



Citi Monitorship

Menu Items 1H and 4A

Twelfth Report

March 2020

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I. INTRODUCTION

This is the twelfth report of the Monitor pursuant to the July 11, 2014 agreement (the “Settlement Agreement”) among Citigroup, Inc. (“Citi”), the U.S. Department of Justice (“DOJ”), and the States of California, New York, Illinois, Delaware, and the Commonwealth of Massachusetts (collectively, the “Settling States”).

As the Monitor has explained in previous reports, as part of the Settlement Agreement, Citi committed to pay \$4.5 billion to the DOJ and the Settling States,¹ acknowledged a statement of facts,² and agreed to provide consumer relief valued at \$2.5 billion consistent with requirements set forth in Annex 2 of the Settlement Agreement.³ Under the Settlement Agreement, Thomas J. Perrelli serves as the independent Monitor (the “Monitor”) to determine Citi’s compliance with the consumer relief and corresponding requirements of Annex 2.

As described in previous reports, Citi provides relief under Annex 2 according to the following steps:

- ▶ For relief involving loans to individual borrowers, two of the Citi business units internally charged with performing consumer relief activities—CitiFinancial Servicing, LLC (“CFS”) and CitiMortgage, Inc. (“CMI”)—identify loans that they believe are eligible to receive creditable relief under the Settlement Agreement, and they provide the actual relief and notice to borrowers.
- ▶ For relief involving affordable housing under Menu Item 5, another Citi business unit, Citi Community Capital, solicits and reviews potential eligible projects.
- ▶ CFS, CMI, and/or Citi Community Capital then submit the relief to the Citi Internal Review Group (“IRG”), a group of Citi employees required to be fully independent of Citi’s business units. The IRG tests and confirms the eligibility of the relief and determines the amount of credit earned. The IRG’s review is

¹ Settlement Agreement, July 11, 2014, at 2, available at <http://www.citigroupmonitorship.com/settlement-agreement/>.

² Settlement Agreement, July 11, 2014, Statement of Facts (Annex 1), http://www.citigroupmonitorship.com/wp-content/uploads/2015/06/statement_of_facts.pdf.

³ Settlement Agreement, Annex 2 (“Annex 2”), July 11, 2014, available at http://www.citigroupmonitorship.com/wp-content/uploads/2015/06/annex_2.pdf.

governed by testing procedures reached through agreement between Citi and the Monitor to ensure that the relief satisfies the requirements of Annex 2.

- ▶ The IRG then submits the relief to the Monitor, certifying as to the IRG's review of the submitted relief and validation of the amount of credit earned.
- ▶ The Monitor retains final responsibility for ensuring that relief for which Citi receives credit satisfies the requirements of Annex 2 of the Settlement Agreement. The Monitor's team, in coordination with consultants, evaluates, credits, and reports on the relief.⁴ During the course of the Monitorship, as contemplated by the Settlement Agreement, the Monitor's team has engaged in periodic review of previously credited relief to ensure that it comported fully with the Settlement Agreement.⁵

Annex 2 categorizes creditable relief into "menu items." Each menu item has unique eligibility requirements. The appropriate Citi business unit determines which loans meet the requirements for a given menu item, the IRG tests that determination, and the Monitor evaluates the IRG's conclusion. If a loan satisfies the requirements for more than one menu item, Citi may select the menu item under which it seeks credit for that loan.

This report includes the following:

- ▶ An explanation of how Citi submits items for credit under Menu Items 1H and 4A.
- ▶ An explanation of the Monitor's process for evaluating credit submissions under Menu Items 1H and 4A.
- ▶ An assessment of relief credited under Menu Items 1H and 4A since the Monitor's November 2018 Ninth Report.
- ▶ A summary of all relief credited to date under the Settlement Agreement.

Citi has stated that it does not plan to submit any further loans for credit under either Menu Item 1H or 4A, so the Monitor anticipates that the credit issued under those menu items in this Report will be the last such credit issued in connection with the Settlement Agreement.

⁴ Monitor's First Report, Jan. 2015, at 12, available at http://www.citigroupmonitorship.com/wp-content/uploads/2015/06/citi_monitorship_initial_report_2015-01-21.pdf. BDO Consulting, a division of BDO USA, LLP ("BDO") served as the Monitor's primary consultant until October 2017, after which Control Risks Group, L.L.C. ("Control Risks") assumed BDO's responsibilities. Bates White LLC also serves as a consultant to the Monitor.

⁵ Monitor's First Report at 17.

II. OVERVIEW OF RELIEF UNDER MENU ITEMS 1H AND 4A

Consumer relief by Citi is eligible for credit under Menu Item 1H if it provides principal forgiveness or extinguishment in connection with either (1) a loan secured to a home by a junior lien⁶ or (2) an unsecured loan. Loans belonging to those categories are called Menu Item 1H Secured and Menu Item 1H Unsecured, respectively. For a loan to be eligible for credit under Menu Item 1H Secured, the borrower cannot have lost the property involuntarily prior to the relevant date, which is generally the date on which Citi offered relief to the borrower (“Offer Date”). A loan may receive credit under Menu Item 1H Unsecured even if the borrower lost the property involuntarily before the relevant date.

Subject to certain adjustments, Menu Item 1H allows Citi to claim \$0.40 in settlement credit for every \$1.00 in principal forgiveness or extinguishment provided.

Consumer relief by Citi is eligible for credit under Menu Item 4A if it forgives the unpaid principal on a loan and releases a lien on real property that is in the first position. As with Menu Item 1H Secured, for a loan to be eligible for credit under Menu Item 4A, the borrower cannot have lost the property involuntarily prior to the relevant date, which is generally the Offer Date.

Subject to certain adjustments, Menu Item 4A allows Citi to claim \$1.00 in credit for every \$1.00 in principal forgiveness offered.

