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Citi Counsel letter to the FCIC re CRA

Brad S. Karp

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March 18, 2010

By Hand and E-Mail

Bradley J. Bondi, Esq.
Financial Crisis Inquiry Commission
1717 Pennsylvania Avenue, NW
Suite 800
Washington, DC 20006-4614

Financial Crisis Inquiry Commission ("Commission")

Dear Mr. Bondi:

As you know, we represent Citigroup Inc. ("Citi" or the "Company") in connection with its response to the Commission's requests for information, including the Commission's January 25, 2010 supplemental request (the "First Supplemental Request") and the Commission's March 10, 2010 (the "Third Supplemental Request"). Both the First and Third Supplemental Requests seek, among other things, responses to interrogatories.

During discussions with my colleagues, you identified as priorities those interrogatories set forth in your First and Third Supplemental Requests that relate to the Community Reinvestment Act. We therefore provide responses to those interrogatories. Also as discussed, we expect to provide responses to the remaining interrogatories as soon as possible. Citi reserves the right to supplement, amend, modify or correct any of the responses provided below.

* * * * *

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First Supplemental Request, January 25, 2010**Interrogatory No. 20:**

How many Community Reinvestment Act (“CRA”) mortgages did Citigroup originate and purchase each year from January 1, 1990 through December 31, 2009? How many CRA mortgages has Citigroup originated or purchased to date in 2010? Please provide data on the types and default rates of these mortgages.

Response to Interrogatory No. 20:

The following tables indicate the number and volume (in thousands of dollars) of mortgage loans that Citigroup entities originated or purchased each year from 2003 to 2009 that were reported to financial supervisory agencies pursuant to the CRA and federal regulations. Under those federal regulations, two types of mortgage loans are reported when they are made to borrowers in a geographic area in which Citigroup depository institutions have branch locations (an “assessment area”): (1) mortgage loans to low- and moderate-income (“LMI”) households (“LMIHH”); and (2) mortgage loans to borrowers regardless of income in low- and moderate-income census tracts (“LMICT”).

Number

<u>Entity</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Citibank Banamex	254	483	849	790	698	613	374
CitiFinancial	1,705	4,260	8,188	6,145	5,746	4,447	1,133
CitiMortgage Inc.	74,259	50,762	71,265	85,951	84,184	62,038	43,480
Citicorp Trust Bank	8,392	6,477	6,625	5,143	4,076	3,556	1,362
Citibank, NA	2,354	2,490	7,724	11,825	9,614	1,588	234

Volume (in thousands of dollars)

<u>Entity</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Citibank Banamex	\$43,789	\$89,730	\$179,304	\$180,345	\$179,236	\$149,482	\$77,638
CitiFinancial	\$177,734	\$277,350	\$531,396	\$434,590	\$437,813	\$312,987	\$68,519
CitiMortgage Inc.	\$12,084,599	\$8,744,954	\$11,220,904	\$14,277,827	\$16,756,194	\$13,175,453	\$8,650,694
Citicorp Trust Bank	\$1,124,131	\$936,182	\$924,500	\$659,676	\$611,079	\$536,095	\$184,085
Citibank, NA	\$226,049	\$404,086	\$1,797,452	\$1,672,782	\$1,760,606	\$544,856	\$26,320

Federal regulations do not require reporting on the credit characteristics or performance of these loans. Thus, Citigroup entities do not specially flag or monitor these loans as CRA loans, but instead include these loans with and treat these loans like

the other mortgage loans those entities originate and purchase. Accordingly, while Citigroup entities maintain information on the credit characteristics and monitor the performance of all the mortgage loans they own or service, we cannot provide data on the credit characteristics or performance of the subset of those mortgage loans that are CRA loans because those loans are not segregated or flagged as such.

Interrogatory No. 21:

Of the CRA loans that were home mortgage loans for low- and moderate-income (“LMI”) people originated from January 1, 1990 through December 31, 2009, (a) how did these loans perform compared to prime home mortgage loans to LMI people during the same period, and (b) how did these loans perform compared to subprime home mortgage loans to LMI people during the same period?

