SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT made this <u>23rd</u> day of <u>March</u>, 2010 between the affiliated CitiFinancial mortgage lending entities listed in Exhibit A to this Settlement Agreement (called collectively "CitiFinancial"), with their operational headquarters at 300 St. Paul Place, Baltimore, Maryland, and the state mortgage lending regulators listed in Exhibit B (called collectively "State Mortgage Regulators" or "Regulators").

BACKGROUND

WHEREAS, the CitiFinancial state-licensed and supervised mortgage lenders listed in Exhibit A are indirect subsidiaries of a financial holding company and are subject to the reporting requirements of the federal Home Mortgage Disclosure Act ("HMDA"), 12 U.S.C. section 2801 *et seq.*, as implemented by Regulations of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 203 ("Regulation C");

WHEREAS, in the normal course of their mortgage lending business, the CitiFinancial entities had and have in place policies, procedures, programs, training, testing and compliance and controls to comply with the requirements of HMDA and Regulation C, as amended from time to time;

WHEREAS, on May 19, 2008, the Massachusetts Division of Banks commenced an examination/inspection of a CitiFinancial entity, which is a licensed a mortgage lender pursuant to Massachusetts General Laws chapter 255E;

WHEREAS, during its examination/inspection, the Massachusetts Division of Banks examiners questioned why certain mortgage transactions in the sample reviewed were not reported in the Loan Application Registers ("LARs") of CitiFinancial for 2006 and 2007;

WHEREAS, in response to the Massachusetts Division of Banks concerns, CitiFinancial

promptly conducted an internal investigation and root cause analysis and determined that a previously undetected and unintentional programming error caused CitiFinancial to inadvertently fail to report certain HMDA reportable loan records in CitiFinancial's HMDA LARs for 2004 through 2007. Over the four reporting years (2004, 2005, 2006, and 2007), the programming error resulted in the underreporting of 1,515 HMDA records in Massachusetts and about 91,000 HMDA records in over 20 legal vehicles on CitiFinancial mortgage transactions in 48 states. CitiFinancial immediately took steps to correct the programming error and remediate the underreporting. In accordance with federal HMDA requirements, CitiFinancial re-filed with federal authorities all responsive data for the four reporting years for all CitiFinancial entities. As a state-licensed and supervised business, CitiFinancial also notified the State Mortgage Regulators of the unintentional HMDA underreporting, the affected number of records for the Regulators' states, and the steps taken to rectify the situation and to ensure publicly available resubmitted LARs for all states for all four years;

WHEREAS, the Massachusetts Division of Banks issued a report on October 5, 2009 regarding its examination/inspection of CitiFinancial's operation in Massachusetts in which it alleged that CitiFinancial's internal controls failed to ensure that all required HMDA reportable loan applications were compiled and recorded with CitiFinancial's LARs;

WHEREAS, CitiFinancial cooperated fully with the Massachusetts Division of Banks in voluntarily producing information and responding to questions relevant to the examination/inspection, providing information on the underreporting situation to the Massachusetts Division of Banks in a conference call in June 2009, and submitting a detailed response to the October 5, 2009 Examination Report of the Massachusetts Division of Banks, conferring with the Massachusetts Division of Banks on several dates during 2009, and

providing a detailed report and meeting with the representatives of the State Mortgage

Regulators on December 15, 2009;

WHEREAS, CitiFinancial also promptly notified federal and other state authorities of the

unintentional programming error and consequent reporting discrepancies and cooperated fully

with any requests posed by such authorities;

WHEREAS, CitiFinancial took affirmative steps to identify and correct its unintentional

programming error, including the review of all HMDA data collected for residential mortgage

loans, the re-filing of corrected LARs for the years 2004 through 2007, implementation of

necessary programming corrections, and the review of and enhancements to its internal control

environment;

WHEREAS, CitiFinancial also retained a nationally recognized expert consultant to

evaluate the fair lending ramifications of the additional records in the re-filed LARS and who

determined that the unintentional programming error caused no change in the results of the