Under Annex 2, Citi must provide at least a combined total of \$820 million in credit under Menu Item 1—including extinguishment relief credit under Menu Item 1H—and Menu Item 4A.⁷

⁶ Under Annex 2, liens are generally described as being in the first position, the second position, or a junior position (i.e., below both first and second positions). Although Menu Item 1H is designed for junior liens and unsecured liens, Annex 2 does not bar Citi from submitting for credit under Menu Item 1H otherwise eligible loans secured by liens in the first or second position. The Settlement Agreement treats loans secured by liens in the first or second position as potentially worthy of greater credit than loans secured by junior liens. Accordingly, a loan eligible under both Menu Item 1H and a menu item reserved for loans secured by more senior liens cannot receive more credit under Menu Item 1H than it would under the other menu item, and it may receive less.

⁷ Annex 2 at 7.

This Report credits loans submitted under Menu Items 1H and 4A that were not credited in the Monitor’s Ninth Report. For Menu Items 1H Secured and 4A, the Ninth Report credited loans submitted as of that time for which the Monitor’s team was able to validate that Citi still had a valid lien by independently reviewing each loan using publicly available land records.⁸ The Ninth Report also credited Menu Item 1H Unsecured loans that met the requirements for such loans.⁹

This Report credits relief associated with the following loans:

- ▶ CFS Menu Item 1H and Menu Item 4A loans that the IRG submitted to the Monitor from September 2018 through April 2019.
- ▶ CMI Menu Item 1H and Menu Item 4A loans that the IRG submitted to the Monitor from September 2018 through April 2019.^{10, 11}

⁸ Monitor’s Ninth Report, Nov. 2018, at 19, 27, available at http://www.citigroupmonitorship.com/wp-content/uploads/2018/11/citigroupmonitor_9threport_final.pdf.

⁹ Monitor’s Ninth Report at 27.

¹⁰ The relief credited in this report under CFS Menu Item 1H Unsecured includes relief previously submitted under Menu Items 1D, 1E, 1H, or 4A that the Monitor did not credit due to certain eligibility issues caused by Citi’s reliance on inadequate lien priority analysis by one of Citi’s vendors. Monitor’s Ninth Report at 12-15. The CFS Menu Item 1H Secured relief credited here also includes relief previously credited under Menu Item 4A for which the Monitor withdrew credit after discovering those eligibility issues. *Id.*

¹¹ The relief for CFS Menu Item 4A loans credited in this report includes relief previously submitted under Menu Item 1E but never credited by the Monitor under that Menu Item. See Monitor’s Ninth Report at 4, 14-15. Under Annex 2, relief eligible for credit under Menu Item 1E is also creditable under Menu Item 4A. *Id.* at 21-22. The CFS Menu Item 4A relief credited here also includes relief previously credited under Menu Item 4A for which the Monitor later withdrew credit upon discovering certain eligibility issues. *Id.*

III. MENU ITEM 1H: SECURED VS. UNSECURED

To be eligible for credit under Menu Items 1H and 4A, a loan had to originate as a residential real estate secured loan. That is, when the borrower originally took out the loan, the promissory note (the agreement to repay the loan) had to be secured by a lien on a residence. Such a lien gives the party holding the promissory note the right to foreclose on the home if the borrower falls too far behind on loan payments.

Because Menu Item 1H is designed for loans originally secured by junior liens, loans submitted for credit under that menu item are likely to be secured by properties that are also secured by other, more senior liens. In general, senior lienholders have priority over junior lienholders when it comes to foreclosing on the secured property. Governments seizing a property for unpaid taxes generally have priority over other lienholders, whether junior or senior. When a senior lienholder forecloses on a property or the government seizes it for unpaid taxes, *all* liens secured by that property are extinguished.

The borrower's obligation to repay the amounts due on the loans, however, does not necessarily end. A foreclosure sale or sale pursuant to tax seizure often does not generate enough money to fully repay the borrower's debts to all of the borrower's mortgage lenders. An unpaid or underpaid lender can still have a valid promissory note for the remaining debt, and the borrower still owes that money as "unsecured" debt. The difference is that lenders can no longer enforce their promissory notes by taking the property from the borrower, given that it has *already* been taken from the borrower.

Under Annex 2, Menu Item 4A loans were creditable only if they remained secured throughout the relevant period. Thus, as discussed below, Citi and the Monitor developed screens and tests to identify any Menu Item 4A loans that became unsecured before Citi offered relief. Any such loans received no credit.

However, under Annex 2, Menu Item 1H loans could be creditable even if they became unsecured during the relevant period. For that reason, the testing and validation of Menu Item 1H loans required separate subcategories for secured and unsecured loans to address each subcategory's distinct eligibility issues.

As discussed in the Monitor’s Ninth Report, lenders often have different legal rights and face different restrictions when enforcing secured debts versus unsecured debts.¹² Three categories of rights and restrictions have proven particularly important for loans submitted for credit under Menu Item 1H. First, federal bankruptcy law generally allows secured liens to survive individual bankruptcies but does not do the same for unsecured liens. Second, in most states, there are different statutes of limitations for foreclosure actions than for actions to enforce unsecured promissory notes. The statutes of limitations for foreclosure are typically longer, so unsecured loans usually become unenforceable faster than secured loans. Third, many states have adopted additional protections for borrowers that apply specifically to “deficiency judgments.” In a deficiency judgment, a judge orders a borrower to pay a mortgage lender the money that the borrower still owes even after a foreclosure sale. Some states prohibit or restrict deficiency judgments, and some states apply different statutes of limitations for deficiency judgments than for promissory notes.

To increase strictness and efficiency, Citi and the Monitor agreed that Citi would subject *all* Menu Item 1H loans, even secured loans, to certain pre-testing screens (detailed below) designed to catch problems with statutes of limitations, bankruptcy, or deficiency judgments that would make Menu Item 1H Unsecured loans ineligible for settlement credit.¹³ The increased strictness came from the fact that, for those three issues, the Menu Item 1H Unsecured screens were more demanding than the eligibility requirements for Menu Item 1H Secured. Despite their greater strictness on those issues, the standards for unsecured loans could be applied more efficiently than the standards for secured loans because they did not require confirming that a particular loan remained secured throughout the relevant period. Confirming a loan’s secured status required individual, loan-by-loan research in land records that had to be conducted by the Monitor’s team or by specialized, independent vendors retained by CFS and CMI.¹⁴

If a loan passed screening and testing under Menu Item 1H Unsecured, it was submitted for crediting as such, even if it had actually remained secured throughout the relevant period.