Response to Interrogatory No. 21

See response to Interrogatory No. 20 above concerning the availability of data on the performance of mortgage loans that are CRA loans.

Interrogatory No. 22:

Please list (a) each of the CRA commitments that Citigroup (or entities it acquired) made from May 1, 1998 through January 15, 2010, including the date, amount, and name of the Citigroup entity making the CRA commitment, and (b) the volume of CRA loans originated by Citigroup (or entities it acquired) from May 1, 1998 through January 15, 2010 to meet those CRA commitments, including the date, amount, and name of the Citigroup entity originating the loan.

Response to Interrogatory No. 22:

Between May 1, 1998 and January 15, 2010, Citigroup entities made the following voluntary “CRA” commitments.

(1) In 1998, Citigroup (then Citicorp) made a \$115 billion commitment to community lending and investment, including \$20 billion in affordable mortgage lending to LMIHHs and borrowers regardless of income in LMICTs, \$30 billion in small business lending, \$6 billion in community development lending and investing, and \$59 billion in consumer lending. Citigroup also committed to implementing insurance availability measures and supporting financial literacy programs. As of the end of 2003, Citigroup had fulfilled the lending commitment, having originated or purchased \$144 billion in mortgage, small business, consumer and community development loans and investments.

(2) In June 2001, Citigroup made a commitment to the New York State Banking Department that its Home Mortgage Disclosure Act (HMDA)-reportable lending in majority-minority census tracts in eleven areas across New York state would

form a greater percentage of its total lending in those eleven areas than the same percentage calculated with respect to all lending by all lenders in the eleven areas. Citigroup also committed to provide \$1 million in fee waivers and rate subsidies through the State of New York Mortgage Agency and to open three loan production offices in majority-minority areas in New York City. The commitment did not include volume targets. Citigroup fulfilled the commitment.

(3) In 2001, Citigroup made a ten-year commitment to the California State Banking Department to provide \$2.5 billion in mortgage loans to LMI borrowers in California and borrowers regardless of income in LMICTs in California small businesses in California. Citigroup also committed to \$100 million in small business lending in California and to open a financial center in an LMI area in California. As of June 2005, Citigroup had purchased \$705 million in mortgage loans and provided \$85 million in small business loans, after which the State Banking Department retired the small business commitment. Citigroup also opened a financial center in East Los Angeles in April 2004.

(4) In 2002, Citigroup made a \$120 billion, ten-year commitment to community lending and investing in California and Nevada, including \$80 billion in HMDA-reportable lending, \$10 billion in small business lending, \$3.5 billion in community development lending, and the remainder in consumer lending. Citigroup also committed to provide community grants, implement diversity programs, and open additional branches. The \$80 billion HMDA-reportable lending commitment consisted entirely of prime loans to four types of borrowers: (1) LMHHs; (2) borrowers regardless of income in LMICTs; (3) minority borrowers regardless of income; and (4) borrowers regardless of race and income in majority-minority census tracts. As of the end of 2008, Citigroup had originated or purchased over \$90 billion in mortgage loans that fit these criteria as well as \$9.8 billion in small business loans and \$6.6 billion in community development loans.

(5) In September 2002, Citigroup entered into a commitment to the San Diego City-County Reinvestment Task Force to open a new bank branch in an undeserved area and to increase lending in San Diego County. The commitment did not contain total volume targets. Citigroup fulfilled the commitment.

(6) In 2003, CitiMortgage, Inc. made a nationwide \$200 billion seven-year commitment to affordable housing lending to households with incomes less than 100% of area median income (higher than the 80% definition of "moderate income" under CRA regulations), minority borrowers, borrowers regardless of income in LMICTs, and borrowers regardless of race and income in majority-minority census tracts. CitiMortgage fulfilled its commitment in July of 2007 and by August 17, 2007 had originated \$207 billion in mortgages that met the above criteria.

(7) Citigroup made a commitment to open several new branches in Texas. Citigroup fulfilled the commitment.

