

CitiFinancial



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

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT
REFLECTS ATTORNEY-CLIENT COMMUNICATIONS

May 26, 2011

Mr. F. Christopher Calabia
Vice President, Financial Institutions Group
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

Re: In the Matter of Citigroup Inc. and CitiFinancial Credit Company, Docket Nos. 11-024-B-HC & 11-024-B-DEO – Consent Order dated April 13, 2011

Dear Mr. Calabia:

This letter responds to Paragraph 7 of the referenced Consent Order which requires CitiFinancial Credit Company (“CitiFinancial”) to submit to the Federal Reserve Bank of New York, within 45 days of the date of the Consent Order, acceptable policies and procedures for the oversight of foreclosure activities performed by CitiMortgage, Inc., and its applicable subsidiaries (“CitiMortgage”) on behalf of CitiFinancial. The policies and procedures are required to 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 applicable “Legal Requirements” as that term is defined in the Consent Order. With respect to its business in general and its CitiMortgage oversight policy and procedures in particular, CitiFinancial operates within Citigroup policies and procedures and is supported by Citigroup functions, such as risk management, compliance and internal audit, which are independent of the business.

CitiFinancial’s philosophy is that foreclosures do not benefit the lender or the borrower, and therefore CitiFinancial branch employees work hard to ensure that borrowers are given every opportunity for loss mitigation in order to avoid foreclosure. When loss mitigation efforts by the CitiFinancial branch have been unsuccessful in curing the delinquency, generally at about 90 days’ delinquency, the CitiFinancial mortgage account is transferred to CitiMortgage for further servicing, loss mitigation, and foreclosure processing if foreclosure cannot be avoided.

The enclosed submission consists of a narrative response summarizing CitiFinancial’s plans for overseeing CitiMortgage’s handling of our foreclosure accounts to ensure compliance


with Legal Requirements concerning foreclosure activities, along with the proposed CitiFinancial Oversight Policy for CitiMortgage Default Servicing of CitiFinancial Mortgage Accounts and the proposed Oversight Procedures for CitiMortgage Default Servicing. Specifically, our response describes CitiFinancial's proposed oversight structure, which will involve creation within CitiFinancial of a CitiMortgage Default Servicing Oversight Committee, composed of CitiFinancial managers in relevant disciplines. The Oversight Committee will have its first organizational meeting no later than June 30, 2011. The activities of the Committee will be coordinated by a CitiFinancial Relationship Manager, who will act on behalf of CitiFinancial to assist in the implementation of the oversight policy; oversee the relationship between CitiFinancial and CitiMortgage concerning Legal Requirements applicable to foreclosure activities; and gather information for the Oversight Committee. This newly created position will be at the level of a Senior Vice President or higher and will require in-depth mortgage and operations experience. The CitiFinancial Relationship Manager will work with a designated counterpart at CitiMortgage who will be at a similar level.

CitiFinancial plans to immediately begin implementation efforts on its proposed oversight policy and procedures, which are an exhibit to this submission. The policy and procedures: (1) will be formally adopted by CitiFinancial within ten days of Federal Reserve Bank approval; (2) shall be revised as necessary during the term of the Consent Order to incorporate new or changed Legal Requirements and supervisory guidance of the Federal Reserve Board by submission to the Federal Reserve for approval with the quarterly progress reports; and (3) shall not otherwise be amended or rescinded without the prior written approval of the Federal Reserve Bank. CitiFinancial's proposed oversight policy and procedures have been developed based on a review of CitiMortgage's procedures, as of May 2011, regarding oversight of law firms and foreclosure documentation execution. We understand that CitiMortgage is continuing to enhance and strengthen its procedures under the Consent Orders and therefore changes may be made in the future. CitiFinancial will have the opportunity to review and comment upon changes in procedures that affect the servicing of CitiFinancial accounts before such changes are finalized.

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

CitiFinancial is committed to full compliance with the requirements of the Consent Order and we are working closely with our affiliates to that end. In this regard, our approach to oversight of CitiMortgage's handling of our accounts and this response have been reviewed by not only CitiFinancial Board of Directors but also the Mortgage Compliance Committee of the Citigroup Board of Directors among others within Citi. My staff and I are available to respond to any questions or to provide additional information to you at your convenience.

Very truly yours,



Mary H. McDowell
President and CEO

Enclosures

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

CONFIDENTIAL
Bank Examination Material
Pursuant to 5 U.S.C. § 552 (b)(4) and (b)(8); 12 U.S.C. § 1828(x)

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

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**CitiFinancial Response to
Paragraph 7 of Consent Order, Dated April 13, 2011**

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.

In response to paragraph 7 of the Consent Order to Cease and Desist dated April 13, 2011 issued by the Board of Governors of the Federal Reserve System (the "Consent Order"), outlined below are the steps CitiFinancial has taken and is taking to put in place policies and procedures for the oversight of CitiMortgage's foreclosure activities, and attached is a proposed oversight policy. [See Exhibit 1 Proposed CitiFinancial Oversight Policy for CitiMortgage Default Servicing, (the "Oversight Policy")]. The Oversight Policy contains a series of procedures designed to ensure that CitiMortgage complies with all relevant Legal Requirements as specified in the Consent Order with respect to foreclosures of any residential mortgages otherwise serviced by CitiFinancial.¹ CitiMortgage, Inc. and its applicable subsidiaries are referred to herein as "CitiMortgage" or "CMI".

