CITI MONITORSHIP

SEVENTH REPORT JUNE 2017

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I. INTRODUCTION

This is the seventh 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 prior reports, Citi agreed as part of the Settlement Agreement to pay $4.5 billion to DOJ and the States, acknowledged a statement of facts attached to the Settlement Agreement, and committed to providing consumer relief valued at $2.5 billion under the principles set forth in Annex 2 of the Settlement Agreement. Under the Settlement Agreement, Thomas J. Perrelli serves as an independent monitor (the "Monitor") to determine Citi's compliance with the consumer relief and corresponding requirements of Annex 2.

The purpose of this report is to provide further credit and offer analysis regarding Citi's progress towards meeting its obligations under the Settlement Agreement. To that end, this report includes:

- An assessment of creditable relief provided by Citi under Menu Item 2A through March 31, 2016;
- An assessment of further creditable relief under Menu Item 5 since the Monitor's last report; and
- An assessment of Citi's compliance with its borrower outreach obligations for 2016 and of the effectiveness of Citi's "Road to Recovery" events to date.

Citi also has submitted relief for crediting under various provisions of Menu Item 1. The Monitor and Citi continue to work to resolve eligibility issues, including issues that will affect how much of this relief is creditable under the Settlement Agreement. The Monitor will report on these issues in a subsequent report.

II. MENU ITEM 2A

A. Overview

The Monitor provided a detailed explanation of the requirements and policy rationale for credit under Menu Item 2A in the Third Report.[1] Citi provides creditable relief under Menu Item 2A when one of the two primary Citi entities that engage in consumer relief activities, CitiMortgage, Inc. ("CMI") and CitiFinancial Servicing ("CFS"), reduces a borrower's interest rate, "regardless of loan performance status," if such relief is offered at no cost to the borrower other than any tax consequences incurred as a result of the relief received.[2] If a borrower receives a rate reduction greater than 200 basis points, Citi receives credit based on a formula that seeks to estimate the amount of future interest payments foregone. If the rate reduction is greater than 400 basis points, Citi receives an additional 25% credit.

[1] Citi Monitorship Third Report at 12-13, *available at* http://www.citigroupmonitorship.com/wp-content/uploads/2015/09/Citigroup-Monitorship-Third-Report.pdf ("Third Report").

[2] Settlement Agreement, Annex 2 at 8 nn. 12-13, *available at* http://www.citigroupmonitorship.com/wp-content/uploads/2015/06/annex_2.pdf.

As the Monitor has explained previously, Citi can provide creditable relief through a proprietary loan modification or by facilitating refinancing through a third party that reduces the borrower's current interest rate with Citi. In the latter case, subject to certain limitations discussed previously, Citi may seek dollar-for-dollar credit by paying refinancing and other costs for the borrower and by facilitating the refinancing through forgiving a portion of the borrower's loan balance.

For the previous periods for which Citi provided relief under Menu Item 2A—ending September 30, 2015—the Monitor confirmed in prior reports that Citi received $266,516,623 in cumulative consumer relief credit. For the three-month periods ending December 31, 2015 (Q4 2015) and March 31, 2016 (Q1 2016) (collectively, "current reporting periods"), the Monitor has observed the following:

- Citi provided relief resulting in $88,718,363 in credit under Menu Item 2A for Q4 2015, and $16,069,215 in credit for Q1 2016, yielding a total of $104,787,578 in credit for the current reporting periods and $371,304,201 in total through March 31, 2016.[3]
- A majority of the credit for relief submitted under Menu Item 2A for the current reporting periods, $62,458,190, was received for facilitating refinancing through a third party, 1st Alliance Lending.
- The total amount of relief during the current reporting periods was provided over 2,887 "claims," including 358 claims for Citi-proprietary reductions.[4]
- For both Citi-proprietary and third-party rate reductions, the average and median post-action interest rates are below 6% for the current reporting periods. Cumulatively, the average post-action interest rate for loans that received Menu Item 2A Citi-proprietary rate reduction relief is 5.23% and the median post-action interest rate for such loans is 5%. The corresponding post-action interest rates for third-party rate reduction relief are 5.69% and 5.75%, respectively.

The Monitor hereby validates that Citi is entitled to a total of $104,787,578 in credit under Menu Item 2A for the current reporting periods. Table 1 shows the cumulative amount of credit Citi has earned to date under Menu Item 2A.