If a loan failed the Menu Item 1H Unsecured screening, it could be submitted under the Menu Item 1H Secured screening and testing procedures. Those procedures included mandatory individual land record research to confirm that the loan remained secured until Citi offered relief.

Under Annex 2, all eligible Menu Item 1H loans received the same amount of consumer relief credit per dollar of loan forgiven or extinguished, regardless of whether the loans were submitted for credit under Menu Item 1H Unsecured or Menu Item 1H Secured.

¹² Monitor’s Ninth Report at 8-10.

¹³ Monitor’s Ninth Report at 16.

¹⁴ Neither of the third-party vendors that conducted this research was the same vendor that performed the flawed lien priority analysis that contributed to the eligibility issues identified in the Monitor’s Ninth Report.

IV. TESTING AND VALIDATION FOR MENU ITEMS 1H AND 4A

As indicated above, the Monitor's Ninth Report discussed eligibility problems affecting certain loans submitted under Menu Items 1H and 4A (among other menu items).¹⁵ For both menu items, the eligibility concerns involved the statute of limitation issues, bankruptcy issues, and deficiency issues described above, each of which had the potential to make loans ineligible for credit. For Menu Item 4A, the eligibility problems also raised concerns that some liens were not in first position when Citi offered relief; liens below the first position are not creditable under Menu Item 4A.

To resolve those eligibility concerns, the Monitor's team, the Monitor's vendors (Control Risks and Bates White), and Citi worked together to revise the crediting process. This included creating pre-testing screens that CFS and CMI were required to apply before submitting loans to the IRG for testing. It also involved rewriting the agreed-upon "Testing Definitions" and "Test Plans" for Menu Items 1H and 4A that the IRG used to determine whether loans were creditable under those menu items. Further, the Monitor and Citi agreed to change how the Monitor evaluated the IRG's credit submissions for the affected menu items. The loans credited in this Report were subject to those revised documents and procedures.

A. Pre-Testing Screens for Secured Loans (1H Secured and 4A)

Before CFS or CMI submitted loans to the IRG for testing under either Menu Item 1H Secured or Menu Item 4A, they ran the loans through agreed-upon screens designed to eliminate loans that could not possibly be eligible under the relevant menu item. If a loan failed this screening, neither business unit could submit it to the IRG for testing.¹⁶

For both Menu Item 1H Secured and Menu Item 4A, CFS or CMI had to screen each loan to confirm that Citi's lien release vendors had successfully filed a lien release with

¹⁵ Monitor's Ninth Report at 10-12.

¹⁶ Monitor's Ninth Report at 14.

the government entity that maintained the official land records for the property securing the loan. Before CFS or CMI submitted a loan to the IRG under either Menu Item 1H Secured or Menu Item 4A, that loan also had to receive individual, independent review either by the Monitor's team or by independent vendors retained by CFS or CMI to ensure that the borrower had not lost the property involuntarily before Citi offered relief.¹⁷

For Menu Item 4A, CFS or CMI also had to screen each loan to confirm that Citi's system of records ("SOR") showed that the relevant lien originated in the first position. As noted in the Monitor's Ninth Report, imposing this requirement was a conservative means to ensure that a loan was in the first position when Citi offered relief.¹⁸

B. IRG Testing for Menu Item 1H and 4A Loans

Testing for all Menu Item 1H and Menu Item 4A loans was governed by the applicable Testing Definitions and Test Plans, as rewritten by Citi and the Monitor in light of the eligibility issues described above. Those testing documents specified (1) what information CFS and CMI had to provide to the IRG so the IRG could test a credit submission and (2) what the IRG had to test in order to certify that a submission was eligible for credit under the appropriate menu item.¹⁹ If a submission passed IRG testing, it then went to the Monitor for evaluation.

Menu Item 1H and Menu Item 4A each had its own Testing Definition and Test Plan. Some steps were common to both menu items, and some applied to one menu item but not the other. This subsection describes certain key testing steps applicable to one or both menu items.

After Citi sent the IRG a population of loans for which it sought credit under a given menu item, the IRG randomly selected a statistically valid sample and identified that sample to the Monitor.²⁰ The IRG then tested the loans in the sample by reviewing the pertinent data in Citi's SOR. The IRG saved in its work papers screenshots from Citi's SOR evidencing the relevant data. For secured loans, the IRG also reviewed the supporting documents generated and collected by Citi's third-party land records research vendors. The testing was designed to ensure that basic information regarding the loans was accurate, that the amount of credit sought for each loan was accurate, and that the loans were creditable under Menu Item 1H or Menu Item 4A.

¹⁷ This screening did not apply to Menu 1H Unsecured loans. There is no need to record a release in the official land records for an unsecured debt. Further, a debt that becomes unsecured when a borrower loses the relevant property involuntarily can in some circumstances remain enforceable as an unsecured promissory note.

¹⁸ Monitor's Ninth Report at 11 & n.16. Loans that originate in the first position tend to stay there. Loans that originate below the first position can "migrate" up to the first position when the borrower pays off the senior lien(s), but such upward migrations are rare.

¹⁹ Monitor's First Report at 12; Monitor's Ninth Report at 17.

²⁰ The IRG used a 99% confidence level testing for the possibility that the credit was overstated, and used a 2.5% estimated error rate in the population with a 2% margin of error.

As discussed above, being creditable under the relevant menu item required, among other things, that when Citi offered relief in connection with a loan debt, Citi had a valid and enforceable right to collect on that debt. Thus, a loan could not be creditable if, as of the Offer Date, barriers such as bankruptcy protections or statutes of limitations would have prevented Citi from collecting.²¹ For secured loans, a loan was not creditable if the borrower lost the property to foreclosure or tax seizure before the relevant date.