In assessing its progress toward meeting these commitments, the relevant Citigroup entity reviews HMDA data (which lists the location, race, and income of the borrower for all mortgage loans Citigroup entities originate or purchase), identifies those mortgage loans that have been made to the borrowers identified in the relevant commitment, and totals the volume of those loans.¹

As with the mortgage loans reported to financial supervisory agencies pursuant to the CRA and federal regulations, Citigroup entities do not specially flag or monitor these loans as loans satisfying voluntary “CRA” commitments, but instead include these loans with and treat these loans like the other mortgage loans those entities originate and purchase. Accordingly, while Citigroup entities maintain information on the credit characteristics and monitor the performance of all the mortgage loans they own or service, we cannot provide data on the credit characteristics or performance of the subset of those mortgage loans that satisfied any voluntary “CRA” commitment because those loans are not segregated or flagged as such.

Interrogatory No. 23:

How have Citigroup's CRA-related activities affected Citigroup's financial performance in each of the years 2000 through 2010?

Response to Interrogatory No. 23:

See responses to Interrogatory No. 20 and Interrogatory No. 22 above concerning the availability of data on the performance of mortgage loans that are CRA loans and mortgage loans that satisfy any voluntary “CRA” commitments.

* * * *

¹ Note that in making these assessments, Citigroup entities employ the same methodology as that set forth by federal regulations governing reporting of loans to LMIHHs and borrowers in LMICTs in CRA assessment areas. Those federal regulations provide that a loan to an LMIHH in an LMICT qualifies as both a loan to an LMIHH and a loan to a borrower in an LMICT. Similarly, when measuring progress toward fulfilling commitments in terms of volume, Citigroup entities count a loan to an LMIHH in an LMICT in the geographic area identified by the commitment as both a loan to an LMIHH and a loan to a borrower in an LMICT. Likewise, Citigroup entities count a loan to a minority borrower who is also an LMIHH in an LMICT as a loan to a minority borrower, a loan to an LMIHH, and a loan to a borrower in an LMICT.

Third Supplemental Request, March 10, 2010

Interrogatory No. 18:

Please provide data concerning the performance and default rates of mortgages that were made in accordance with voluntary or required commitments under the Community Reinvestment Act (“CRA”), since January 1, 2000. In general, how did the default rates on those CRA-related mortgages compare with mortgages that were originated by CitiFinancial and unrelated to a CRA commitment.

Response to Interrogatory No. 18:

See responses to Interrogatory No. 20 and Interrogatory No. 22 in the Commission’s First Supplemental Request dated as of January 25, 2010 above concerning the availability of data on the performance of mortgage loans that are CRA loans and mortgage loans that satisfy any voluntary “CRA” commitments.

* * * * *

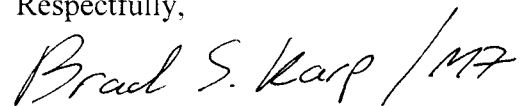
As we have discussed, the Company is providing the information in this letter in response to the First Supplemental Request and the Third Supplemental Request and pursuant to the Commission’s representations that the information provided to the Commission will be maintained in strict confidence and will be used by the Commission solely for the purposes of this inquiry.

We understand from our recent discussions that the Commission’s work, and the materials it requests and obtains from the Company, are not subject to the provisions of FOIA. We also understand that the Commission intends to keep the materials submitted to it by the Company strictly confidential in connection with this inquiry.

If any person not a member of the Commission or its staff (including, without limitation, any government employee) should request an opportunity to inspect or copy any confidential information provided by the Company, or if you or any member of the Commission or its staff contemplates disclosure of this information to any other person, the Company requests that the Commission promptly notify Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, N.Y., N.Y. 10019 (att’n Brad Karp) and Citigroup Inc., 399 Park Avenue, N.Y., N.Y. 10022 (att’n P.J. Mode).

Please do not hesitate to contact me if you would like to discuss this letter or any other matter.

Respectfully,

A handwritten signature in black ink that reads "Brad S. Karp" followed by a large, stylized flourish that resembles the number "177".

Brad S. Karp