[3] As explained in the Monitor's Third Report, Citi is entitled to adjustments for Menu Item 2A relief, including for early incentive credit, credit for rate reductions greater than 400 bps, and credit for LTV reductions where the final LTV is below 100%. *See* Third Report at 13. These adjustments are factored into the credit provided herein.

[4] The Monitor notes that there is not necessarily a one-to-one correspondence between 2A claims and borrowers. For example, Citi may seek separate 2A credit for reducing the interest rates on both a Citi-proprietary first and second lien for the same borrower.

Table 1: Summary – Overview of Credit Earned Under Menu Item 2A as of March 31, 2016 (Cumulative)

Period End Date	Amount of Credit Earned
March 31, 2015	$98,382,251
June 30, 2015	$74,496,267
September 30, 2015	$93,638,105
December 31, 2015	$88,718,363
March 31, 2016	$16,069,215
Total	**$371,304,201**

Tables 2 through 5 set forth the amount of credit earned and other data for the various types of claims submitted under Menu Item 2A, for the current reporting periods and cumulatively.

Table 2: Summary—Overview of Menu Item 2A Citi Loan Rate Reduction Relief

Period End Date	Number of Claims	Total Credit	Average Pre-Action Interest Rate	Median Pre-Action Interest Rate	Average Post-Action Interest Rate	Median Post-Action Interest Rate
Mar. 31, 2015	664 (CFS)	$36,067,282	10.66%	10.59%	5.62%	5.00%
June 30, 2015	610 (CFS)	$29,021,603	10.54%	10.55%	5.59%	5.00%
Sept. 30, 2015	898 (CFS & CMI)	$34,601,579	8.78%	8.38%	4.65%	4.75%
Dec. 31, 2015	247 (CFS & CMI)	$10,556,031	9.62%	9.56%	5.18%	5.00%
Mar. 31, 2016	111 (CFS)	$4,997,445	10.05%	10.31%	5.66%	5.00%
Total	**2,530**	**$115,243,940**	**9.84%**	**9.76%**	**5.23%**	**5.00%**

Table 3: Summary—Overview of Menu Item 2A Rate Reduction Relief with 1st Alliance Lending

Period End Date	Number of Claims	Total Credit	Average Pre-Action Interest Rate	Median Pre-Action Interest Rate	Average Post-Action Interest Rate	Median Post-Action Interest Rate
Mar. 31, 2015	480	$37,859,930	10.12%	10.14%	5.78%	5.75%
June 30, 2015	472	$28,906,486	10.05%	10.01%	5.75%	5.75%
Sept. 30, 2015	631	39,005,139	10.17%	10.15%	5.75%	5.75%
Dec. 31, 2015	861	$54,287,716	10.16%	10.25%	5.60%	5.50%
Mar. 31, 2016	124	$8,170,474	10.27%	10.48%	5.49%	5.50%
Total	**2,568**	**$168,229,745**	**10.14%**	**10.18%**	**5.69%**	**5.75%**

Table 4: Summary—Overview of Menu Item 2A Relief for Costs Paid

Period End Date	Number of Claims	Total Credit	Average Amount Paid by Citi per Borrower	Median Amount Paid by Citi per Borrower
Mar. 31, 2015	480	$9,091,264	$16,470	$14,474
June 30, 2015	472	$6,523,249	$12,018	$10,151
Sept. 30, 2015	631	$8,008,944	$11,037	$9,717
Dec. 31, 2015	861	$10,903,862	$11,078	$9,615
Mar. 31, 2016	124	$1,473,462	$10,333	$9,366
Total	**2,568**	**$36,000,781**	**$12,212**	**$10,371**

Table 5: Summary—Overview of Menu Item 2A Relief for Balance Forgiveness

Period End Date	Number of Claims	Total Credit	Average Amount Forgiven by Citi per Borrower	Median Amount Forgiven by Citi per Borrower
Mar. 31, 2015	386	$15,363,775	$34,611	$27,531
June 30, 2015	314	$10,044,929	$27,818	$22,569
Sept. 30, 2015	401	$12,022,443	$26,071	$20,799
Dec. 31, 2015	492	$12,970,753	$23,082	$17,522
Mar. 31, 2016	67	$1,427,834	$18,531	$15,993
Total	**1,660**	**$51,829,734**	**$27,197**	**$20,712**