CitiFinancial's network of community-based branch offices services mortgage loans until a loan reaches a stage of serious delinquency where loss mitigation efforts by the branch have been unsuccessful at preventing the loan from moving toward

¹ The Consent Order defines compliance with "Legal Requirements" to include operation "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." Consent Order at 3. Because CitiFinancial's business model is to originate and hold loans, CitiFinancial does not use MERS to assign mortgages, and has not sold loans to GSEs or investors. In addition, CitiFinancial does not participate in HAMP, the Federal Housing Administration program, or in loss share agreements with the Federal Deposit Insurance Corporation.

foreclosure. Once the CitiFinancial recommendation to proceed with foreclosure is approved by CitiMortgage, the servicing of the account is transferred to CitiMortgage specialists in foreclosure processing, generally at 90 days' delinquency.² CitiFinancial's relationship with CitiMortgage is governed by an inter-company servicing agreement that has been in place since 2004. In addition to the inter-company servicing agreement, CitiFinancial will implement a service-level agreement ("SLA") that will contractually obligate CitiMortgage to submit to CitiFinancial's oversight procedures outlined below and detailed in the Oversight Policy. The SLA will be implemented by July 31, 2011, and CitiMortgage has represented to us that it will negotiate and enter into an SLA with CitiFinancial by that date.

The implementation of the Oversight Policy will be managed by the CitiFinancial Executive Vice President of Operations, who reports to CitiFinancial's Chief Executive Officer. The Executive Vice President of Operations and his staff will coordinate the activities of the newly established CitiMortgage Default Servicing Oversight Committee (the "Oversight Committee"), which will include senior representatives from CitiFinancial, including a broad representation of business and functional stakeholders, including Risk, Operations, Compliance, Legal, Home Office Credit, Finance, and Business Services. The Oversight Committee will be assisted by a designated manager employed by CitiFinancial (the "CitiFinancial Relationship Manager"), who will act on behalf of CitiFinancial to assist in the implementation of this policy; oversee the relationship between CitiFinancial and CitiMortgage; and gather information for the Oversight Committee.

² Most CitiFinancial accounts going into the foreclosure process are electronically "swept" from the CitiFinancial branch into the centralized CitiMortgage operation for further servicing at about 90 days delinquent, but there are situations for which the timing of the sweep is different. The foreclosure process starts with the CitiFinancial branch preparing a Foreclosure Analysis Review package concerning a seriously delinquent mortgage account. The package is forwarded to the CitiFinancial Foreclosure Support Group for further equity analysis no later than the fifth working day of the month in which the account reaches 60 days past due. By the end of that month, CitiFinancial forwards the package, including the equity analysis and a recommendation to foreclose, to the CitiMortgage Pre-Foreclosure Group, which reviews the package and determines whether to proceed with CitiFinancial's recommendation to foreclose. If CitiMortgage determines to proceed with CitiFinancial's recommendation to foreclose, the account is placed on a weekly sweep report, which results in the account being electronically swept from the branch and into CitiMortgage for further handling. The actual sweep usually occurs in the month when the account is 90 days delinquent. Exceptions to this timing may occur in several situations. If a bankruptcy indicator is placed on a mortgage account, the account is swept into CitiMortgage's Bankruptcy Group in the month in which the bankruptcy indicator is placed regardless of the delinquency status. Certain states have implemented requirements that borrowers receive a "notice of intent to foreclose" letter, which prohibits initiation of foreclosure for a specified time period. In those states, the foreclosure process is put on hold until after the expiration of the time period during which the borrower may take steps to cure the delinquency. Similarly, the foreclosure process is put on hold if the borrower has undertaken a modification or other loss mitigation effort with CitiFinancial. In the case of bankruptcy, the account may be swept before 90 days delinquency and, in the latter two situations, the borrower is allowed further time to pursue mitigation options and the account may not be swept to CitiMortgage or may sweep at a later date. CitiFinancial will also oversee CitiMortgage's handling of any CitiFinancial account being serviced in CitiMortgage's centralized operation if the foreclosure process is suspended for any reason.

The CitiFinancial Relationship Manager is a newly-created position that will be occupied by an individual at the Senior Vice President level or higher with in-depth mortgage and operations experience, who will be overseen by the CitiFinancial Executive Vice President of Operations. We will hire the CitiFinancial Relationship Manager or designate an interim CitiFinancial Relationship Manager by June 30, 2011. The CitiFinancial Relationship Manager will work with a designated counterpart at CitiMortgage, who will be an individual at the Senior Vice President level or higher with responsibility for CitiMortgage's servicing of CitiFinancial accounts (the "CitiMortgage Operations Executive").

