areas of concern and periodically performs root cause analysis of high risk complaint categories; and
- Distribution of MIS to management and oversight committees as appropriate.

Compliance maintains processes to monitor and track customer complaints to ensure that all complaints forwarded by regulatory bodies are handled expeditiously and any compliance issues raised in complaints are reviewed, appropriately responded to, and any necessary corrective actions are initiated. This includes all complaints received from state or federal regulatory agencies or any complaints that may raise a compliance or regulatory issue.

### 3.13 COMPLIANCE STAFFING MANAGEMENT

Compliance periodically assesses its staffing models in order to be consistent and follow the structure of how capacity is managed across the organization; ensure that the governance that clearly defines required approvals and escalation processes for timely resolution of capacity related disputes is observed; establish the appropriate level of cross-functional vetting to ensure capacity is continually aligned with the business strategy and the results of risk assessments; reinforce the discipline of ongoing capacity assessments to anticipate instead of react to resource needs; and

to establish clear roles and responsibilities related to the management and building of capacity.

To ensure effective coverage, the staffing review must include the following:

- Organization Structure and Alignment;
- Extent of Managerial Resources and their Qualifications;
- Staffing Levels and Capacity Plans;
- Roles & Responsibilities of Staff;
- Skills & Competencies;
- Training and Development Plans/Tools;
- Talent Management Review;
- Performance Management;
- Compensation; and
- Process for Monitoring & Management.

### **3.14 THIRD-PARTY OVERSIGHT AND COMPLIANCE**

All Citi businesses must adhere to the firm's Supplier Selection and Management Policy (SSMP). The SSMP establishes common standards for the selection, risk assessment, and ongoing management of third party providers (TPP). The SSMP sets forth the requirements of the Citi Approved Supplier Program (CASP), requires standard and consistent contract provisions, and facilitates compliance with Citi's Code of Conduct, applicable Citi policies, and regulatory guidance (e.g., OCC Bulletin 2001-47, the FFIEC Outsourcing Technology Services Booklet, and the Federal Reserve Supervisory Letter SR 00-4).

i. Monitoring and Testing: A key component of the TPP program is ongoing monitoring and quality assurance measures. Centralized management control testing is performed on a quarterly basis by an established Centralized Testing Unit (CTU) for Supplier Management. The CTU is managed by the Citi Operations & Technology Risk Management Unit who is responsible for the oversight of program level Supplier Management Testing. The scope and nature of monitoring and testing is based on risk classification. Results of this testing are distributed to all businesses and self assessment entities and entered in the firm's centralized issue and tracking system (iCAPs) for issues escalation and reporting.

Where affiliated or non-affiliated TPPs perform duties as agents of Citi, this Program applies to their activities. The Compliance Department is responsible for incorporating standards that require relevant monitoring and testing to include coverage of vendor's regulatory compliance performance; that business relationship owners are properly trained to provide vendor regulatory compliance oversight; and that policies and training materials are appropriately disseminated.

ii. Specialized Oversight: Specialized oversight programs, with clear Citi ownership and reporting accountability to the REOSC, must be maintained for law firms, third party servicers/subservicers and other specialized service providers as may be determined from time to time by the REOSC. Compliance will ensure that Business Vendor Relationship Managers ensure that each third-party receives appropriate regulatory compliance training. Key aspects of the law firm program include supplemental onboarding requirements, onsite reviews, and ongoing monitoring and oversight. Please refer to the "Legal Department Mortgage Law Firm Policies and Procedures" for more details.

### **3.15 ONGOING PROGRAM DOCUMENTATION: THE REGULATORY REQUIREMENTS MATRIX (RRM):**

Citi Global Compliance has established the RRM as a tool to capture and document, in a single format: (i) the key laws, rules, regulations and related Citi policies; (ii) an estimation of compliance risk associated with each of these (high, medium, low); (iii) the related key controls relied on to mitigate these risks; (iv) the frequency of testing based on risk estimation; and (v) the relevant business(es)/product(s) to which the matrix item applies. The RRM includes, as appropriate, a detailed description of state-specific regulations and requirements as they pertain to Mortgage Servicing. There may be one or more key controls for a requirement, and they may take various forms, including but not limited to: policies, procedures, testing, automated system blocks, maker/checker reviews, certifications, training, exception reporting, and monitoring. RRM's are maintained and updated for key regulatory requirements by Compliance and CER as required by global policy.

