

Embargoed Until 9:30 am EST
March 19, 2012



Testimony of Jeff Jaffee
Director, CitiMortgage
Before the Committee on Oversight and Government Reform

Chairman Issa, Ranking Member Cummings, Congressman Towns and members of the Committee, my name is Jeff Jaffee, and I am a Director of CitiMortgage and the Chief Regulatory Affairs Officer. Thank you for the opportunity to speak with you today about Citi's efforts to help families stay in their homes and to address the questions you have asked.

CitiMortgage services approximately 3.5 million loans with an aggregate unpaid principal balance of nearly \$500 billion. Approximately two thirds of our portfolio is serviced for the government sponsored entities, Fannie Mae and Freddie Mac.

We share the concerns you have raised with respect to the housing crisis and we have devoted considerable resources to helping our customers who are facing financial challenges. We have a specially trained and dedicated staff of approximately 5,200 employees, who work with at-risk homeowners to help them find workable solutions to avoid potential foreclosure. To further these efforts, we partner with national, regional and local community organizations across the country. For example, on the national level, partnerships include NeighborWorks America, National Council of La Raza, Homeownership Preservation Foundation, National Foundation for Credit Counseling, National Urban League, National Coalition for Asian Pacific Islanders, and Housing Partnership Network. At the local level, we work with Community Housing Works in San Diego, Brooklyn Legal Services, Center for New York City Neighborhoods, Cypress Hills Local Development Corp., and St. Ambrose Housing Aid Center, among others.

All of us at Citi recognize the hardship that can be suffered by a family losing a home. This is why foreclosure should always be a last resort. In the event that a foreclosure cannot be avoided, however, we have processes in place that are designed to make sure that foreclosures comply with all relevant state and federal laws, and that we do everything we can to make the transition process for our customers fair and understandable.

Since 2007, we have helped more than 1.1 million distressed borrowers in their efforts to avoid potential foreclosure. Further, as the volume of foreclosures increased in 2009, Citi self-identified opportunities to improve its foreclosure processes and proactively undertook actions to enhance its policies and controls. As part of these improvements, Citi centralized its foreclosure operations into one unit, added staff and enhanced training for greater efficiency and control. Citi limited the volume of documents that staff processed and required annual certification of its employees' understanding of the proper procedures. Also, we enhanced and strengthened manager oversight. These improvements were fully implemented nationwide at our St. Louis processing center in February of 2010. Since then, we have continued to monitor our foreclosure affidavit processes; strengthened training for our staff preparing, executing and notarizing affidavits; communicated with external foreclosure counsel with respect to our expectations regarding document execution practices and monitor their practices under our third party oversight program; and, looked for opportunities to further strengthen and streamline our practices and controls. Under Citi's existing procedures, affidavits are prepared by outside counsel to ensure compliance with each state's foreclosure laws, and each package is reviewed

by a Citi employee who verifies the information and signs the foreclosure affidavit in the presence of a notary. When errors are found, the documents are returned to the attorney, who revises the package and resubmits the documents for review. Foreclosures are monitored to make certain that staffing is adequate to review the affidavits properly.

Over the past year, Citi has significantly enhanced its oversight of mortgage foreclosure law firms. These enhancements include strengthening policies and procedures, hiring dedicated resources to oversee law firm performance, and increasing the frequency and scope of Citi's onsite law firm audit program. Citi chooses foreclosure law firms based upon their qualifications, expertise, reputation and capacity. Prior to engaging a new firm, we conduct an onsite review of the law firm to assess its ability to represent Citi in foreclosure actions. If the firm passes the onsite audit, its qualifications are then presented to a senior oversight committee for review. If approved, the law firm becomes subject to Citi's standard supervision program, including at least one onsite audit of the firm's practices in a twelve month period of time, as well as ongoing oversight and supervision. Firms which do not meet Citi standards are terminated.

When it comes to assisting customers, Citi's proprietary programs offer a variety of solutions, addressing challenges such as unemployment and imminent risk of default, and utilizing a variety of strategies to solve for affordability of payments. We believe the issue of affordability is the most important consideration in modifications and do not believe there is a "one size fits all" approach. The proof of this is in our low redefault rates. Since October 2010, we have offered principal reduction to eligible borrowers as part of the Home Affordable Modification Program ("HAMP") and we will continue to offer targeted principal reduction consistent with requirements in the National Mortgage Settlement, which is currently under judicial review.

CitiMortgage has been consistently supportive of HAMP. CitiMortgage was one of the first six mortgage servicing companies to sign up for HAMP and 2MP. We think HAMP provided a baseline for the industry to follow that has been invaluable. These programs enable borrowers to avoid potential foreclosure and allow them to retain their homes while lowering their monthly payments to a more manageable amount.