B. General Characteristics of Relief Provided

The Monitor makes the following observations about the relief provided under Menu Item 2A for the current reporting periods, as well as the cumulative relief provided to date under Menu Item 2A:

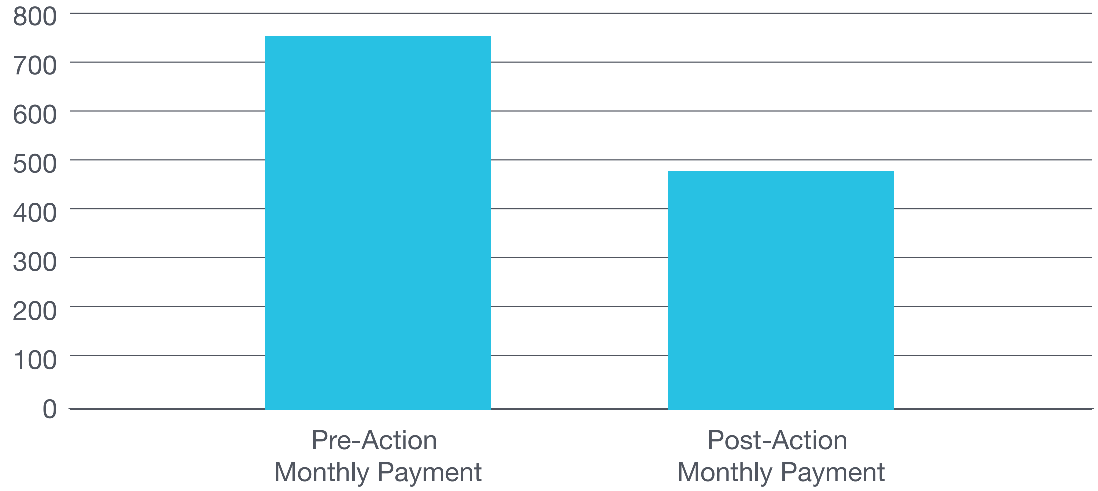
Geographic Distribution:

- Citi provided Menu Item 2A relief across 46 states plus Puerto Rico for the current reporting periods.
    - $6,678,699 of the credit Citi earned (including Citi's eligible bonus credit) for the current reporting periods, 6.4% of the total, was provided in the Settling States.
    - Other states for which Citi received a significant portion of credit for the current reporting periods include North Carolina (9.8% of the credit), Pennsylvania (9.2% of the credit), and Georgia (8.3% of the credit).
- Cumulatively to date, Citi has provided Menu Item 2A relief across 49 states and in Puerto Rico. For the Settling States, total credit to date, including eligible bonus credit, is $35,306,389, or 9.5% of the total Menu Item 2A credit provided.

Reductions in Monthly Mortgage Payments:

- As illustrated in Chart 1, for the current reporting periods, the average borrower who received a creditable rate reduction from Citi had his or her monthly mortgage payment decreased by $273 (36.4%), from $750 to $477. This reduction results from a combination of interest rate reductions and, in many cases, balance forgiveness or the extension of the terms of the loans.

Chart 1: Average Reduction of Monthly Payments (Principal and Interest) for Borrowers Receiving 2A Relief



III. MENU ITEM 5

A. Overview

The Monitor provided a detailed explanation of the requirements and policy rationale for credit under Menu Item 5 in the Sixth Report.[5] This Menu Item allows Citi to earn credit under the Settlement Agreement by providing financing for affordable rental housing—a novel component of this Settlement Agreement when it was signed.

As explained in the Sixth Report, Citi earns credit under Menu Item 5 by providing "gap financing" at a loss, with the amount of credit Citi earns dependent on the size of the loss Citi is likely to incur. At a minimum, Citi is required to book $180 million in loss for Menu Item 5.

Relief is credible under Menu Item 5 if it supports developments that (1) are equivalent to affordable housing developed under the Federal Low-Income Housing Tax Credit Program; (2) meet affirmative fair housing marketing standards as are required for all Fair Housing Act programs and set forth in 24 C.F.R. § 200.620; and (3) accept Housing Choice Vouchers. At least half of the units generating credit must be in Critical Need Family Housing developments.

[5] *See* Citi Monitorship Sixth Report, *available at* http://www.citigroupmonitorship.com/wp-content/uploads/2017/02/Citi_Monitorship_sixth_report_2-21-2017.pdf.

