

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

Docket No. 18-027-CMP-HC

Order of Assessment of a Civil
Money Penalty Issued Upon
Consent Pursuant to the Federal
Deposit Insurance Act, as Amended

WHEREAS, Citigroup Inc., New York, New York (“Citigroup”), a registered bank holding company, owns and controls CitiFinancial Credit Company, Baltimore, Maryland (“CitiFinancial”), a nonbank subsidiary of the holding company;

WHEREAS, Citigroup, through CitiFinancial, prior to September 15, 2017, indirectly engaged in the business of servicing residential mortgage loans made by CitiFinancial;

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal banking agency supervisor of Citigroup and CitiFinancial;

WHEREAS, a horizontal review of major residential mortgage servicers conducted in 2010 by federal banking agencies and a related review of certain practices at CitiFinancial raised concerns at that time that Citigroup had not adequately assessed the risks associated with residential mortgage loan servicing, foreclosure activities and related functions;

WHEREAS, on April 13, 2011, the Board of Governors issued a Consent Order against Citigroup and CitiFinancial relating to mortgage servicing and requiring Citigroup and CitiFinancial to take specific measures to address deficiencies relating to mortgage servicing (as amended on February 28, 2013, the “Consent Order”);

WHEREAS, the Consent Order stated that the conduct that was the subject of the Consent Order allegedly constituted unsafe or unsound practices in conducting the affairs of Citigroup within the meaning of section 8 of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1818) (the “FDI Act”);

WHEREAS, on February 13, 2012, the Board of Governors issued an Order of Assessment of a Civil Money Penalty Issued Upon Consent against Citigroup based on the conduct that was the subject of the Consent Order;

WHEREAS, beginning in the second half of 2014, Citigroup began taking steps to exit the mortgage servicing business of CitiFinancial;

WHEREAS, Citigroup identified and reported evidence that, from January 2015 through August 2015, in connection with the exit of the servicing business of CitiFinancial:

(a) mortgage-related affidavits were executed by CitiFinancial employees making assertions regarding the ownership of the mortgage note (“Lost Note Affidavits”) in which the affiant represented that the assertions in the affidavit were based on personal knowledge or based on a review by the affiant of the relevant books and records, when, in certain cases, the signer was not in a position to have personal knowledge or review the relevant books and records; and

(b) Lost Note Affidavits were not properly notarized as they were not signed or affirmed in the presence of a notary.

WHEREAS, CitiFinancial states that Lost Note Affidavits that may have been impacted by the conduct described above were, where necessary, replaced by CitiFinancial with properly executed and notarized affidavits before being used, in courts or otherwise, to make assertions regarding the ownership of lost mortgage notes;

WHEREAS, the conduct described above occurred while Citigroup and CitiFinancial were subject to the Consent Order, which required them to remedy deficiencies relating to mortgage servicing;

WHEREAS, as a result of the conduct described above, Citigroup, through CitiFinancial, engaged in unsafe or unsound banking practices within the meaning of section 8 of the FDI Act, as amended (12 U.S.C. § 1818);

WHEREAS, Citigroup and CitiFinancial have taken steps to address the deficiencies that were the subject of the Consent Order, replaced, where necessary, the affidavits potentially impacted by the conduct described above with properly executed and notarized affidavits, and taken steps to correct weaknesses related to the conduct described above;

WHEREAS, as of September 15, 2017, Citigroup has completed the exit of the mortgage servicing business of CitiFinancial;

WHEREAS, the Board of Governors issues this Order of Assessment of a Civil Money Penalty Issued Upon Consent (the “Consent Assessment Order”) against Citigroup;

WHEREAS, Citigroup has consented to the assessment of a civil money penalty in the amount of \$8,600,000 by the Board of Governors pursuant to sections 8(b)(3) and (i)(2)(B) of the FDI Act, as amended (12 U.S.C. §§ 1818(b)(3) and 1818(i)(2)(B));

WHEREAS, the board of directors of Citigroup has authorized the undersigned signatory to enter into this Consent Assessment Order on behalf of Citigroup, and consent to compliance with each and every provision of this Consent Assessment Order, and to waive any and all rights that Citigroup may have pursuant to section 8 of the FDI Act (12 U.S.C. § 1818), and 12 C.F.R. Part 263, including, but not limited to: (i) the issuance of a notice of assessment of civil money penalty; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Consent

Assessment Order; (iii) judicial review of this Consent Assessment Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness, or enforceability of this Consent Assessment Order or any provision hereof;

NOW, THEREFORE, it is hereby ordered by the Board of Governors, 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 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, pursuant to sections 8(b)(3) and (i)(2)(B) of the FDI Act (12 U.S.C. §§ 1818(b)(3) and 1818(i)(2)(B)), that:

1. The Board of Governors hereby assesses Citigroup a civil money penalty in the amount of \$8,600,000 to be paid upon the execution of this Consent Assessment Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 05 1000033, beneficiary, Board of Governors of the Federal Reserve System. This penalty is deemed to be a penalty paid to a government agency for a violation of law for purposes of 26 U.S.C. § 162(f) and 26 C.F.R. § 1.162-21. The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of the Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)).

Communications

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

- (a) Richard M. Ashton, Esq.
Deputy General Counsel
Patrick M. Bryan, Esq.
Assistant General Counsel
Board of Governors of the Federal Reserve System
20th and C Streets N.W.
Washington, D.C. 20551

(b) Charles Sgro, Esq.
Deputy General Counsel
Citigroup Inc.
388 Greenwich Street
New York, New York 10013

Miscellaneous

3. The provisions of this Consent Assessment Order shall be binding on Citigroup and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)) in their capacities as such, and their successors and assigns.

4. Except as otherwise provided in this paragraph, the Board of Governors hereby agrees not to initiate any further enforcement actions, including for civil money penalties, against Citigroup, and its affiliates, successors, and assigns, with respect to the conduct described in the WHEREAS clauses of this Consent Assessment Order to the extent known by the Board of Governors as of the effective date of this Consent Assessment Order. This release and discharge shall not preclude or affect: (i) any right of the Board of Governors to determine and ensure compliance with this Consent Assessment Order, (ii) any proceedings brought by the Board of Governors to enforce the terms of this Consent Assessment Order, or (iii) any proceedings brought by the Board of Governors against individuals who are or were institution-affiliated parties of Citigroup or CitiFinancial.

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

By order of the Board of Governors effective this 10th day of August, 2018.

CITIGROUP INC.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ Rohan Weerasinghe
Rohan Weerasinghe
General Counsel and Secretary

By: /s/ Ann E. Misback
Ann E. Misback
Secretary of the Board