CitiMortgage also participates in the Home Affordable Refinance Program ("HARP") 2. We are seeing a great deal of interest in the program from homeowners and applications have been strong. Although the program is relatively new, we are seeing success helping borrowers to lower their mortgage payments. We believe this program has already added value by opening up refinance opportunities for borrowers whose homes had declined in value.

After we implement these programs, we will evaluate the states Hardest Hit Fund (HHF) programs to determine if we will be adding their principal reduction programs to our offerings. We are currently utilizing their mortgage assistance programs for unemployed borrowers and will be adding their short sale/transition programs in Q2. All principal reduction programs will be on our held portfolio since the GSEs and FHA do not participate in principal reduction. Approximately 68% of the loans Citi services for others are not eligible for principal reduction due to investor guidelines.

Citi has a comprehensive outreach strategy to reach Citi borrowers unable to meet their monthly mortgage obligation. In 2007, Citi created the Office of Homeownership Preservation ("OHP"), to work with nonprofit partners and other third parties representing Citi borrowers at risk who prefer to contact and work with us through a third party. OHP's goal is to increase outreach and responsiveness to homeowners in default or in danger of imminent default directly, as well as indirectly through collaborating with the housing counselors representing them. OHP provides

counselors with resources, and works with them to find the best possible option for a borrower experiencing a hardship. Furthermore, Citi also engages in multiple outreach programs designed to ensure that borrowers are aware of Citi's loss mitigation solutions. Beginning from very early delinquency, we partner with numerous non-profit organizations, as well as other stakeholders such as you, other elected or appointed officials and Treasury that help us to reach out to borrowers at risk of foreclosure. In addition, CitiMortgage's own Road to Recovery – an initiative designed to reach out and provide assistance to homeowners in distress which was launched in 2011, completed 25 events across the country and served to enable us to meet and offer assistance to many Citi customers who had never been in contact with us before. Plans are currently underway for our 2012 Road to Recovery tour which we expect to begin in the coming weeks.

In 2011, the Citi homeowners assistance travel team participated in a total of 168 events – including in New York, Brooklyn, San Diego, and the Baltimore metro area – and met with approximately 11,000 homeowners in need of assistance. Citi OHP has a dedicated team that manages Hope Loan Port, a web driven tool designed by the housing counseling industry and managed by a national nonprofit of the same name, which allows non-profit housing counselors to seamlessly submit modification applications to our Homeowners Support team.

For those borrowers who face severe hardship, Citi introduced dedicated Short Sale and Deed-in-Lieu teams in 2009, which offer a number of customizable solutions. To approve a short sale, there are two key decision points for the servicer. First, is whether the borrower has a hardship that prevents him or her from paying the gap between the offer and the pay-off balance. Second, is whether the offer is better for the investor than foreclosing. If an offer comes in before the servicer has determined the value of the property or documented the hardship condition of the borrower, then both of these actions must occur before a decision can be made. The key is to get this work done before the offer arrives.

In 2011, Citi took immediate action to comply with the OCC/Fed Consent Order which set a new standard for servicing requirements above and beyond what is required by law or regulation. Among other things, we implemented a Single Point of Contact ("SPOC") in August of 2011, changed the routing of phone calls, improved our document tracking process, implemented additional controls around mortgage assignment processes, implemented a formal third party oversight program, and streamlined the oversight and governance of our servicing operation. Having a single person to reach out to helps a customer navigate a difficult time.

A SPOC is assigned real time when a borrower expresses interest in a modification and is potentially eligible. SPOCs are available for all borrowers who may be eligible for and have expressed interest in a Loss Mitigation or loan modification program, and are responsible for all communications between Citi and the borrower, including monitoring and updating the borrower on the status of the borrower's Loss Mitigation or loan modification efforts and foreclosure proceedings. SPOCs are available through phone calls, email, or by appointment.

In response to the OCC Consent Order, we enhanced our quality control and assurance programs with respect to documentation. We now do 100% quality control reviews on all foreclosure affidavits before submitting them to the court. Foreclosure counsel is required to upload all documents in a timely manner and CitiMortgage maintains the "living file" containing all documents related to foreclosure, thereby improving the communication between foreclosure counsel and CitiMortgage. Additionally, in connection with the National Mortgage Settlement, the borrower will be provided with a notice, before the account is referred to foreclosure

counsel, which identifies the holder of the mortgage note and why CitiMortgage has the legal authority to file the foreclosure action.