## 4 MORTGAGE SERVICING COMPLIANCE PROGRAM ROLES AND RESPONSIBILITIES

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### 4.1 MORTGAGE PRODUCT COMPLIANCE

Mortgage Product Compliance (MPC) provides advice, guidance and support to the Covered Business Units to assist these businesses effectively manage the compliance risk inherent in their operations. The MPC Director is responsible for maintaining this Compliance Program document. The Program shall be updated as necessary and reviewed by Compliance at least annually. Material changes to the Program must be reviewed and approved in the manner set forth in Program Governance, Section 2 of the Program.

Specific responsibilities of the MPC Director and the MPC Department include:

- Establishing Mortgage Servicing compliance risk management standards and processes that enable management to proactively identify, measure, assess, monitor, test and report Mortgage Servicing compliance risks;
- Establishing and documenting the Mortgage Servicing compliance roles and responsibilities of Business Managers, Employees, Compliance and other Control Functions, including CER;
- Maintaining independent monitoring, and issue tracking and corrective action/resolution processes in accordance with this Program;
  - Overseeing/Conducting an annual Mortgage Servicing Compliance Risk Assessment, with interim updates, as part of the overall Global Compliance compliance risk assessment process;
- Developing an Annual Compliance Plan at the direction of Global Compliance that includes key Mortgage Servicing compliance initiatives, projects and activities;
- Reviewing and approving independent testing plans developed by CER;
- Communicating/Reporting the results of its monitoring and other oversight activities to Global Compliance management, business management and management and Board oversight committees set up under this Program per agreed upon schedules;
- Managing the RRI and RRM processes for Mortgage Servicing, in conjunction with Legal and CER;
- Maintaining escalation protocols to senior management and appropriate committees for any significant and emergent issues;
- Advising Covered Business Units on the development and maintenance of compliance training programs. MPC's compliance training roles include:

- Participation in Covered Business Unit's annual training needs assessment and training plan development process;
  - Ongoing review and approval of new or changing training materials;
  - Development of training content for key regulatory compliance training programs;
  - Monitoring business performance against delivery and attendance of training as required and within prescribed timeframes;
  - Recommending training enhancements to address issues found through oversight reviews;
  - Overseeing and confirming revision of applicable training to reflect changes in the regulatory environment; and
  - Participating in Compliance training as required to enhance and maintain expertise level.
- Overseeing Mortgage Servicing business lines in their development, implementation and monitoring of compliance policies, procedures and controls to meet their compliance obligations (for ongoing operations, and for new products or business strategies, initiatives and projects);
  - Assisting Mortgage Servicing business line management in assessing the impact of changes in regulations and business operations on the compliance risks and controls affecting their businesses;
  - Participating on Oversight Committees which review and determine actions necessary to implement new or changed regulatory requirements based on Legal's summary;
  - Overseeing periodic Mortgage Servicing compliance staffing assessments and development of Mortgage Servicing compliance resource plans; and
  - Monitoring and tracking customer complaints to ensure complaints are handled expeditiously and any compliance issues raised in complaints are appropriately responded to and necessary corrective actions are initiated.

## 4.2 BUSINESS MANAGERS

Covered Business Units retain risk ownership and manage the risks originating from their business. As the "first line of defense", businesses therefore must establish effective compliance policies, procedures and controls into their business delivery and operations functions.

Duties and responsibilities include:

