# CFPB Orders Citi Subsidiaries to Pay $28.8 Million for Giving the Runaround to Borrowers Trying to Save Their Homes

Mortgage Servicers Kept Borrowers in the Dark About Options, Demanded Excessive Paperwork

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**WASHINGTON, D.C.** – The Consumer Financial Protection Bureau (CFPB) today took separate actions against CitiFinancial Servicing and CitiMortgage, Inc. for giving the runaround to struggling homeowners seeking options to save their homes. The mortgage servicers kept borrowers in the dark about options to avoid foreclosure or burdened them with excessive paperwork demands in applying for foreclosure relief. The CFPB is requiring CitiMortgage to pay an estimated $17 million to compensate wronged consumers, and pay a civil penalty of $3 million; and requiring CitiFinancial Services to refund approximately $4.4 million to consumers, and pay a civil penalty of $4.4 million.

"Citi's subsidiaries gave the runaround to borrowers who were already struggling with their mortgage payments and trying to save their homes," said CFPB Director Richard Cordray. "Consumers were kept in the dark about their options or burdened with excessive paperwork. This action will put money back in consumers' pockets and make sure borrowers can get help they need."

## CitiFinancial Servicing

CitiFinancial Servicing is made up of four entities incorporated in Delaware, Minnesota, and West Virginia, and headquartered in O'Fallon, Mo. All are direct subsidiaries of CitiFinancial Credit Company, and an indirect subsidiary of New York-based Citigroup, Inc. As a mortgage servicer, CitiFinancial Servicing collects payments from borrowers for loans it originates. It also handles customer service, collections, loan modifications, and foreclosures.

CitiFinancial Servicing originates and services residential daily simple interest mortgage loans. With these loans, the interest amount due is calculated on a day-to-day basis, unlike a typical mortgage, where interest is calculated monthly. With a daily simple interest loan, the consumer owes less interest and pays more toward principal when they make monthly payments before the due date. But if payments are late or irregular, more of the consumer's payment goes to pay interest. Some consumers who notified CitiFinancial Servicing that they faced a financial hardship were offered "deferments." This postponed the consumer's next payment due date, and the consumer could still be considered current on payments. But CitiFinancial Servicing did not treat a deferment as a request for foreclosure relief options, also called loss mitigation options, as required by CFPB mortgage servicing rules.

CitiFinancial Servicing violated the Real Estate Settlement Procedures Act, the Fair Credit Reporting Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act's prohibition on deceptive acts or practices. Specifically, CitiFinancial Servicing:

- **Kept consumers in the dark about foreclosure relief options**: When borrowers applied to have their payments deferred, CitiFinancial Servicing failed to consider it as a request for foreclosure relief options. As a result, borrowers may have missed out on options that may have been more appropriate for them. Such requests for foreclosure relief trigger protections required by CFPB mortgage servicing rules. The rules include helping borrowers complete their applications and considering them for all available foreclosure relief alternatives.

- **Misled consumers about the impact of deferring payment due dates:** Consumers were kept in the dark about the true impact of postponing a payment due date. CitiFinancial Servicing misled borrowers into thinking that if they deferred the payment, the additional interest would be added to the end of the loan rather than become due when the deferment ended. In fact, the deferred interest became due immediately. As a result, more of the borrowers' payment went to pay interest on the loan instead of principal when they resumed making payments. This made it harder for borrowers to pay down their loan principal.

- **Charged consumers for credit insurance that should have been canceled:** Some borrowers bought CitiFinancial Servicing credit insurance, which is meant to cover the loan if the borrower can't make the payments. Borrowers paid the credit insurance premium as part of their mortgage payment. Under its terms, CitiFinancial Servicing was supposed to cancel the insurance if the borrower missed four or more monthly payments. But between July 2011 and April 30, 2015, about 7,800 borrowers paid for credit insurance that CitiFinancial Servicing should have canceled under those terms. These payments were still directed to insurance premiums instead of unpaid interest, making it harder for borrowers to pay down their loan principal.

- **Prematurely canceled credit insurance for some borrowers**: CitiFinancial Servicing prematurely canceled credit insurance for some consumers. Some of those borrowers later had claims denied because CitiFinancial Servicing had improperly canceled their insurance.

- **Sent inaccurate consumer information to credit reporting companies**: CitiFinancial Servicing incorrectly reported some settled accounts as being charged off. A charged-off account is one the bank deems unlikely to be repaid, but may sell to a debt buyer. At times, the servicer continued to send inaccurate information about these accounts to credit reporting companies, and didn't correct bad information it had already sent.