CitiFinancial fair-lending analysis in that there were no practically significant pricing disparities

in Massachusetts or nationally on the basis of race, ethnicity, or gender, either in the originally

filed data or the re-filed data;

WHEREAS, the State Mortgage Regulators have initiated an informal inquiry of the

integrity of CitiFinancial's HMDA reporting system and its controls to detect errors in HMDA

LAR data;

WHEREAS, there is no evidence that the underreporting had any consumer harm and/or

impact and CitiFinancial asserts that the unintentional error is not a violation of HMDA as it falls

within the safe harbor provisions of the federal law, and CitiFinancial does not admit, and

expressly denies, that its conduct constituted a violation of the federal HMDA law or regulations

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or of other state laws or regulations;

WHEREAS, to avoid unnecessary time and expense for all concerned, CitiFinancial desires to resolve the concerns of the State Mortgage Regulators through this Settlement Agreement; and

WHEREAS, in recognition of the fact that the unintentional error went undetected for four years until identified and without admitting any allegations or implications of fact or the existence of any violation of state or federal laws and regulations governing the conduct and operation of the mortgage business in each of the States, CitiFinancial is willing to enter into this Settlement Agreement with the State Mortgage Regulators on the terms stated herein.

AGREEMENT

NOW COME the parties in the above-captioned matter, CitiFinancial, while it denies any violation of the laws cited in this Settlement Agreement, and the State Mortgage Regulators, who act under their statutory authority, both of whom desire to resolve this matter and agree as follows:

1. CitiFinancial has established, implemented, and enhanced and will continue to maintain procedures to ensure compliance with the reporting requirements set forth in HMDA. Such procedures shall necessarily require that the CitiFinancial implements internal controls to ensure that, for all HMDA reportable applications and loans, CitiFinancial accurately compiles and records all required data in its LAR. CitiFinancial will document its procedures and controls concerning HMDA reporting and make such documentation available to State Mortgage Regulators in connection with their regular examinations and other regulatory reviews of CitiFinancial. This documentation shall include a description of CitiFinancial's independent audit function, including but not limited to, the evaluation of information technology controls to

ensure an objective and independent assessment of the controls, reliability, and integrity of CitiFinancial's information technology environment. This assessment must include a review of day-to-day controls to ensure transactions are recorded and processed in compliance with the CitiFinancial's policies. Operational audits, such as system development audits, must be performed to detect any issues associated with changes to system parameters. When a new application system, conversion, or significant revision to an existing system is ready for production, testing will be conducted to validate that the system operates as expected. A post-implementation review, including the testing of program logic, error conditions, calculations, controls, and edits must be conducted to minimize potential losses from ineffective software operation or processing errors. The independent audit function shall ensure that HMDA processes adopted and utilized by CitiFinancial are consistent with accepted industry practices for HMDA compliance.

- 2. CitiFinancial shall continue to maintain and periodically update operating policies, procedures and training to ensure that applicable personnel possess an understanding of the HMDA requirements under Regulation C appropriate to their responsibilities with respect to HMDA. Such training shall necessarily ensure the proper implementation and execution of any revised practices and procedures adopted by CitiFinancial pursuant to this Settlement Agreement.
- 3. In consideration of the activities described in this Settlement Agreement, CitiFinancial agrees to remit to the State Mortgage Regulators One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000.00) ("Settlement Proceeds"), to be allocated among the State Mortgage Regulators.
 - 4. CitiFinancial shall comply with all federal and state laws and regulations

applicable to its conduct of the mortgage business.