- Maintaining an understanding of the compliance risks applicable to the business;
- Establishing the business unit culture of compliance through enforcing business compliance accountability, communicating the importance of behavior consistent with the highest ethical standards, and ensuring that every employee recognizes and is held accountable for his/her compliance responsibilities;
- Developing and maintaining compliance policies, procedures, system and other controls in consultation with Mortgage Compliance department;
- Developing, monitoring, and executing action plans to implement new or changed regulatory requirements;
- Overseeing an ongoing risk based compliance monitoring and testing program (including control self assessments, KRIs and other programs) to verify the adequacy of controls to mitigate compliance risk;
- Developing and implementing corrective actions resulting from issues generated by business unit level testing / monitoring, and testing / monitoring conducted by independent Control functions (including Compliance, Risk Management QA and ARR) and Regulatory Examinations;
- Ensuring sufficient resources - staffing and budget - to design and operate compliance controls and execute compliance-related action plans;
- Incorporating compliance risk considerations into business unit strategy, including significant new initiatives;
- Reviewing Mortgage Servicing compliance reports from MPC;
- Incorporating compliance risk considerations into annual performance management processes and balanced scorecard criteria;
- Maintaining a comprehensive compliance training program in accordance with this Compliance Program including ensuring that employees receive training on all applicable compliance requirements;
- Ensuring all Covered Business Unit employees must observe established Citi escalation protocols to apprise Mortgage Product Compliance or other control function staff of significant regulatory and compliance related events in a timely manner; and
- Maintaining protocols for management, response and escalation of consumer complaints, including at a minimum the following:
  - Escalation processes to facilitate rapid resolution of complaints to avoid consumer harm, including fast-tracking of foreclosure-related complaints;
  - Standards for complaint management, including response time;

- Executive Response Unit (ERU) Complaints Analysis: Monthly complaint tracking reports issued by the ERU are to be utilized to identify potential areas within Mortgage and Default Servicing that have potential regulatory exposures.

### 4.3 LEGAL

Citi Legal manages the legal risk of Citi and supports the risk and control functions in their management of risks. Citi Legal's duties and responsibilities include:

- Providing legal advice to the Compliance and business units on regulatory compliance matters;
- Monitoring and tracking new and changed laws, regulations, and supervisory guidance;
- Facilitating the Regulatory Change Management process by assuring timely receipt and notification to internal parties of changes to federal law and regulations, state law requirements, banks supervisory guidance,, directives issued by Fannie Mae, Freddie Mac, FHA, and VA and any MERs rules;
  - For new or changed regulatory requirements, Legal prepares a summary overview of the new or changed requirements, identifies businesses impacted, and the effective date of the new requirements;
- Participating on Oversight Committees which review and determine actions necessary to implement new or changed regulatory requirements based on Legal's summary;
- Reviewing and approving the regulatory requirements contained in RRI annually;
  - Working with outside counsel to maintain inventories of applicable state and local requirements;
- Assessing legislative, judicial, and regulatory activities and developments to identify potential emerging compliance risks and developments;
- In conjunction with MPC:
  - Advising business managers on new or changed compliance requirements and potential impacts;
  - Advising business managers on compliance and legal risks associated with certain business decisions; and

- Providing information to business managers and Compliance regarding litigation matters that may involve Citi or other market participants and may have a regulatory compliance impact on Citi.

#### **4.4 CONTROL AND EMERGING RISK (CER)**

Citi Control and Emerging Risk (CER) manages independent regulatory compliance testing plans and provides business with guidance on the management of the control environment. CER's duties and responsibilities include:

- Conducting independent testing of key regulatory risks as part of the Compliance Monitoring and Testing Program;
  - Partners with compliance to develop and maintain the test plan;
  - Staffs the testing function with relevant subject matter expertise and knowledge; and
  - Leverages data mining and analysis to discover defects.
- Overseeing control self-assessment programs;
  - Provides guidance and standards for assessment of controls; and
  - Supports systems and technology for consistent reporting of control assessments.
- Supporting Business Risk Control Committees programs and governance;
  - Establishes guidance on the coverage and conduct of meetings and content.
- Reporting, tracking and promoting the prompt resolution of issues and corrective actions;
- Providing business and operations with guidance on the development of effective controls;
  - Establishes guidance on the use of the Regulatory Risk Matrix and the evaluation of related controls and testing.

#### **4.5 RISK MANAGEMENT QUALITY ASSURANCE**

Risk Management Quality Assurance (QA) is an independent control unit within the Default Servicing organization. Its primary function is to serve as a key monitoring and reporting function focusing on quality performance for critical default servicing activities. Risk Management QA duties and responsibilities include:

- Maintaining independence of the QA practice from broader Mortgage Servicing;
- Developing the scope of Covered Business Units that are regularly reviewed as part of the QA process;
- Creating and conducting a Quality Review Process of these business units;
- Evaluating the ability of Mortgage Servicing to ensure fair and equitable treatment of borrowers in conformance with all applicable standards;
- Reporting findings, results, and feedback to Senior Management, Risk Management, Default Servicing, Compliance, and Audit & Risk Review (ARR);
- Conducting ongoing monitoring of new and significantly changed business practices;
- Ensuring appropriate corrective actions, including enhancements and additions to necessary training, are established when appropriate; and
- Conducting subsequent analysis of corrective actions to determine the effectiveness of actions implemented.