- **Failed to investigate consumer disputes**: CitiFinancial did not investigate consumer disputes about incorrect information sent to credit reporting companies within the required time period. In some instances, they ignored a "notice of error" sent by consumers, which should have stopped the servicer from sending negative information to credit reporting companies for 60 days.

Under the consent order, CitiFinancial Servicing must:

- **Pay $4.4 million in restitution to consumers**: CitiFinancial Services must pay $4.4 million to wronged consumers who were charged premiums on credit insurance after it should be been canceled, or who were denied claims for insurance that was canceled prematurely.

- **Clearly disclose conditions of deferments for loans**: CitiFinancial Servicing must make clear to consumers that interest accruing on daily simple interest loans during the deferment period becomes immediately due when the borrower resumes making payments. This means more of the borrowers' loan payment will go toward paying interest instead of principal. CitiFinancial Servicing must also treat a consumer's request for a deferment as a request for a loss mitigation option under the Bureau's mortgage servicing rules.

- **Stop supplying bad information to credit reporting companies**: CitiFinancial Servicing must stop reporting settled accounts as charged off to credit report companies, and stop sending negative information to those companies within 60 days after receiving a notice of error from a consumer. CitiFinancial Servicing must also investigate direct disputes from borrowers within 30 days.

- **Pay a civil money penalty:** CitiFinancial Servicing must pay $4.4 million to the CFPB Civil Penalty Fund for illegal acts.

**The consent order against Citi Financial Services is available at:**
**http://files.consumerfinance.gov/f/documents/201701_cfpb_CitiFinancial-consent-order.pdf**

## CitiMortgage

CitiMortgage is incorporated in New York, headquartered in O'Fallon, Mo., and is a subsidiary of Citibank, N.A. CitiMortgage is a mortgage servicer for Citibank and government-sponsored entities such as Fannie Mae and Freddie Mac. It also fields consumer requests for foreclosure relief, such as repayment plans, loan modification, or short sales.

Borrowers at risk of foreclosure or otherwise struggling with their mortgage payments can apply to their servicer for foreclosure relief. In this process, the servicer requests documentation of the borrower's finances for evaluation. Under CFPB rules, if a borrower does not submit all the required documentation with the initial application, servicers must let the borrowers know what additional documents are required and keep copies of all documents that are sent.

However, some borrowers who asked for assistance were sent a letter by CitiMortgage demanding dozens of documents and forms that had no bearing on the application or that the consumer had already provided. Many of these documents had nothing to do with a borrower's financial circumstances and were actually not needed to complete the application. Letters sent to borrowers in 2014 requested documents with descriptions such as "teacher contract," and "Social Security award letter." CitiMortgage sent such letters to about 41,000 consumers.

In doing so, CitiMortgage violated the Real Estate Settlement Procedures Act, and the Dodd-Frank Act's prohibition against deceptive acts or practices. Under the terms of the consent order, CitiMortgage must:

- **Pay $17 million to wronged consumers**: CitiMortgage must pay $17 million to approximately 41,000 consumers who received improper letters from CitiMortgage. CitiMortgage must identify affected consumers and mail each a bank check of the amount owed, along with a restitution notification letter.

- **Clearly identify documents consumers need when applying for foreclosure relief**: If it does not get sufficient information from borrowers applying for foreclosure relief, CitiMortgage must comply with the Bureau's mortgage servicing rules. The company must clearly identify specific documents or information needed from the borrower and whether any information needs to be resubmitted. Or it must provide the forms that a borrower must complete with the application, and describe any documents borrowers have to submit.

- **Freeze any foreclosures related to the flawed application process and reach out to harmed consumers**: For consumers covered under the order who never received a decision on their application, CitiMortgage must stop all foreclosure-related activity, and reach out to these borrowers to determine if they want foreclosure relief options.

- **Pay a civil money penalty:** CitiMortgage must pay $3 million to the CFPB Civil Penalty Fund for illegal acts.

The consent order reflects that CitiMortgage took affirmative steps to reach out to some borrowers before it may have been required to by CFPB rules. While those borrowers also would have benefited from more tailored and accurate notices, and the institution will provide compliant notices to them going forward, those individuals were not included the affected group of consumers in this settlement. This will avoid penalizing the institution for making additional effort, which the Bureau encourages other institutions to make as well.

**The consent order against CitiMortgage is available at:**
**http://files.consumerfinance.gov/f/documents/201701_cfpb_CitiMortgage-consent-order.pdf**

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*The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.*