A loan that failed any step set out in the Testing Definitions could fail altogether and thus receive no credit. For example, if for any reason Citi did not have an enforceable right to collect the debt owed on the loan in question, the loan would fail and Citi would receive no credit. Or Citi might misstate the amount of credit to which it was entitled for a particular, eligible loan, in which case the correct credit amount for that loan would be used by the IRG when calculating whether Citi had properly stated the amount of credit to which it was entitled for the loans in the sample.

A sample, and thus the population from which it was drawn, passed IRG testing if the total credit value of any failed loans and any net overstatement of credit (including claims for credit on loans that were not eligible for credit) in the sample was less than the required 2.0% margin of error. Before IRG testing began, CFS or CMI calculated the “Reported Credit Amount” for both the sample and the population. The Reported Credit amount was the total amount of credit sought for all of the loans in the sample or in the population. After completing its testing, the IRG determined the amount of credit to which Citi was entitled for each loan in the sample, assigning a credit value of zero dollars to any failed loans, and then recalculated the total “Actual Credit Amount” for the sample. After making that determination, the IRG concluded whether the sample passed its testing and took the appropriate steps:

- ▶ If the Reported Credit Amount for the sample was within 2.0% of the Actual Credit Amount for the sample, the sample passed IRG testing. The IRG then reported the Reported Credit Amount for the entire population to the Monitor as the amount of credit claimed for the population.
- ▶ If the Reported Credit Amount for the sample was more than 2.0% above the Actual Credit Amount for the sample, the sample failed. The IRG then returned the entire population to CFS or CMI for correction. After correcting the failed population, the relevant business unit could resubmit the corrected population, at which point the IRG would select a new sample and conduct fresh testing for that sample.²²

²¹ See Monitor’s Ninth Report at 8-10.

²² If the sample’s Reported Credit Amount was below the sample’s Actual Credit Amount by more than 2.0% (meaning that Citi’s submission actually requested *less* credit than Citi was entitled to receive), Citi could choose either to (1) take the lower amount or (2) correct the underreported credit and resubmit the corrected population for resampling and fresh testing.

a) Testing Steps Applicable to Both Menu Item 1H and Menu Item 4A

For Menu Items 1H and 4A, the IRG's testing steps included checking Citi's SOR and—as applicable—the vendor's land records reports to determine whether:

- ▶ Citi completed its offer of relief to the borrower on a "Completion Date" between April 30, 2014 and December 31, 2018.²³ *If not, the loan failed.*
- ▶ Citi disclosed to the borrower the potential tax consequences of receiving relief. *If not, the loan failed.*
- ▶ Citi had an enforceable right to repayment on the debt, including being within the applicable statute of limitations, when it offered relief to the borrower. *If not, the loan failed.*

As set out above, for secured loans, having an enforceable right to repayment required (among other things) that the borrower not have involuntarily lost the property to foreclosure or tax seizure before Citi offered relief. The testing procedures for secured loans, therefore, classified those loans into "scenarios" that indicated the degree of risk that the borrower had lost the property involuntarily. Different procedures for testing enforceability applied to loans in different scenarios. The scenario system and the corresponding testing procedures are described later in this Report.

b) Testing Steps for Menu Item 1H

For Menu Item 1H (but not for Menu Item 4A), the IRG's testing steps included checking Citi's SOR and—as applicable—the land records vendor's reports to determine whether:

- ▶ For any secured loan, Citi foreclosed on a senior lien on the same property within six months after the Completion Date. *If so, the loan failed.*
- ▶ Any unsecured loan was within the statute of limitations for a promissory note. *If not, the loan failed.*
- ▶ Bankruptcy proceedings made the loan ineligible for credit because either (1) the debt had been discharged in bankruptcy or (2) for secured loans, Citi held a senior lien on the same property and that property had either suffered a post-origination foreclosure or was subject to ongoing foreclosure proceedings. *If so, the loan failed.*

²³ For Menu Item 1H, the relevant Completion Date was the date on which Citi extinguished the loan. For Menu Item 4A, the relevant Completion Date was the date on which Citi told its lien release vendor to file the release for the forgiven loan.

- ▶ Any unsecured loan was a purchase money mortgage.²⁴ *If so, the loan failed.*

c) Testing Steps for Menu Item 4A

For Menu Item 4A (but not for Menu Item 1H), the IRG’s testing steps included checking Citi’s SOR and—as applicable—the land records vendor’s reports to determine whether:

- ▶ The property was in foreclosure proceedings initiated by Citi as of the Offer Date. *If so, the loan failed.*
- ▶ The loan was in first position at origination. *If not, the loan failed.*
- ▶ Citi’s relief extinguished the loan balance. *If not, the loan failed.*

C. Loan Categorization Scenarios for Secured Loans (1H Secured and 4A)

For Menu Item 1H Secured and Menu Item 4A, the revisions made to the IRG’s testing process as a result of the eligibility issues discussed above included (1) adding steps to assess a given loan’s likelihood of having such eligibility issues and (2) classifying each loan accordingly.

Given that loans submitted for credit under Menu Item 1H Secured and Menu Item 4A were eligible for credit only if they remained secured at least until Citi offered relief, it was particularly important to identify any loans where the underlying property had been foreclosed upon or seized for unpaid taxes before Citi offered relief. As discussed above, foreclosures or tax seizures before the Offer Date would convert secured loans into unsecured loans, making them ineligible for credit as secured loans.²⁵

Citi and the Monitor agreed upon a classification approach designed to make it easier to identify loans affected by foreclosures or tax seizures. The approach required loan-by-loan research in land records, an often complex process performed by third-party vendors that Citi hired. Although CFS and CMI hired different vendors with somewhat different approaches, both vendors had to follow Monitor-approved procedures and apply Monitor-approved standards.