In the Sixth Report, the Monitor confirmed that Citi had earned $744,974,158 in credit under Menu Item 5 for anticipated losses on subordinate loans to 118 affordable rental housing projects—71 of which financed new construction and 47 of which rehabilitated existing developments.

Citi has since submitted its funding for an additional four projects for crediting for the reporting periods ending September 30, 2016 and December 31, 2016. These four projects include three that are for new construction and one that is for rehabilitation. As described in the Monitor's Sixth Report, Citi's Internal Review Group ("IRG") reviewed each Subordinate Loan Commitment Letter to confirm that it met the eligibility requirements of Menu Item 5. The Monitor's team likewise has reviewed for project eligibility the loan commitments and the closing documents for all four projects.

B. The Monitor's Review Process

As with previous projects submitted for credit under Menu Item 5, the two key components of the Monitor's review process were to (1) verify the eligibility of the projects receiving the financing, and (2) determine the loss to be credited for future potential losses.

Table 6 below provides a breakdown of the number of projects funded, value of subordinate financing, and credit earned by Citi pursuant to Menu Item 5 of the Settlement Agreement by quarter.

Table 6: Credit Earned Under Menu Item 5 as of December 31, 2016 (Cumulative)

	Projects Funded	Subordinate Loan Commitment Amount	Settlement Credit Earned
Second Quarter 2015	83	$138,544,520	$550,772,177
Third Quarter 2015	20	$31,677,000	$123,873,785
Fourth Quarter 2015	10	$13,255,000	$47,370,106
First Quarter 2016	5	$6,519,000	$22,958,090
Third Quarter 2016	1	$1,600,000	$5,619,500
Fourth Quarter 2016	3	$2,612,000	$9,110,982
Total to Date	**122**	**$194,207,520**	**$759,704,640**

In the appendix to the Monitor's Sixth Report, the Monitor provided certain information about each project that Citi financed for creditable Menu Item 5 relief. The same information is provided for the four projects for which Citi provided creditable financing in the third and fourth quarters of 2016, in Table 7 below.[6]

Table 7: Data for Affordable Housing Projects Receiving Creditable Menu Item 5 Financing

Project Title	State	Non-Profit or For-Profit Developer	New Construction or Rehab	Number of Units	Percentage of Affordable Units	SADDA	Closing Date	Subordinate Loan Amount
Copper Wood	WA	For-Profit	New Construction	228	100%	Y	10/19/2016	$1,600,000
Bronx Commons	NY	For-Profit	New Construction	305	60%	N	12/28/2016	$1,000,000
Rocky Hill Veterans Housing	CA	For-Profit	New Construction	39	97%	Y	12/05/2016	$1,500,000
Bridgeton Villas 2	NJ	For-Profit	Rehab	56	100%	Y	01/03/2017	$112,000

The Monitor is not aware of any instances, since the date of issuance of the Monitor's Sixth Report, of cancelations or pending cancelations of projects that would result in the clawback of Menu Item 5 credit. The Monitor will address any such instances, if they occur, in subsequent reports.

IV. CITI'S BORROWER OUTREACH EVENTS IN 2016

As the Monitor has discussed in previous reports, the Settlement Agreement requires Citi to host four "Road to Recovery" events each year for the term of the Settlement Agreement (from 2014 through 2018).[7] These events provide direct outreach to Citi borrowers who may be eligible for Citi relief programs, including relief that may qualify for credit under the Settlement Agreement. At these events, Citi borrowers have the opportunity to interact with representatives face-to-face to learn about their eligibility for relief and to obtain assistance in applying for such relief.

[6] As the Monitor noted in the Sixth Report, Citi has represented that, absent extraordinary circumstances, it will resubordinate loans that receive Menu Item 5 credit when developers seek to refinance projects, irrespective of whether a resubordination guarantee is specifically included in the project's closing documents, because the inclusion of a resubordination guarantee has been driven largely by state and local governments that also provided soft dollar loans to certain projects. *See* Monitor's Sixth Report at 16-17, 24. Citi's representations regarding resubordination are and remain material to the methodology used to credit these loans.

[7] Annex 2 at 14.

In previous reports, the Monitor has discussed the Settlement Agreement's requirements with respect to Road to Recovery events and has provided background information about the way in which Citi conducts these events, informed by Citi's pre-Settlement Agreement experience in borrower outreach.[8] In 2016, Citi held four events, located in Chicago, New York, Dallas, and Philadelphia. According to Citi, these locations were based on a market analysis of where Citi had the largest number of delinquent accounts. Given the requirement that events be held "on a rotational basis to provide geographically dispersed borrower access,"[9] the Monitor will continue to discuss with Citi whether a future event should be held in a location with a higher concentration of CFS borrowers.