The CitiFinancial Relationship Manager will be responsible for ensuring the timely completion of all tasks required under the Oversight Policy, including evaluating information reported by CitiMortgage; coordinating on-site meetings with CitiMortgage management and reviews of CitiMortgage's foreclosure activities; and ensuring that CitiMortgage implements any corrective action necessary. At the completion of any oversight activity, the CitiFinancial Relationship Manager and the CitiMortgage Operations Executive will hold meetings and discussions to review open issues and ensure that appropriate corrective action plans, if any, are in place with associated time lines. The CitiFinancial Relationship Manager will present the summary review or monitoring report to the Oversight Committee for review.

The Oversight Committee and the CitiFinancial Relationship Manager will meet quarterly or more frequently as necessary to, among other things, review corrective actions, if any, that CitiFinancial or CitiMortgage has determined are appropriate. The Oversight Committee will make a determination whether such corrective actions are sufficient or make recommendations to the CitiFinancial Relationship Manager. The CitiFinancial Relationship Manager will work with the CitiMortgage Operations Executive or his/her designee to execute corrective actions, if any. The CitiMortgage Operations Executive will ensure the completion of timely corrective action(s), if any, and will inform the CitiFinancial Relationship Manager as to the status of the corrective actions, if any.

The Oversight Committee will meet with senior CitiMortgage Default Servicing and Foreclosure Support managers quarterly to discuss any corrective action plans that the Oversight Committee considers insufficient, and to discuss the status of CitiMortgage's corrective action plans, if any. In the interim between quarterly meetings, should the Oversight Committee believe that any adverse findings require immediate attention, the Oversight Committee shall convene an emergency meeting and contact CitiMortgage management to ensure that the findings are addressed immediately.

The CitiFinancial Relationship Manager will be responsible for escalating any material issue that cannot be resolved at these quarterly meetings or in the interim between quarterly meetings to the CitiFinancial senior management team. If the CitiFinancial senior management team cannot resolve the issue, then the CitiFinancial CEO or Executive Vice President of Operations will concurrently escalate the issue to the

CitiFinancial Board of Directors, the CitiFinancial Business Risk Control Committee, and Citi Real Estate Steering Committee (“RESC”).

We have reviewed the policies and procedures CitiMortgage had in place as of May 2011 regarding oversight of foreclosure activities, and we continue to be involved in discussions of planned enhancements. We believe that CitiMortgage's planned enhancements will be sufficient to comply with the Legal Requirements and the requirements of Article IV of the Comptroller of the Currency's April 13, 2011 Consent Order with Citibank, N.A. Should CitiMortgage intend to further change its policies with respect to foreclosure activities in a manner that would materially affect the foreclosure on loans originally serviced by CitiFinancial, CitiFinancial will, in accordance with SLA terms, review and comment on the proposed changes prior to their approval. Below, we outline the steps CitiFinancial will take to ensure proper oversight of CitiMortgage's foreclosure activities on CitiFinancial's behalf.

* * * * *

The CitiFinancial Oversight Policy will provide for enhanced review of CitiMortgage's foreclosure practices using a number of data metrics, including data regarding the performance of CitiMortgage's foreclosure law firms and CitiMortgage's Document Execution group. In addition, the Oversight Policy will provide for on-site review of CitiMortgage's foreclosure activities, which will include meetings with CitiMortgage management and file-level reviews. The Oversight Committee will be responsible for ensuring that appropriate corrective action is undertaken to correct any issues identified either by CitiMortgage or CitiFinancial. The Oversight Policy will be effective June 1, 2011, and the first meeting of the Oversight Committee to review the Oversight Committee's charter and preliminary information and reports provided by CitiMortgage will occur by June 30, 2011.

To the extent the CitiFinancial Oversight Policy calls for CitiFinancial to obtain information from CMI, or for CitiFinancial to review CMI's practices, the information shall relate only to CitiFinancial mortgage loan accounts and reviews shall only relate to CitiFinancial mortgage loan accounts serviced by CMI.

I. Oversight of CitiMortgage Law Firms

In order to satisfy CitiFinancial that CitiMortgage's foreclosure law firms properly execute foreclosures, CitiFinancial will require CitiMortgage to provide the CitiFinancial Relationship Manager with detailed Review Grading and Rating Worksheets regarding CitiMortgage's on-site review of foreclosure law firms, and will follow up with CitiMortgage to confirm that law firms implement necessary corrective action for any issues that are identified. Designated CitiFinancial representatives will also conduct twice-yearly on-site reviews of CitiMortgage's foreclosure activities, which will include interviews with management and review of CitiMortgage's procedures for

ensuring foreclosure law firms' compliance with CitiMortgage policies. In addition, CitiFinancial will perform targeted testing of loan files to determine whether law firms are complying with federal and state laws, rules and regulations.

CitiFinancial will require CitiMortgage to provide the CitiFinancial Relationship Manager with detailed Review Grading and Rating Worksheets regarding CitiMortgage's on-site reviews of any law firm that has foreclosed on loans originally serviced by CitiFinancial during the period of CitiMortgage's review, including summaries of such Review Grading and Rating Worksheets, on a monthly basis. The Review Grading and Rating Worksheets shall reflect an evaluation of each law firm's performance based on metrics relating to processing of cases, including information about the firm's caseload and adherence to timelines; metrics assessing the firm's qualitative performance, including the firm's compliance with state and federal foreclosure law requirements (including requirements relating to fees and charges); any regulatory or other complaints about the firm where there is a finding that the complaint against the firm is justified; any material breach of contract; and any failures to comply with CitiMortgage governance documents.