Those procedures and standards were designed, in part, to ensure that the vendors fulfilled their obligation to provide CFS and CMI with the information regarding

²⁴ A “purchase money mortgage” is a mortgage that a home’s seller issues to the buyer in connection with the buyer’s purchase of the home.

²⁵ Foreclosures or tax transfers do not make Menu Item 1H *Unsecured* loans ineligible for credit. The scenario classification system described in this subsection therefore does not apply to those loans.

each property necessary for each business unit to classify the loans into one of four “scenarios.” The scenarios ranked a loan’s risk of having relevant foreclosure or tax seizure issues by determining whether there was any deed activity for the property that might have affected the borrower’s interest in the property during the relevant period. The relevant period began on the “Origination Date” (when the borrower took out the mortgage) and ended on the Offer Date.²⁶

The purpose of the classification system was to separate low-risk loans with no deed activity during the relevant period from all other loans. Transactions creating or terminating a homeowner’s ownership interest in a property are usually commemorated by deeds recorded in official government land records. Such transactions include foreclosures or tax seizures. If there was no deed of any kind recorded in the official records for the relevant property during the relevant period, there very likely was no relevant foreclosure or tax seizure.

As set out in the chart below, low-risk loans were classified as Scenario 1 or 2 loans. They received less scrutiny during Monitor validation. Higher-risk loans, which *did* have deed activity during the relevant period, were classified as Scenario 3 or 4 loans.

Before CFS or CMI could submit any Scenario 3 or 4 loan to the IRG for testing, the Monitor’s team reviewed each loan to determine whether the deed activity in question made the loan ineligible for credit. Any loan found ineligible by the Monitor’s team during this review was not creditable under either Menu Item 1H Secured or Menu Item 4A.

TABLE 1: SCENARIO CLASSIFICATIONS

Scenario	Deed Activity between Origination and Offer	Deed Activity after Offer
1	no	no
2	no	yes
3	yes	no
4	yes	yes

²⁶ As indicated above, a foreclosure on the relevant property that occurred as long as six months after the Offer Date could make a Menu Item 1H Secured loan ineligible if Citi initiated the foreclosure (based on a separate, senior lien). However, the parties agreed that it was unnecessary to include this complication in the scenario system because, in the vast majority of cases, Citi’s SOR would reliably identify such loans, and the IRG’s testing procedures would prevent Citi from receiving credit for them.

D. Scenario 1 or 2 Loans—IRG Testing and Monitor Validation

As indicated above, for lien validity issues, Scenario 1 or 2 loans had different testing requirements than Scenario 3 or 4 loans. Given that Scenario 1 or 2 loans had no deed activity during the relevant period, the testing documents did not make individual review by the Monitor a precondition for validating them for credit necessary under Menu Item 1H Secured or Menu Item 4A.

Regardless of scenario, for all loans in the population, CFS or CMI provided the IRG with the required data elements. Also, regardless of scenario, for all loans in the sample, the relevant business unit provided the IRG with all supporting documents generated and collected by the business unit's land records research vendors. The IRG then tested the samples in accordance with the appropriate testing documents and either passed or failed each sample and recalculated the credit amount that Citi had earned for that loan.

After the Scenario 1 or 2 loans credited in this Report passed IRG testing, the Monitor's team and the Monitor's vendors evaluated the submission samples and populations as follows:

- ▶ The Monitor and Control Risks reviewed each Scenario 1 or 2 loan in a given sample to verify the IRG's decision to pass the sample.
- ▶ The Monitor's team, Control Risks, and Bates White performed data integrity testing on key data elements for all Scenario 1 or 2 loans in a given population to identify any potential widespread issues.

For the loans credited in this Report, the Monitor and the Monitor's vendors determined that the IRG had properly passed the samples and that there were no widespread issues that raised serious concerns about credit eligibility for any population.

In reviewing the secured loans in a sample, the Monitor's team analyzed all the documents generated and collected by Citi's land records research vendors for each loan to assess whether there was clear evidence that Citi did not have a valid lien at the time it offered relief for the loan. If there was such evidence, the loan failed. This lien validity review for secured loans focused on whether the borrower had lost the property involuntarily to foreclosure or tax seizure, but also looked for evidence that the lien had previously been discharged in bankruptcy or had been released before the Offer Date. As warranted, the Monitor used publicly available land records to conduct supplemental research into those enforceability issues.

On behalf of the Monitor, Control Risks reproduced much of the testing performed by the IRG on each loan in a sample. For this purpose, Citi granted Control Risks access to the relevant documents from Citi's SOR, along with certain documents collected by Citi's vendors.

In performing data integrity testing on all the secured loans in the credit submissions, the Monitor and the Monitor's vendors focused on data elements that could identify potential problems with lien enforceability as of the Offer Date. This data integrity testing identified certain issues requiring further scrutiny. Those issues included potential problems regarding Citi's identification of the following:

- ▶ The loan scenario.
- ▶ The relevant borrowers.
- ▶ The relevant properties.
- ▶ The relevant deeds.
- ▶ For Menu Item 4A loans only, any mortgage predating Citi's mortgage that would have placed Citi's mortgage below the first position on the Offer Date if that earlier mortgage had not been released by the Offer Date.

As to scenario classification, the Monitor's team identified a small number of loans that had been submitted as Scenario 1 or 2 loans that should have been submitted as Scenario 3 or 4 loans and thus should have received individual review by the Monitor's team. Nearly all of those loans were Menu Item 1H loans. For approximately half of the misclassified loans, the Monitor had already found them eligible for credit as part of an earlier, individual loan review by the Monitor's team. After the Monitor's team reviewed the remaining misclassified loans, the Monitor concluded that Citi had an enforceable lien on the Offer Date for all but one loan. (Citi did not receive credit for that loan.)