A. Compliance

The Settlement Agreement requires, among other things, that Citi engage in targeted outreach to eligible borrowers by letter, email, and phone calls, in English, Spanish, and, on a best efforts basis, in other languages.[10] As previously reported, the Monitor and Citi have worked together to translate these requirements into a set of operational parameters for Road to Recovery events that are informed by Citi's pre–Settlement Agreement experience conducting borrower outreach. The Monitor's team has reviewed Citi's mail, e-mail, and call schedules, as well as invitation and follow-up templates and collateral, and hereby confirms Citi's compliance with these outreach requirements for the four Road to Recovery events in 2016.

The Settlement Agreement also requires Citi to ensure that specialists in new loan origination, loss mitigation, and refinancing are on site for each event, to guide borrowers through various relief alternatives. As with its initial outreach, Citi must provide on-site translation and interpretation services in Spanish and, on a best efforts basis, other languages, for customers requesting such support.[11] The Monitor has reviewed the materials that Citi has provided, and has confirmed that Citi complied with these requirements for the four Road to Recovery events in 2016. For each event, there was at least one representative from the Citi Office of Homeownership Preservation ("OHP") Travel Team on site, one loss mitigation specialist, one mortgage consultant with expertise in both refinancing and new mortgage origination, and one bi-lingual representative among the collective staff members (i.e., at least one of all of the CMI, CFS, and OHP personnel).

Finally, Citi is obligated to notify state government agencies and officers, including State Attorneys General and Housing Finance Authorities, as well as local non-profit organizations, about Road to Recovery events. Through such notifications, Citi can build awareness and encourage participation in the events, and provide additional avenues for Citi borrowers to obtain relief or related assistance. Citi has provided materials that confirm its notification and outreach to non-profit organizations and government agencies in compliance with the Settlement Agreement's requirements for the four Road to Recovery events held in 2016. Indeed, it appears that in 2016, Citi cast a wider net to engage with government officials at Road to Recovery events, inviting not just state executive branch officials but also state legislators within a 40-mile radius of the events.

[8] Citi Monitorship Second Report, May 2015, at 2-5, *available at* http://www.citigroupmonitorship.com/wp-content/uploads/2015/06/second_citi_monitor_report_051515.pdf ("Second Report").

[9] Annex 2 at 14.

[10] *Id.* The Monitor notes that the materials Citi has provided to demonstrate compliance with this outreach requirement have been in only English and Spanish.

[11] *Id.* The Monitor notes that to date, Citi has provided in-person translation services only in Spanish, although translators capable of speaking other languages are available to provide by-phone translation services.

B. Results

Citi has reported to the Monitor the following cumulative data for the four Road to Recovery events in 2016. These data are presented below in Table 8.

Table 8: Summary—Road to Recovery Results (as of April 26, 2017)

	CMI	CFS
Invitees	10,057	213
Attendees	158	5
Applications Reviewed	5,437[12]	15
Applications Declined	4,506	9
Applications Pending	436	0
Applications Booked[13]	495	6
Average Net Promoter Score	93%	N/A

Notwithstanding the relatively small number of borrowers who received tangible assistance at these events, the data suggest that for those borrowers who do attend Road to Recovery events, it is a positive experience. As reported previously, Citi continues to track the cumulative Net Promoter Score ("NPS") for the Road to Recovery events. As the Monitor has previously explained, this metric generally is used to measure customer satisfaction and loyalty by asking customers to report the likelihood that they would recommend a product or service to a friend or colleague. A "positive" NPS score (i.e., above zero) is generally considered to reflect a high level of customer satisfaction, and any score above 50%+ is considered to be excellent. Citi's reported NPS score for the 2016 Road to Recovery events was 93% for CMI borrowers; Citi did not report an NPS score for CFS borrowers.

[12] Of these, 180 were submitted at the Road to Recovery event itself, whereas the rest were submitted by Road to Recovery invitees but reviewed either before or after the event itself.

[13] As reported previously, for these purposes, "booked" means loan modification, refinancing, forbearance, short sale/settlement, or deed in lieu of foreclosure. For 2016, no CFS loans received a refinancing.