CitiFinancial will further conduct on-site reviews of CitiMortgage's implementation of policies and procedures with respect to foreclosure law firms. CitiFinancial reviewers will conduct meetings with CitiMortgage management and staff and review the training provided to CitiMortgage employees related to oversight of law firms. Reviewers will observe CitiMortgage staff as they work, and will shadow CitiMortgage reviewers during targeted on-site reviews of law firms. During these shadow reviews, CitiFinancial reviewers' access will be limited to files and data regarding CitiFinancial mortgage loan accounts.

In addition, CitiFinancial will review a targeted sample of loan files to determine whether CitiMortgage's foreclosure law firms have complied with mortgage loan documentation or other agreements with borrowers, as well as all applicable state and federal laws, rules, regulations and court orders. The targeted samples will include a review of, among other things, compliance with the Servicemembers Civil Relief Act and Bankruptcy laws, as well as legal requirements regarding lost note affidavits.

II. Oversight of CitiMortgage Document Execution

In order to satisfy CitiFinancial that CitiMortgage's Document Execution group, which consists of trained staff dedicated to execution of foreclosure documentation, complies with all relevant state and federal laws, rules, regulations and court orders with respect to foreclosure document execution, CitiFinancial will require CitiMortgage to provide the CitiFinancial Relationship Manager with detailed scorecards regarding the performance of the Document Execution group, as well as summaries of those scorecards, on a monthly basis. Designated CitiFinancial representatives will also conduct twice-yearly on-site reviews of CitiMortgage's document execution practices, which will include interviews with management and review of CitiMortgage's procedures

for ensuring foreclosure documentation is properly executed. In addition, CitiFinancial will perform targeted testing of foreclosure documentation to determine whether the Document Execution group is complying with federal and state laws, rules and regulations.

CitiFinancial will require CitiMortgage to provide the CitiFinancial Relationship Manager with detailed scorecards regarding CitiMortgage's quality control procedures for document execution, as well as summaries of those scorecards, on a monthly basis. These scorecards will reflect an evaluation of individual and team level performance for the Document Execution group, and they shall include both operations volume and statistics measuring whether documents were properly executed. These statistics will include information about whether the execution of documents complied with applicable law, including whether foreclosure fees complied with state law limitations.

At least twice-yearly, designated CitiFinancial representatives will also review CitiMortgage's document execution practices through on-site visits of CitiMortgage. During these on-site visits, CitiFinancial reviewers will interview staff members to ascertain whether they possess the training necessary to perform this role. Further, CitiFinancial reviewers will examine policies and procedures and training materials to determine whether necessary controls are in place to ensure that documents are properly executed. CitiFinancial reviewers will also observe document execution practices and training sessions to verify that the Document Execution group follows its policies and procedures.

Finally, CitiFinancial will engage in targeted reviews of CitiMortgage's foreclosure document execution staffing models and performance. CitiFinancial will periodically review whether CitiMortgage's staffing models are sufficient to ensure proper document execution. Reviewers from CitiFinancial will also request random samples of foreclosure files from CitiMortgage to confirm that documents in the file are accurate and in compliance with applicable legal requirements. The reviewers will look closely at the files to determine whether, when appropriate, the Document Execution group properly signed and notarized the documents and whether it examined the necessary information before executing documents.

III. Additional Oversight

In addition to the oversight measures outlined above, CitiFinancial will monitor other information relevant to CitiMortgage's foreclosure activities. CitiFinancial will review the results of any CitiMortgage management self-assessments of control performance related to foreclosure activities. CitiFinancial also will review any relevant regulatory complaints or assessments regarding CitiMortgage, and will liaise with Audit and Risk Review to facilitate periodic business monitoring and reviews. In addition, on a monthly basis, CitiFinancial will obtain and review the results of reviews completed by

Citi Control and Emerging Risk, which will perform targeted reviews of CMI's foreclosure activities.

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Bank Examination Material
Pursuant to 5 U.S.C. § 552(b)(4) and (b)(8); 12 U.S.C. § 1828(x)



EXHIBIT 1

***CITIFINANCIAL OVERSIGHT POLICY -CITIMORTGAGE DEFAULT
SERVICING OF CITIFINANCIAL MORTGAGE ACCOUNTS***

OWNER:
CITIFINANCIAL EXECUTIVE VICE PRESIDENT, OPERATIONS

ISSUE DATE:
MAY 2011



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I. Overview

1.1 Objective

The objective of this policy is to ensure appropriate, consistent, and rigorous oversight of the activities of CitiMortgage, Inc. ("CMI") in the context of CMI's provision of mortgage foreclosure support services to the CitiFinancial Credit Company ("CitiFinancial"), which transfers the servicing of seriously delinquent mortgage loans to CMI, generally at 90 days' delinquency, for default servicing up to and including foreclosure and sale of the real property securing the loans. The objective of the CitiFinancial oversight is to ensure compliance with pertinent legal requirements, including 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 ("Legal Requirements") in the default servicing and foreclosure of CitiFinancial accounts.