To be eligible for credit under Menu Item 4A, a loan had to be in first position on the Offer Date. For CMI loans, the Menu Item 4A Test Plan required the reports generated by CMI's land records research vendor to state whether there were any unreleased mortgages on the property that predated Citi's mortgage and therefore potentially had priority over Citi's mortgage. Under the Menu Item 4A Test Plan, a CMI loan failed if the vendor's report for that loan lacked a specific sentence stating that there was no such prior, unreleased mortgage. Approximately 16% of the CMI Menu Item 4A Scenario 1 or 2 loans evaluated for credit in this Report lacked that sentence. The Monitor's team reviewed the vendor reports and, as merited, conducted independent research into the affected loans. Following that research, the Monitor concluded that

the affected loans in the sample did not need to be treated as fails and that the population did not need to be withdrawn and resubmitted without the affected loans.

E. Scenario 3 or 4 Loans—Monitor Validation

Under the testing documents, CFS and CMI submitted all Scenario 3 or 4 Menu Item 1H Secured and Menu Item 4A loans to the Monitor for lien validity review. The Monitor's team reviewed each loan individually by reviewing the documents generated and collected by Citi's land records vendors and, as appropriate, by conducting independent research using publicly available land records. The Monitor's review focused on identifying any issues that would have made Citi's lien unenforceable on the Offer Date, including relevant foreclosures, tax seizures, bankruptcy discharges, or pre-Offer Date releases of the relevant mortgages.

Where the available information allowed the Monitor to conclude with a high degree of confidence that the loan was eligible for credit, the Monitor indicated that conclusion on a validation report sent to Citi.

Citi made multiple submissions under Menu Item 1H and Menu Item 4A in the last months of 2018 and through April 2019. As required by the relevant testing documents, all Scenario 3 or 4 loans included in those submissions had already been individually reviewed by the Monitor's team as described above to confirm their eligibility for credit.²⁷

²⁷ The individualized lien validity review performed by the Monitor for each Scenario 3 or 4 loan credited in this report made it unnecessary to perform the same sort of data integrity testing that was performed on Scenario 1 or 2 loans, as described above.

V. CREDIT FOR RELIEF DISCUSSED IN THIS REPORT

Consistent with the IRG testing and Monitor validation described above, the Monitor now credits \$205,068,739.49 in Menu Item 1H relief and \$180,009,414.37 in Menu Item 4A relief.

For relief credited in this Report, Tables 2–5 provide a breakdown by business unit and by sub-menu item.

TABLE 2: SUMMARY CREDIT FOR THIS REPORT

Menu Item	Loans Earning Credit	Total Credit
4A	3,710	\$180,009,414.37
1H Secured	6,196	\$64,536,477.22
1H Unsecured	9,499	\$140,532,262.27
Total	19,405	\$385,078,153.86

TABLE 3: CREDIT FOR THIS REPORT BY BUSINESS UNIT

Menu Item	CMI	CFS	Total Credit
4A Credit	\$41,244,139.21	\$138,765,275.16	\$180,009,414.37
1H Secured Credit	\$0.00	\$64,536,477.22	\$64,536,477.22
1H Unsecured Credit	\$81,617,238.02	\$58,915,024.25	\$140,532,262.27
Total	\$122,861,377.23	\$262,216,776.63	\$385,078,153.86

TABLE 4: MENU ITEM 1H CREDIT FOR THIS REPORT

	CMI	CFS	Total
Total Number of 1H Loans Earning Credit	4,360	11,335	15,695
Base Credit Earned	\$81,617,238.02	\$112,162,249.18	\$193,779,487.20
Total Number of Loans Earning Early Incentive Credit	0	7,816	7,816
115% Early Incentive Credit (relief offered before 10/1/2015)	\$0.00	\$11,289,252.29	\$11,289,252.29
Total 1H Credit Earned	\$81,617,238.02	\$123,451,501.47	\$205,068,739.49

TABLE 5: MENU ITEM 4A CREDIT FOR THIS REPORT

	CMI	CFS	Total
Total Number of 4A Loans Earning Credit	640	3,070	3,710
Base Credit Earned	\$35,864,468.92	\$121,881,978.73	\$157,746,447.65
Total Number of Loans Earning Early Incentive Credit	640	2,800	3,440
115% Early Incentive Credit (relief offered before 10/1/2015)	\$5,379,670.29	\$16,883,296.43	\$22,262,966.72
Total 4A Credit Earned	\$41,244,139.21	\$138,765,275.16	\$180,009,414.37

VI. CREDIT FOR ALL RELIEF TO DATE UNDER MENU ITEMS 1H AND 4A

Including the credit discussed and awarded in this Report, the Monitor has credited \$515,655,821.87 in Menu Item 1H relief and \$455,964,989.72 in Menu Item 4A relief.

Citi does not anticipate submitting any further relief under either of those menu items, and the Monitor therefore anticipates that the relief summarized in this section is all the relief that will be credited under Menu Items 1H and 4A. Given that Citi has earned just under \$456 million in credit under Menu Item 4A, it has satisfied Annex 2's instruction that "Citi will, in good faith, endeavor to keep the credit earned for Menu item 4A to under \$553 million..."²⁸

Tables 6–8 provide a breakdown of credit under Menu Items 1H and 4A by business unit, by sub-menu item, and by the location of the properties affected by the relief provided. Maps 1 and 2 provide additional information regarding the locations of the affected properties.

TABLE 6: ALL MENU ITEM 1H CREDIT

	CMI	CFS	Total
Total Number of 1H Loans Earning Credit	8,169	34,157	42,326
Base Credit Earned	\$143,223,252.64	\$321,932,662.28	\$465,155,914.92
Total Number of Loans Earning Early Incentive Credit	3,244	30,467	33,711
115% Early Incentive Credit (relief offered before 10/1/2015)	\$7,963,544.07	\$42,536,362.88	\$50,499,906.95
Total 1H Credit Earned	\$151,186,796.71	\$364,469,025.16	\$515,655,821.87

²⁸ Annex 2 at 11 n.18.