#### **4.6 AUDIT AND RISK REVIEW**

Audit and Risk Review (ARR) provides management and the Board with independent and objective insights on important risks and the effectiveness of the control environment. ARR's compliance-related duties and responsibilities include:

- Maintaining auditable universe of compliance risk entities which are risk-based and dynamically adjusted on topical issues, emerging risks and new regulations;
- Integrating compliance risk into ARR's entity risk assessment to drive the audit coverage for the year, which is periodically adjusted;
- Executing compliance-related audit programs to ensure that risks in the entities under review are appropriately identified, measured, monitored and controlled;
- Ensuring that the auditors performing compliance audits possess and maintain required skill sets and knowledge of current regulatory requirements;
- Evaluating the design and operating effectiveness of the US Residential Mortgage enterprise compliance programs and processes;

- Identifying and reporting key control and risk management issues to senior management and the Citigroup and Citibank Audit Committees; and
- Ensuring that effective actions are taken promptly to address control vulnerabilities identified by management, ARR and regulators.

#### **4.7 ALL EMPLOYEES**

All employees must conduct Citi's business, as well as their own personal activities, in accordance with Citi's Code of Conduct, Citi policies, and all applicable state and federal laws or regulations. Specific employee duties and responsibilities relating to Mortgage Servicing include:

- Following this Program and the related compliance policies and procedures established by Compliance and Mortgage Servicing business units;
- Observing the escalation and reporting policies or processes in place across Citigroup to escalate Mortgage Servicing issues;
- Being knowledgeable of, and in compliance with, all regulatory and compliance requirements, and related Citi policies and procedures that are specifically related to their positions;
- Understanding and managing all operational risks affecting their areas of responsibility, including by maintaining adequate internal controls;
- Asking questions or expressing concerns if the employee does not understand their compliance role or responsibility;
- Successfully completing all required compliance training;
- Reporting on a timely basis any matters (whether involving themselves or others) to their supervisor and their Compliance counterpart, that may involve possible compliance breaches or violations; and
- Reporting any violations or potential violations of Citi's policies or Code of Conduct to their manager or anonymously to the Citi Ethics Hotline.

#### **4.8 HUMAN RESOURCES**

Human Resources' compliance-related duties and responsibilities include:

- Overseeing the annual performance review process and ensuring that information and assessments regarding the compliance and regulatory performance of key executives, is incorporated by executive

management in determining the annual performance management rating and incentive compensation;

- Liaising with MPC and business unit management to identify appropriate compliance performance objectives;
- Overseeing the Global Learning Management System (GLMS) to document and monitor employee training fulfillment;
- Overseeing, in consultation with MPC and Covered Business Units, the completion of an annual compliance training needs assessment;
- Overseeing the process to provide employees with certain training notifications, including delinquent notifications for failing to meet training requirements, with escalation to MPC and business line management;
- Providing Covered Business Units and MPC with periodic training reports, including any training exceptions;
- Working with MPC and Covered Business Units in the development of compliance training programs;
- Supporting the delivery of compliance training; and
- Overseeing and supporting the hiring of compliance resources.

## **APPENDIX A: DEFINITIONS**

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**ARR** - Audit and Risk Review