1.2 Scope

This policy applies to CitiFinancial.

1.3 Target Audience

The target audience for this policy is all CitiFinancial personnel responsible for the oversight of CMI in connection with its management of foreclosure activities in connection with CitiFinancial mortgage accounts, including the individuals specified in Section 2.1 of this policy.

1.4 Owner

This policy is owned by the CitiFinancial Executive Vice President of Operations or other executive officers as designated by the CEO of CitiFinancial. This policy, and any amendments to this policy, must be approved by the CEO of CitiFinancial.

1.5 Effective Date / Transition Period

This policy is effective June 1, 2011.



1.6 Retired Policies / Related Policies

This is a new CitiFinancial policy.

1.7 Exception Process

Exceptions to this policy must be approved by the CitiFinancial Executive Vice President of Operations, or Designee, with notification of material exceptions to the CEO of CitiFinancial.

1.8 Board Approval/Board Reporting

The Board of Directors of CitiFinancial Credit Company reviews and approves this policy annually.



II. Policy

This policy provides for oversight of CMI in connection with its management of foreclosure activities in connection with CitiFinancial mortgage accounts. To the extent this policy calls for CitiFinancial to obtain information from CMI, or for CitiFinancial to review CMI's practices, the information shall relate only to CitiFinancial mortgage loan accounts and reviews shall only relate to CitiFinancial mortgage loan accounts serviced by CMI.

2.1 Governance

The implementation of this policy will be managed by the CitiFinancial Executive Vice President of Operations, who reports to CitiFinancial's Chief Executive Officer. The Executive Vice President of Operations and his staff will coordinate the activities of the CitiMortgage Default Servicing Oversight Committee (the "Oversight Committee"), which includes senior CitiFinancial representatives from a broad representation of business and function stakeholders, including:

- Risk
- Operations
- Compliance Control
- Legal
- Home Office Credit
- Finance
- Business Services

The CitiFinancial Executive Vice President of Operations and the Oversight Committee will be aided by a designated manager employed by CitiFinancial (the "CitiFinancial Relationship Manager") who will act on behalf of CitiFinancial to assist in the implementation of this policy; oversee the relationship between CitiFinancial and CMI; and gather information for the Oversight Committee.

The CitiFinancial Relationship Manager will be responsible for ensuring the timely completion of all tasks required under this policy, including:

- evaluating information reported by CMI;



- coordinating on-site meetings with CMI management and reviews of CMI's foreclosure activities;
- confirming that CMI implements any corrective action necessary;
- monitoring and, as required by CitiFinancial senior management, periodically preparing reports regarding CMI's relationships with key third parties and targeted reports as requested; and
- prioritizing and escalating issues as necessary to the Oversight Committee and CitiFinancial senior management.

The Oversight Committee and the CitiFinancial Relationship Manager will meet internally and with CMI every quarter. Material concerns will be raised and addressed with CMI in these quarterly meetings.

- The CitiFinancial Relationship Manager will be responsible for escalating any material issue that cannot be resolved at these quarterly meetings or in the interim between quarterly meetings to the CitiFinancial senior management team. If the CitiFinancial senior management team cannot resolve the issue, then the CitiFinancial CEO or Executive Vice President of Operations will escalate the issue to the CitiFinancial Board of Directors, the CitiFinancial Business Risk Control Committee, and the Citi Real Estate Steering Committee ("RESC").

2.2 Policy Requirements

The Oversight Committee and the CitiFinancial Relationship Manager will be responsible for providing oversight of CMI's foreclosure activities in connection with CitiFinancial mortgage accounts, including CMI's compliance with all applicable Legal Requirements. This policy requires monitoring of CMI's use of law firms that bring foreclosure actions in connection with CitiFinancial loan accounts, as well as CMI's compliance with documentation execution policies and procedures that comply with applicable state and federal legal requirements. The CitiFinancial Relationship Manager will act on behalf of CitiFinancial to assist in the implementation of this policy; oversee the relationship between CitiFinancial and CMI; and gather information for the Oversight Committee. The Oversight Committee and the CitiFinancial Relationship Manager will be responsible for ensuring that any necessary corrective action steps are undertaken in a timely manner. The requirements of this policy are listed



below, and detailed procedures for the implementation of these policy requirements are described in Appendix B.