GENERAL PROVISIONS

- 5. This Settlement Agreement shall become effective immediately upon the date of its execution.
- 6. The provisions of this Settlement Agreement shall be binding upon CitiFinancial, its officers, directors, and its successors and assigns.
- 7. Each State Mortgage Regulator shall continue to have enforcement authority with respect to CitiFinancial's conduct of its licensed mortgage business in accordance with the State's applicable laws and regulations.
- 8. The provisions of this Settlement Agreement shall be made public upon the effective date of this Settlement Agreement.
- 9. The provisions of this Settlement Agreement shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this Settlement Agreement shall have been modified, terminated, suspended, or set aside, by the State Mortgage Regulators collectively or upon an order of a court of competent jurisdiction.
- 10. This Settlement Agreement is the complete document representing the resolution of this matter and is in lieu of all other proceedings related to this matter which may be available to the State Mortgage Regulators. There are no other agreements, promises, representations, or warranties other than those set forth in this Settlement Agreement.
- 11. In consideration of the obligations of CitiFinancial in this Settlement Agreement, and conditioned upon CitiFinancial's fulfillment of the obligations listed above and full payment of the Settlement Proceeds, the State Mortgage Regulators agree to release CitiFinancial from any and all civil or administrative examinations, investigations, enforcement actions, or suits which

could be brought under any state or federal laws or regulations by the State Mortgage Regulators, for CitiFinancial's failure to ensure that all required HMDA reportable loan records were compiled and filed with CitiFinancial's LARs for the reporting years 2004 through 2007.

- 12. In accordance with the terms of the Settlement Agreement, CitiFinancial has waived all rights that it may have to the receipt of Notice specifying the allegations (the "Charges") which form the basis for issuance of this Settlement Agreement; all defenses to the issuance of the Settlement Agreement; an administrative hearing(s) for the purpose of taking evidence on such alleged Charges; written findings which form the basis for issuance of the Settlement Agreement; exceptions and briefs with respect to such written findings; and any other rights to appeal that it may have.
 - 13. This Settlement Agreement may be executed in separate counterparts.

SIGNATORY FOR CITIFINANCIAL:

CitiFinancial Services, Inc., a Massachusetts corporation

CitiFinancial, Inc., an Ohio corporation

CitiFinancial Corporation, LLC, a Delaware limited liability company

CitiFinancial, Inc., a Maryland corporation

CitiFinancial Services, Inc., an Oklahoma corporation

CitiFinancial, Inc., a West Virginia corporation

CitiFinancial Services, Inc., a Georgia corporation

CitiFinancial, Inc., a Tennessee corporation

CitiFinancial Services, Inc., a Delaware corporation

CitiFinancial Services, Inc., an Ohio corporation

CitiFinancial Company (DE), a Delaware corporation

CitiFinancial, Inc., an Iowa corporation

CitiFinancial Services, Inc., a Pennsylvania corporation

CitiFinancial, Inc., a Texas corporation

CitiFinancial Services, Inc., a Kentucky corporation

CitiFinancial, Inc., a Hawaii corporation

 $\mathbf{B}\mathbf{v}$

Vice President

SIGNATORIES FOR STATE MORTGAGE REGULATORS:

John Harrison, Superintendent of Banks

Alabama State Banking Department

Thomas L. Wood, Acting Superintendent of Financial Institutions

By: Robert D. Charlton, Assistant Superintendent of Financial Institutions

Arizona Department of Financial Institutions

Howard F. Pitkin, Banking Commissioner

Howard 7021

State of Connecticut Department of Banking



Office of the State Bank Commissioner of the State of Delaware

Robert M. Braswell, Commissioner

Georgia Department of Banking and Finance

D.B. Griffin III, Commissioner of Financial Institutions Division of Financial Institutions State of Hawaii

Gavin M. Gee

Director, Idaho Department of Finance

Robert E. Meza, Director Division of Financial Institutions

IL. Dept. of Financial & Professional Regulation

David Mills, Director

Indiana Department of Financial Institutions



Thomas B. Gronstal, Iowa Superintendent of Banking Iowa Division of Banking

Cha A. Voc

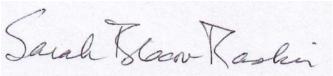
Charles A. Vice, Commissioner Kentucky Department of Financial Institutions



