

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of

CITIGROUP INC.
New York, New York

and

CITIFINANCIAL CREDIT COMPANY
Baltimore, Maryland

Docket No. 11-024-B-HC
Docket No. 11-024-B-DEO

CONSENT ORDER

WHEREAS, Citigroup Inc., New York, New York (“Citigroup”), a registered bank holding company, owns and controls Citibank, N.A., Las Vegas, Nevada (the “Bank”), a national bank that owns CitiMortgage, Inc., O’Fallon, Missouri (“CitiMortgage”), an operating subsidiary of the Bank; and Citigroup owns and controls CitiFinancial Credit Company, Baltimore, Maryland (“CitiFinancial”), a nonbank subsidiary of the holding company;

WHEREAS, Citigroup, through CitiMortgage, indirectly engages in the business of servicing residential mortgage loans for the Bank, U.S. government-sponsored entities (the “GSEs”), and various investors;

WHEREAS, Citigroup, through CitiFinancial, indirectly engages in the business of servicing residential mortgage loans that are made by CitiFinancial;

WHEREAS, with respect to the residential mortgage loans it makes and services, CitiFinancial initiates and handles loss mitigation activities involving nonperforming residential

mortgage loans, including activities related to special forbearances, repayment plans, modifications, short refinances, short sales, cash-for-keys, and deeds-in-lieu of foreclosure (collectively, “Loss Mitigation” or “Loss Mitigation Activities”);

WHEREAS, CitiMortgage initiates and handles Loss Mitigation Activities and foreclosure proceedings with respect to the residential mortgage loans it services; and CitiMortgage also handles foreclosure proceedings for CitiFinancial;

WHEREAS, as part of a horizontal review of various major residential mortgage servicers conducted by the Board of Governors of the Federal Reserve System (the “Board of Governors”), the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency (“OCC”), and the Office of Thrift Supervision, examiners from the Federal Reserve Bank of New York (the “Reserve Bank”) and the OCC have reviewed certain residential mortgage loan servicing and foreclosure-related practices at CitiMortgage; and separately Reserve Bank staff has reviewed certain practices at CitiFinancial;

WHEREAS, the Bank and the OCC have entered into a consent order to address areas of weakness identified by the OCC in residential mortgage loan servicing, Loss Mitigation, foreclosure activities, and related functions;

WHEREAS, in the consent order, the OCC has made findings, which the Bank neither admitted nor denied, that there were unsafe or unsound practices with respect to the manner in which CitiMortgage handled various foreclosure and related activities. The OCC’s findings also raised concerns regarding certain CitiFinancial practices. In addition, the OCC’s findings raised concerns that Citigroup did not adequately assess the potential risks associated with these activities;

WHEREAS, it is the common goal of the Board of Governors, the Reserve Bank, and Citigroup that Citigroup maintains effective corporate governance and oversight over the consolidated organization, including the establishment and maintenance of robust risk management, compliance, and internal audit programs to ensure that the consolidated organization operates in a safe and sound manner and in compliance with the terms of mortgage loan documentation and related agreements with borrowers, all applicable state and federal laws (including the U.S. Bankruptcy Code and the Servicemembers Civil Relief Act), rules, regulations, and court orders, as well as the Membership Rules of MERSCORP, Inc. and MERS, Inc. (collectively, “MERS”), servicing guides with GSEs or investors, and other contractual obligations, including those with the Federal Housing Administration and those required by the Home Affordable Modification Program (“HAMP”), and loss share agreements with the Federal Deposit Insurance Corporation (collectively, “Legal Requirements”);

WHEREAS, it is the further goal of the Board of Governors, the Reserve Bank, and Citigroup that Citigroup and its subsidiaries effectively manage their legal, reputational, and compliance risks;