- CitiFinancial shall oversee CMI's usage of foreclosure law firms used to bring foreclosure actions in connection with CitiFinancial loan accounts in the following manner:
 - CitiFinancial shall require CMI to provide the CitiFinancial Relationship Manager with detailed Review Grading and Rating Worksheets regarding CMI's on-site reviews of any law firm that foreclosed on loans serviced on behalf of CitiFinancial during the period of review, as well as summaries of those Review Grading and Rating Worksheets, on a monthly basis. These Review Grading and Rating Worksheets shall include metrics related to the following information:
 - Law firm's caseloads and compliance with timelines;
 - Law firm's compliance with state and federal foreclosure law requirements (including requirements relating to fees and charges);
 - Any regulatory or other complaints about the law firm;
 - Any significant breach of contract by the law firm; and
 - Any law firm failures to comply with CMI governance documents.
 - CitiFinancial shall conduct semi-annual on-site reviews of CMI for the purpose of monitoring CMI's implementation of policies and procedures with respect to foreclosure law firms. The reviews shall include the following components:
 - Interviews with CitiMortgage management and staff;
 - Review of training provided to CMI employees related to oversight of law firms; and
 - Observation of CMI staff, including shadowing of targeted on-site reviews of law firms.
 - CitiFinancial shall review a targeted sample of loan files to ensure that CMI's foreclosure law firms have complied with all applicable Legal Requirements, including the following:



- Compliance with requirements of mortgage loan documentation and other agreements with borrowers;
- Compliance with the Servicemembers Civil Relief Act; and
- Compliance with U.S. Bankruptcy laws.
- CitiFinancial shall confirm that the law firms undertake in a timely manner any corrective action steps required by CMI. Should CitiFinancial determine that any law firms have failed to take required corrective action, CitiFinancial will follow the escalation procedures described in Section 2.1, above.
- CitiFinancial shall oversee CMI's document execution practices in the following manner:
 - CitiFinancial shall require CMI to provide the CitiFinancial Relationship Manager with detailed scorecards regarding CMI's quality control procedures for document execution, as well as summaries of those scorecards, on a monthly basis. These scorecards shall include metrics related to the following information:
 - Information regarding operations volume and the results of quality control reviews; and
 - Information regarding overall compliance with the Legal Requirements.
 - CitiFinancial shall conduct semiannual on-site reviews of CMI's document execution practices. The reviews shall include the following components:
 - Interviews with staff members to ascertain whether they possess the necessary training;
 - Monitoring of policies and procedures, including training materials;
 - Observation of document execution practices and training sessions; and
 - Examination of whether CMI policies, procedures, training and controls are appropriately applied to CMI's Document Execution staff.



- CitiFinancial shall conduct targeted reviews of CMI's foreclosure document execution staffing models and performance to ensure that CMI's Document Execution group has complied with all applicable Legal Requirements. The reviews will include:
 - Ascertaining whether staffing models are reasonable and allow sufficient time for document execution;
 - Ascertaining whether documents were properly signed and notarized; and
 - Verifying that necessary documentation was examined prior to execution.
- CitiFinancial shall confirm that CMI takes any corrective action determined to be necessary in a timely manner. Should CitiFinancial determine that CMI has failed to take required corrective action, CitiFinancial will follow the escalation procedures described in Section 2.1, above.
- CitiFinancial shall also provide the following additional oversight to CMI:
 - Review the results of any management self-assessment of control performance;
 - Monitor regulatory complaints or assessments regarding CMI;
 - Liaise with Audit and Risk Review to facilitate periodic business monitoring and reviews; and
 - Obtain and review the results of reviews completed by Citi Control and Emerging Risk, which will perform targeted reviews of CMI's foreclosure activities.



Appendix A: Contacts and References

- **Contacts**
 - CitiFinancial Relationship Manager of CitiMortgage
 - CitiMortgage Operations Executive
 - Executive Vice President of CitiFinancial Operations
 - Head of CitiMortgage Foreclosure Processing



Appendix B

CitiFinancial Oversight Procedures for **CitiMortgage Default Servicing of CitiFinancial Mortgage** **Accounts**

Version 1
May 2011

Contact: CitiFinancial Relationship Manager



Scope and Purpose

The following procedures support the implementation of CitiFinancial's Oversight Policy for CitiMortgage Default Servicing of CitiFinancial Mortgage Accounts (the "Oversight Policy"). The procedures are designed to ensure that CitiMortgage ("CMI") complies with all relevant Legal Requirements as specified in the Consent Order with respect to foreclosures of any residential mortgages otherwise serviced by CitiFinancial. To the extent these procedures call for CitiFinancial to obtain information from CMI, or for CitiFinancial to review CMI's practices, the information shall relate only to CitiFinancial mortgage loan accounts and reviews shall only relate to CitiFinancial mortgage loan accounts serviced by CMI.

Oversight Committee Activities and Interaction Model

The CitiFinancial Relationship Manager will prepare and present a quarterly performance presentation to the Oversight Committee addressing CMI's performance against service level standards. The CitiFinancial Compliance Department will also present a summary of the compliance review results including any material findings, business issues and the associated corrective action plans, if any, to the Oversight Committee on a quarterly basis. As required by the Oversight Policy, the Oversight Committee will meet quarterly to review key MIS reporting included in the performance presentation regarding CMI's provision of default servicing and foreclosure for the CitiFinancial loan portfolio, including but not limited to:

- ❖ CMI's performance against service level standards;
- ❖ CMI's certifications with respect to its performance on relevant internal and external examinations.
- ❖ key change control updates (includes material changes in policies and procedures, law change implementation, and system platform changes); and
- ❖ servicing-related fraud updates.