CitiMortgage also created an independent Quality Assurance Unit to perform reviews of key processes within the foreclosure area. These monthly reviews are completed on a random sample basis to validate the accuracy of the work completed by the servicing unit and monitor the effectiveness of existing controls within the business. The Quality Assurance Unit reports into Operational Risk, which is independent from the Servicing Unit where the work is completed.

In accordance with the OCC's "look back" process we have engaged the independent consultant PricewaterhouseCoopers ("PwC"), and they are in process of their review. At the OCC's request, Citi and the other servicers utilized the same outreach approach to borrowers which included direct mail and was followed by a media campaign that included People Magazine and TV Guide. Borrowers work with a third party to ensure they were treated uniformly and could pursue reviews without fear about how the servicer would handle their claim. The decision on where to advertise was made in conjunction with the regulators based on demographics.

Additionally, every customer that experienced any foreclosure activity from January 1, 2009 through December 31, 2010 was sent a letter directing them to apply for review if they met certain criteria. If the borrower had relocated, efforts, in the form of skip tracing, were made to find his or her current location. Between letters and national advertising, borrower awareness has been high. Citi's current return mail rate is 9.3%, and total undeliverable mail after all skip tracing exhausted is 5.7%. The industry return mail is currently at 9.8%. Any borrower who requests a file review and has appropriately filed a request will also be reviewed.

CitiMortgage has been preparing for months to implement the National Mortgage Settlement agreement, which is currently pending approval before the Court. In fact, we have not been waiting and have been taking calls from customers since March 1. We have an analytics tool in place we are using to determine whether or not we believe a borrower may qualify for the program, and we have already moved a few hundred cases into the pipeline.

As part of the OCC Consent Order and the National Mortgage settlement, foreclosure files will be reviewed to determine whether any borrower eligible for SCRA protection was foreclosed on. In the event that such an action occurred, the OCC Consent Order and National Mortgage Settlement lay out guidance for remediation that we will follow.

Citi supports and appreciates the efforts of our servicemembers, and is committed to complying with the SCRA and ensuring that eligible servicemembers are not wrongfully foreclosed upon. As part of our commitment, we have policies and procedures on SCRA compliance and also deliver training to certain staff involved in mortgage servicing. In addition, we have implemented internal controls, as well as enhanced external controls, that involve checking loans against the Department of Defense's Defense Manpower Data Center database at multiple times throughout the foreclosure process. We will continue to look for opportunities to further improve and enhance SCRA policies, procedures and controls in order to ensure compliance.

We understand there is work to be done. Citi remains focused on achieving affordability and helping families stay in their homes in a responsible manner, and we support and actively participate in the Treasury's programs to help consumers. We undertook significant measures to implement enhanced servicing standards required by the Consent Order and have a dedicated

team focused on implementation of servicing standards as required by the National Mortgage Settlement. We are committed to remaining focused on meeting our objectives and fully complying with the enhanced servicing standards in our industry.

Thank you for the opportunity to address the Committee. I would be happy to answer any questions you might have.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)

Name: Jeff Jaffee

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2008. Include the source and amount of each grant or contract.

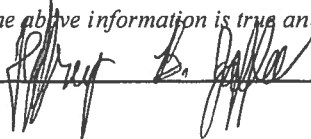
No

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

Jeff Jaffee, Chief Regulatory Affairs Officer, CitiMortgage

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

N/A

I certify that the above information is true and correct.
Signature: 

Date: 

Jeffrey B. Jaffee

PROFESSIONAL EXPERIENCE

CitiMortgage , Chief Regulatory Affairs Officer, Irving, TX	(2011-Present)
Saxon Mortgage , VP Consumer and Community Affairs	(2009-2011)
Finance Scholars Group, Principle , Orinda, CA	(2008-2009)
Center for Financial Services Innovation, Fellow , Chicago, IL	(2008-2009)
CITIGROUP	(1984-2007)
Mortgage program director —EMEA, London	(2005-2007)
Deputy Director Community Relations , New York, NY	(1999-2005)
Mortgage Sales/CRA director , Miami, FL	(1996-1999)
Mortgage System project manager , St. Louis, MO	(1993-1995)
Mortgage Sales manager , Washington D.C.	(1990-1993)
Branch manager , Ft. Lauderdale, FL	(1987-1999)
Wholesale Mortgage Sales manager , Atlanta, GA	(1985-1987)

BOARD MEMBERSHIPS

Hope Now Alliance Executive Committee
Groundwork, Northern Ireland (2005-Present) - Community development non-profit
East London Business Alliance (2005-2007) – Public, Private, non-profit partnership

EDUCATION

BA Arts/Government, Georgetown University