WHEREAS, the boards of directors of Citigroup and CitiFinancial at duly constituted meetings, adopted resolutions authorizing and directing any Executive Officer and any Executive Officer to enter into this Consent Order to Cease and Desist (the “Order”) on behalf of Citigroup and CitiFinancial, and consenting to compliance with each and every applicable provision of this Order by Citigroup, CitiFinancial, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)), and waiving any and all rights that Citigroup and CitiFinancial may have pursuant to section 8 of the FDI Act, including, but not

limited to: (i) the issuance of a notice of charges; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; (iv) contest the issuance of this Order by the Board of Governors; and (v) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and without this Order constituting an admission by Citigroup, CitiFinancial, or any other their subsidiaries of any allegation made or implied by the Board of Governors in connection with this matter, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, it is hereby ordered that, pursuant to sections 8(b)(1) and (3) of the FDI Act (12 U.S.C. §§1818(b)(1) and 1818(b)(3)), Citigroup, CitiFinancial, and their institution-affiliated parties shall cease and desist and take affirmative action as follows:

Source of Strength

1. 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.

Board Oversight

2. 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 CitiMortgage or CitiFinancial. The plan shall, at a minimum, address, consider, and include:

(a) Policies to be adopted by the board of directors that are designed to ensure that the ERM program provides proper risk management oversight with respect to CitiMortgage's and CitiFinancial's residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, particularly with respect to compliance with the Legal Requirements, and supervisory standards and guidance of the Board of Governors as they develop;

(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;

(c) 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; and

(d) 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.

Risk Management

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

(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

(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.

Compliance Program

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.

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;
- (b) ensure compliance with the Legal Requirements and supervisory guidance of the Board of Governors; and
- (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.

Audit

5. 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. 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;

- (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;
- (c) ensure that adequate qualified staffing of the audit function is provided for residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;
- (d) ensure timely resolution of audit findings and follow-up reviews to ensure completion and effectiveness of corrective measures;
- (e) ensure that comprehensive documentation, tracking, and reporting of the status and resolution of audit findings are submitted to the audit committee; and
- (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.

CitiFinancial Activities

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

Loss Mitigation option or program, and (ii) whether employee incentive compensation practices discourage Loss Mitigation. The plan shall provide for at least the same level of coordination of communications with borrowers as the level that the Bank and CitiMortgage are required to maintain in their consent order with the OCC.

7. 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.

Approval, Implementation, and Progress Reports

8. (a) Citigroup and CitiFinancial, as applicable, shall submit written plans, policies, and procedures that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 3, 4, 5, 6, and 7 of this Order.

(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.

(c) 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.

(d) 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.

9. 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. The Reserve Bank may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

Notices

10. All communications regarding this Order shall be sent to:

- (a) F. Christopher Calabia
Vice President, Financial Institutions Group
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
- (b) Kevin Thurm
Deputy General Counsel
Citigroup Inc.
399 Park Avenue
New York, New York 10022
- (c) Linda S. Davis
Executive Vice President, Secretary, and Deputy General Counsel
CitiFinancial Credit Company
300 St. Paul Place (BSP17C)
Baltimore, Maryland 21202

Miscellaneous

11. The provisions of this Order shall be binding on Citigroup, CitiFinancial, and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

12. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

13. Notwithstanding any provision of this Order, the Reserve Bank may, in its sole discretion, grant written extensions of time to Citigroup and CitiFinancial to comply with any provision of this Order.

14. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any further or other action affecting Citigroup, CitiFinancial, or any of their current or former institution-affiliated parties or their successors or assigns.

15. Nothing in this Order, express or implied, shall given to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim under this Order.

By Order of the Board of Governors effective this 13th day of April, 2011.

CITIGROUP INC.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ Michael S. Helfer
Michael S. Helfer
General Counsel and
Corporate Secretary

By: /s/ Jennifer J. Johnson
Jennifer J. Johnson
Secretary of the Board

CITIFINANCIAL CREDIT COMPANY

By: /s/ Linda S. Davis
Linda S. Davis
Executive Vice President and Secretary