The Oversight Committee will maintain minutes of quarterly Committee meetings.

Escalation Procedures

At the completion of any oversight activity, the CitiFinancial Relationship Manager and the CMI operations executive with responsibility for its servicing of CitiFinancial



accounts (CMI Operations Executive) will hold meetings and discussions to review open issues, and ensure that appropriate corrective action plans, if any, are in place with associated time lines. (The CitiFinancial Relationship Manager will be a designated executive employed by CitiFinancial who will act on behalf of CitiFinancial to assist in the implementation of the Oversight Policy; oversee the relationship between CitiFinancial and CMI; and gather information for the Oversight Committee.) CitiFinancial Relationship Manager will present the summary review or monitoring report to the Oversight Committee for review.

The Oversight Committee and the CitiFinancial Relationship Manager will meet quarterly to, among other things, review corrective actions, if any, that CitiFinancial or CMI has determined are necessary with respect to its servicing operations. The Oversight Committee will make a determination whether such corrective actions are sufficient or make recommendations to the CitiFinancial Relationship Manager. The CitiFinancial Relationship Manager will work with the CMI Operations Executive or his/her designee, as necessary to execute corrective actions, if any. The CMI Operations Executive will ensure the completion of timely corrective action(s), if any, and will inform the CitiFinancial Relationship Manager as to the status of the corrective actions, if any.

The Oversight Committee will meet with senior CMI Default Servicing and Foreclosure Support managers quarterly to discuss any corrective action plans that the Oversight Committee considers insufficient, and to discuss the status of CMI's corrective action plans, if any. In the interim between quarterly meetings, should the Oversight Committee believe that any adverse findings require immediate attention, the Oversight Committee shall convene an emergency meeting and contact CMI management to ensure that the findings are immediately addressed.

The CitiFinancial Relationship Manager will be responsible for escalating any material issue that cannot be resolved at these quarterly meetings or in the interim between quarterly meetings to the CitiFinancial senior management team. If the CitiFinancial senior management team cannot resolve the issue, then the CitiFinancial CEO or Executive Vice President of Operations will escalate the issue to the CitiFinancial Board of Directors, the CitiFinancial Business Risk Control Committee, and the Citi Real Estate Steering Committee ("RESC").

The above-referenced escalation procedures apply to all of the oversight review and monitoring activities described below.



Monitoring of Law Firm Review Grading and Rating Worksheets

The CitiFinancial Relationship Manager will obtain Review Grading and Rating Worksheets and summaries of Review Grading and Rating Worksheets from the Legal Department, which will contain information related to (i) firm's compliance with state and federal foreclosure law requirements (including requirements relating to fees and charges); (ii) regulatory or other complaints about the firm; (iii) significant breaches of contract; (iv) failures to comply with Citi governance documents; and (v) aggregated results of the foreclosure control group's internal reviews of documents uploaded into the living files for foreclosures.

The CitiFinancial Relationship Manager will review the Review Grading and Rating Worksheets and summaries of Review Grading and Rating Worksheets and will prepare a quarterly report summarizing any adverse findings (defined as ratings of Unsatisfactory or Less than Satisfactory) detailed in the Review Grading and Rating Worksheets. The CitiFinancial Relationship Manager will present the quarterly report to the Oversight Committee for review.

The CitiFinancial Relationship Manager and the CitiFinancial Compliance and Legal Departments will review the findings in the report and make a determination with respect to each law firm that had adverse findings against it and whether the corrective action plans, if any, are sufficient. Should the CitiFinancial Relationship Manager and the CitiFinancial Compliance and Legal Departments determine that any law firms have failed to take required corrective action, the CitiFinancial Relationship Manager will follow the escalation procedures described above.

Participation in Law Firm Supervisory Visits

The CitiFinancial Executive Vice President of Operations or his/her designee will ensure that selected representatives from the CitiFinancial Compliance or Legal Departments participate in selected on-site Law Firm Supervisory Visits.

On a semi-annual basis, the CitiFinancial Relationship Manager will work with CMI's Attorney Management team to identify the population of Law Firms scheduled for Supervisory Visit Reviews. Based on the law firms scheduled for Supervisory Visit Reviews and using a sample selection technique which meets minimum Citi testing standards for management self-assessments of control performance, the CitiFinancial Relationship Manager will select a sample of Supervisory Visit Reviews, which CitiFinancial Legal or Compliance will participate in during the testing period. Designated reviewers from the CitiFinancial Compliance or Legal Departments will



execute a participation plan for Supervisory Visit Reviews, addressing the monitoring of law firm compliance with mortgage loan documentation standards and the Legal Requirements (to include coverage of SCRA and Bankruptcy requirements).

The CitiFinancial Compliance or Legal Department will complete a draft report summarizing the results of the review and provide it to the CitiFinancial Relationship Manager.

Monitoring of Document Execution Scorecards

Monthly, the CitiFinancial Relationship Manager will obtain the aggregated results of CMI's Document Execution Scorecard from CMI. The CitiFinancial Relationship Manager will review the scorecards and summaries of scorecards and will prepare a quarterly report summarizing findings for any employees or teams rated Unsatisfactory and associated corrective action plans, if any. The CitiFinancial Relationship Manager will present the quarterly report to the Oversight Committee for review.