TABLE 7: ALL MENU ITEM 4A CREDIT

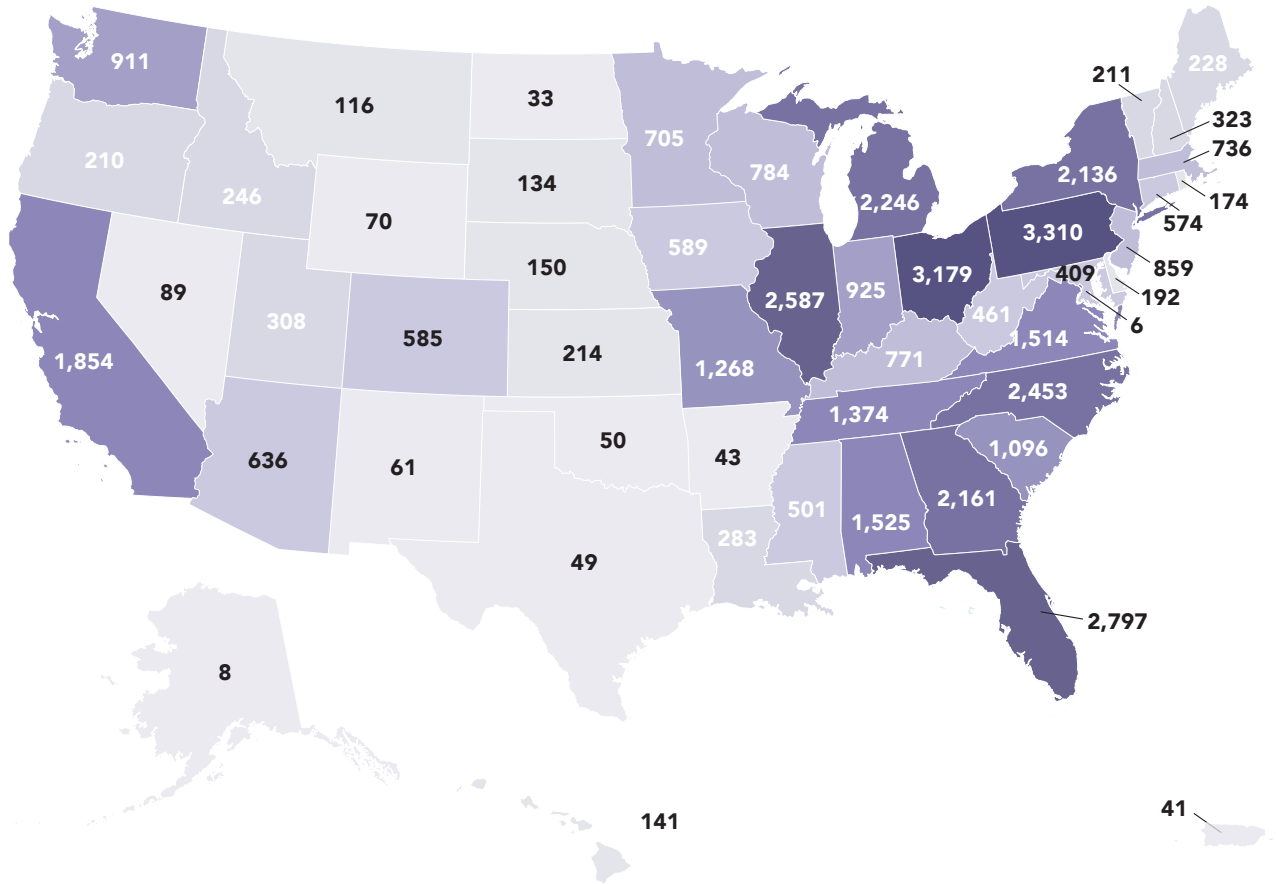
	CMI	CFS	Total
Total Number of 4A Loans Earning Credit	640	8,674	9,314
Base Credit Earned	\$35,864,468.92	\$363,677,321.41	\$399,541,790.33
Total Number of Loans Earning Early Incentive Credit	640	8,101	8,741
115% Early Incentive Credit (relief offered before 10/1/2015)	\$5,379,670.29	\$51,043,529.10	\$56,423,199.39
Total 4A Credit Earned	\$41,244,139.21	\$414,720,850.51	\$455,964,989.72

TABLE 8: ALL MENU ITEM 1H AND 4A CREDIT BY SETTLING STATE

State	1H Unsecured		1H Secured		4A		Total Credit	
	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount
Cal.	1,333	\$28,324,854.25	521	\$10,553,389.38	31	\$3,683,656.69	1,885	\$42,561,900.32
Del.	136	\$1,786,148.79	56	\$611,462.79	25	\$1,553,178.88	217	\$3,950,790.46
Ill.	2,131	\$36,022,916.93	456	\$4,875,670.59	551	\$38,488,974.22	3,138	\$79,387,561.74
Mass.	673	\$11,354,596.21	63	\$987,279.01	14	\$970,729.66	750	\$13,312,604.88
N.Y.	1,827	\$36,075,962.53	309	\$3,589,662.16	227	\$11,587,308.40	2,363	\$51,252,933.09
Total	6,100	\$113,564,478.71	1,405	\$20,617,463.93	848	\$56,283,847.85	8,353	\$190,465,790.49