**BRCC** - Business Risk and Control Committee

**CAMBRS** - Citi Anti-Money Laundering Business Rule Standards

**CAMSRA** - Comprehensive Annual Mortgage Servicing Risk Assessment

**CAPs** - Corrective Actions Plans

**CARA** - Compliance Annual Risk Assessment

**CASP** - Citi Approved Supplier Program

**CER** - Controls and Enterprise Risk

**CISS** - Citi Information Security Standards

**Citi** - Citigroup, Inc. and its subsidiaries

**Consent Orders** - FRB and OCC Mortgage Servicing Consent Orders, dated April 13, 2011

**CMAC** - Capital Markets Product Approval Committee

**Covered Business Units** - For the purposes of this document, includes U.S Residential Mortgage Servicers

**CPAC** - Consumer Product Approval Committee

**CSS** - Citi Shared Services

**CSSMP** - Citi Supplier Selection and Management Policy

**CTU** - Central Testing Unit (for supplier management)

**GLMS** - Global Learning Management System

**Global Policy** - For purposes of this document, refers to the Global Compliance Control Policy

**HR** - Human Resources

**iCAPS** - Citi centralized issue and tracking system

**KRI** - Key Risk Indicator

**MPC Director** - Director of Mortgage Product Compliance

**MCC** - Mortgage Compliance Committee

**Mortgage Servicing Activities** - U.S. residential mortgage loan servicing, Loss Mitigation, and foreclosure activities

**OSP** - Outsource Service Provider

**QA** - Quality Assurance

**QC** - Quality Control

**Program** - Mortgage Servicing Compliance Program

**REOSC** - Real Estate Operations Steering Committee

**RRI** - Regulatory Requirements Inventory

**RRM** - Regulatory Risk Matrix

**SME** - Compliance Subject Matter Expert

**TPISA** - Third Party Information Security Assessment

## **APPENDIX B: SUPPORTING COMPLIANCE PROGRAMS/POLICIES**

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Compliance has developed separate policy/program documents (programs) to address certain significant requirements that are applicable to Citi on a firm-wide basis. These requirements-based compliance programs are intended to complement the Mortgage Servicing Compliance Program and are designed to enable Citi to manage and mitigate the risks associated with certain higher-risk regulatory requirements. The programs outline the scope, purpose, and key compliance processes in place to manage, mitigate and oversee the risk associated with these regulatory compliance requirements. The programs include the following:

Fair Lending: - Citi has adopted the U.S. Fair Lending Policy and accompanying U.S. Fair Lending Standards (“Standards”) in order to do business without bias or reliance on stereotypes, comply with laws and regulations that prohibit discrimination in lending, and maintain a reputation for fairness. The Corporate Fair Lending Director is primarily responsible for coordinating and overseeing Citi’s Fair Lending Program. At a business level, Citi has implemented and maintained a Business Fair Lending Program consistent with the U.S. Fair Lending Standards and all applicable fair lending laws and regulations. Each Business has a Business Fair Lending Officer to oversee the Business’s Fair Lending Program, and shall allocate sufficient resources to ensure effective fair lending compliance and risk management. The Business Fair Lending Officer’s responsibilities include conducting a periodic Fair Lending Risk Assessment of the Business; chairing any Business-Level Fair Lending Committee; reviewing current and proposed Business policies and procedures for fair lending impact; directing Business-Level fair lending testing and monitoring; and managing fair lending reviews and examinations.

Anti-Money Laundering (AML): - All Citi employees are expected to be vigilant in the fight against financial crime and must not allow Citi to be used for money laundering, terrorist financing activities, or other criminal activity. Citi’s Board of Directors has designated a Global AML Compliance Officer or the Global Head, AML & Sanctions Compliance responsible for coordinating and managing Citi’s AML Compliance Program, reviewing Citi’s adherence to applicable laws and regulations, and apprising the Board of Directors and senior management of AML compliance initiatives, any significant compliance deficiencies, and the reporting of suspicious activity in the United States. At a business level, the AML Compliance Program includes a description of the AML Compliance structure, including a description of roles and responsibilities for Compliance and the business; a provision requiring the designation and certification of an AML; a Compliance Officer (AMLCO) assigned to a particular country or business who is responsible for coordinating, monitoring, testing, and where appropriate, supervising day-to-day compliance with the Global AML Global Anti-Money Laundering Policy.



Privacy: - Citi's Consumer Privacy Program's goal and priority is to maintain customer's trust and confidence when handling their personal information. Citi protects this information by maintaining physical, electronic, and procedural safeguards that meet or exceed applicable law. Employees are trained in the proper handling of personal information and when third parties are used to provide a service for Citi, they must protect the confidentiality of personal information they receive.

**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	4/11/2011
			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>							
<b>Paragraph 4 - Board Oversight</b>							
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<b>Paragraph 100 - Board Oversight</b>							



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
<p><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</p>	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>						
<p><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.</p>	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
<p><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;</p>	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
	The Order	Workplan	Submission Ref	Task	Functional Lead	Status



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