Validations of CMI Quality Assurance Test Program results

Citi Control and Emerging Risk will perform periodic validations of the following modules of the monthly CMI Quality Assurance Test Program:

- ❖ Pre-foreclosure - Foreclosure Analysis Review
- ❖ Pre-foreclosure - Foreclosure Approval Notes Review
- ❖ Foreclosure in Process - Lost Note Affidavit
- ❖ Foreclosure in Process - Affidavit (e.g. Affidavit of Default)
- ❖ Foreclosure in Process - Non-Affidavits (Conveyance documents)

The CitiFinancial Relationship Manager will obtain and review any validations performed since the prior quarter's review and prepare a quarterly report summarizing the findings and associated corrective action plans, if any. The CitiFinancial Relationship Manager will present the quarterly report to the Oversight Committee for review.

Targeted Compliance Reviews

Citi Control and Emerging Risk conducts reviews of CMI controls ensuring compliance with Legal Requirements.



On a monthly basis, CitiFinancial Compliance Department will obtain and review the summary results of targeted compliance testing for reviews completed in the preceding month from Citi Control and Emerging Risk. The CitiFinancial Compliance Department will review results, identify material findings or business issues, and review recommended corrective action plans, if any.

Independent Sample Testing

In addition to the reviews and validations described above, in order to provide the Oversight Committee with completely independent assessments of CMI's performance against service level standards including its compliance with the Legal Requirements, the CitiFinancial Compliance Department will sponsor and maintain a program of second level independent sample testing.

Periodically (at minimum semi-annually), the CitiFinancial Relationship Manager working with the CitiFinancial Compliance and Legal Departments will obtain metrics from CMI Foreclosure and Default to identify the populations of CitiFinancial loans in Pre-Foreclosure and Foreclosures in Process statuses. Based on the population data, samples of loans will be independently selected for testing using sample selection techniques which meet minimum Citi Risk and Control testing standards. The Compliance Department will design and execute an ongoing monitoring and control plan addressing: 1) law firm compliance with mortgage loan documentation standards and the Legal Requirements; and 2) work performed by CMI's Document Execution group in order to verify that foreclosure documents comply with CMI policy and the Legal Requirements.

Monitoring of Key Risk Indicators

The CitiFinancial Relationship Manager will obtain the CMI Key Risk Indicators (KRIs) from CMI Compliance. In consultation with the Oversight Committee, the CitiFinancial Relationship Manager and the CitiFinancial Compliance Departments will review, maintain and report on the set of KRIs to support CitiFinancial's oversight of CMI Default Servicing. Pursuant to Citi's Operational Risk Management Policy, KRIs are metrics that can be utilized to monitor the default servicing risk and control environment and assess the effectiveness of CMI's key operating controls against regulatory risks.

Key Risk Indicators will be developed for the following regulatory risk areas:

- ❖ U.S. Bankruptcy Code



- ❖ Servicemembers Civil Relief Act
- ❖ CMI staffing for foreclosure activities support staff
- ❖ Affidavits (foreclosures in process; includes factual assertions and amounts, execution and notarization)
- ❖ Foreclosure sales (includes notice requirements)

On a quarterly basis, the CitiFinancial Compliance Department will submit compiled KRI results for the preceding quarter for Oversight Committee review. Threshold breaches will be handled pursuant to the above-referenced escalation procedures.

Monitoring of Complaint Trends

The CitiFinancial Compliance Department will obtain and review CitiFinancial customer complaint data pertaining to CMI default servicing and foreclosure support from the Customer CARE Department and the Executive Response Unit. The CitiFinancial Compliance Department will compile and present summary results of such customer complaint trending to the Oversight Committee on a quarterly basis.

Governance Monitoring and Oversight

The CitiFinancial Compliance Department will compile and present to the Oversight Committee on at least a quarterly basis summary results of its monitoring of the periodic results of the following compliance governance programs:

- ❖ Any CMI management self-assessments of control performance testing results;
- ❖ Information Security policy compliance (updates on data breaches and Security Incident Response Team escalations; and Third Party Information Security Assessment Program if applicable) from the CMI Business Information Security Office;
- ❖ Validation of employee regulatory and Fair Lending training for CMI support staff engaging in servicing of CitiFinancial loans; includes periodic review of the training materials and quarterly review of exception reports from the CMI Training Department; and



- ❖ Continuation of Business policy compliance (validation of evidence of appropriate due diligence for disaster recovery planning for CMI operations) from the CMI Continuation of Business Coordinator.

Additionally, the CitiFinancial Compliance Department will work with Audit and Risk Review to facilitate the completion of any requests to the Oversight Committee for deliverables or inquires made to the Committee pursuant to Audit and Risk Review's periodic business monitoring or reviews related to Oversight Committee activities. The CitiFinancial Relationship Manager will keep abreast of Audit and Risk Review's schedule of business monitoring and reviews pertaining to CMI default servicing and foreclosure support and to assist with coordination of any associated required activities or deliverables.