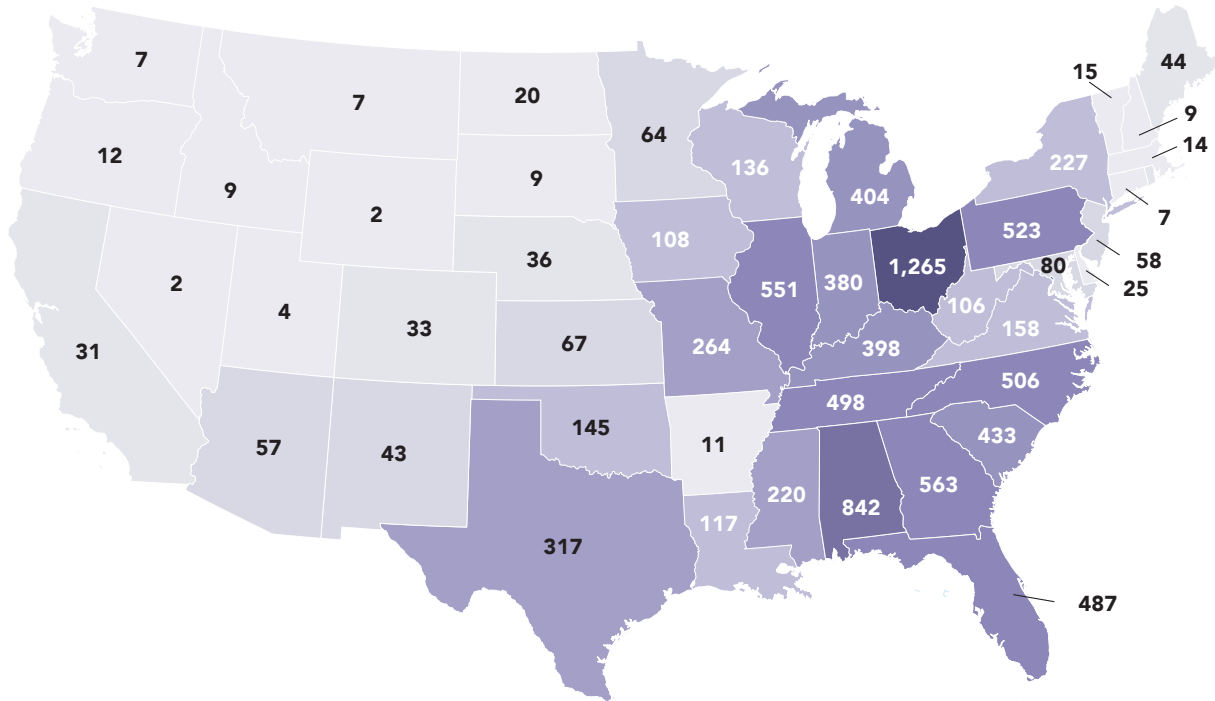
MAP 1: GEOGRAPHIC DISTRIBUTION OF 1H RELIEF

The map directly below shows the distribution of relief Menu Item 1H across the states, indicating the number of loans affected in each state.



MAP 2: GEOGRAPHIC DISTRIBUTION OF 4A RELIEF

The map directly below shows the distribution of relief Menu Item 4A across the states, indicating the number of loans affected in each state.



VII. ALL RELIEF PROVIDED TO BORROWERS UNDER MENU ITEMS 1H AND 4A

Citi provided approximately \$1.56 billion in total loan forgiveness and loan extinguishment under Menu Items 1H and 4A, including \$1.16 billion in forgiveness under Menu Item 1H and \$400 million under Menu Item 4A.

Tables 9–12 provide information about the loan forgiveness that Citi offered borrowers under Menu Items 1H and 4A by menu item, type of loan (secured versus unsecured), and business unit. Note that the gross amount of loan debt that Citi forgave often differs from the amount of credit that Citi received under the Settlement Agreement for providing that forgiveness.

TABLE 9: ALL 1H AND 4A FORGIVENESS

Menu Item	Number of Loans	Total Forgiveness	Average Forgiveness Amount	Median Forgiveness Amount	Minimum Forgiveness Amount	Maximum Forgiveness Amount
1H	42,326	\$1,162,889,565	\$27,475	\$16,333	\$200	\$279,073
4A	9,314	\$399,541,790	\$42,897	\$36,652	\$511	\$494,408

TABLE 10: ALL 1H SECURED FORGIVENESS

Menu Item	Number of Loans	Total Forgiveness	Average Forgiveness Amount	Median Forgiveness Amount	Minimum Forgiveness Amount	Maximum Forgiveness Amount
1H CMI Secured	0	\$0	-	-	-	-
1H CFS Secured	9,616	\$220,931,013	\$22,975	\$15,245	\$2,341	\$194,664
Overall 1H Secured	9,616	\$220,931,013	\$22,975	\$15,245	\$2,341	\$194,664

TABLE 11: ALL 1H UNSECURED FORGIVENESS

Menu Item	Number of Loans	Total Forgiveness	Average Forgiveness Amount	Median Forgiveness Amount	Minimum Forgiveness Amount	Maximum Forgiveness Amount
1H CMI Unsecured	8,169	\$358,058,132	\$43,831	\$33,712	\$200	\$208,262
1H CFS Unsecured	24,541	\$583,900,421	\$23,793	\$15,285	\$2,175	\$279,073
Overall 1H Unsecured	32,710	\$941,958,553	\$28,797	\$17,318	\$200	\$279,073

TABLE 12: ALL 4A FORGIVENESS

Menu Item	Number of Loans	Total Forgiveness	Average Forgiveness Amount	Median Forgiveness Amount	Minimum Forgiveness Amount	Maximum Forgiveness Amount
4A CMI	640	\$35,864,469	\$56,038	\$50,007	\$511	\$452,008
4A CFS	8,674	\$363,677,321	\$41,927	\$35,777	\$2,272	\$494,408
Overall 4A	9,314	\$399,541,790	\$42,897	\$36,652	\$511	\$494,408

VIII. CREDIT UPDATE

To date, including the relief credited in this Report, the Monitor has credited a total of \$2,383,200,179.94 in consumer relief under the Settlement Agreement. Table 13 below breaks down the relief credited by menu item.

TABLE 13: ALL CREDIT TO DATE

Menu Item	Total Credit Earned
Menu Item 1A	\$27,531,178.81
Menu Item 1G	\$31,172,234.49
Menu Item 1H Secured	\$101,122,626.94
Menu Item 1H Unsecured	\$414,533,194.93
Menu Item 2A	\$478,171,315.05
Menu Item 4A	\$455,964,989.72
Menu Item 4D	\$57,500,000.00
Menu Item 4E	\$34,500,000.00
Menu Item 4F	\$23,000,000.00
Menu Item 5	\$759,704,640.00
Total	\$2,383,200,179.94