John Ducrest, Commissioner Louisiana Office of Financial Institutions



William N. Lund, Esq., Superintendent Maine Bureau of Consumer Credit Protection



Sarah Bloom Raskin, Commissioner of Financial Regulation Office of the Commissioner of Financial Regulation, Maryland Department of Labor, Licensing, and Regulation

Steven L. Antonakes, Commissioner of Banks Massachusetts Division of Banks

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Ken Ross, Commissioner

Michigan Office of Financial and Insurance Regulation

John S. Allison, Commissioner

Mississippi Department of Banking and Consumer Finance

Annie Goodwin, Commissioner

Unio M. Gooduni

Montana Division of Banking and Financial Institutions

John Munn, Director

Nebraska Department of Banking and Finance

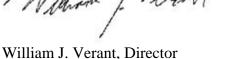
Peter C. Hildreth, Bank Commissioner

New Hampshire Banking Department

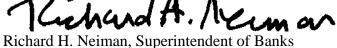
Terry K. McEwen, Director of Banking

New Jersey Department of Banking and Insurance

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William J. Verant, Director New Mexico Financial Institutions Division



Richard H. Neiman, Superintendent of Banks New York State Banking Department

Mark Pearce, Chief Deputy Commissioner of Banks NC Office of the Commissioner of Banks

John B. Reardon, Superintendent

Ohio Division of Financial Institutions, Department of Commerce

David Tatman, Administrator

Oregon Department of Consumer and Business Services

Steven Kaplan, Secretary of Banking Pennsylvania Department of Banking



A. Michael Marques

Rhode Island Director of Business Regulation

Rhode Island Department of Business Regulation Division of Banking

Greg Gonzales, Commissioner

Tennessee Department of Financial Institutions

Leslie L. Pettijohn, Commissioner

Texas Office of Consumer Credit Commissioner

G. Edward Leary, Commissioner

Utah Department of Financial Institutions

aulette of Mabault

Paulette J. Thabault, Commissioner

Vermont Department of Banking, Insurance, Securities and Health Care Administration

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E. Joseph Face, Jr., Commissioner Bureau of Financial Institutions Virginia State Corporation Commission

Deborah Bortner, Director of Consumer Services

WA Department of Financial Institutions Division of Consumer Services

Sara M. Cline, Commissioner of Banking West Virginia Division of Banking

EXHIBIT A

CitiFinancial Mortgage Lending Entities with State of Incorporation and States in which principally engaged in Mortgage Lending:

CitiFinancial Services, Inc., a Massachusetts corporation - Massachusetts

CitiFinancial, Inc., an Ohio corporation - Ohio

CitiFinancial Corporation, LLC, a Delaware limited liability company - Alabama

CitiFinancial, Inc., a Maryland corporation – Arizona, Connecticut, Delaware, Idaho, Louisiana, Maryland, Maine, Michigan, Montana, Nebraska, New Hampshire, New Mexico, Oregon, Pennsylvania, Rhode Island, Utah, Virginia, Vermont, Washington,

CitiFinancial Services, Inc., an Oklahoma corporation -Florida

CitiFinancial, Inc., a West Virginia corporation – West Virginia

CitiFinancial Services, Inc., a Georgia corporation - Georgia

CitiFinancial, Inc., a Tennessee corporation - Tennessee

CitiFinancial Services, Inc., a Delaware corporation - Illinois, North Carolina,

CitiFinancial Services, Inc., an Ohio corporation - Indiana

CitiFinancial Company (DE), a Delaware corporation – New York

CitiFinancial, Inc., an Iowa corporation - Iowa

CitiFinancial Services, Inc., a Pennsylvania corporation – New Jersey, Pennsylvania

CitiFinancial, Inc., a Texas corporation - Texas

CitiFinancial Services, Inc., a Kentucky corporation - Kentucky

CitiFinancial, Inc., a Hawaii corporation – Hawaii

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EXHIBIT B

State Mortgage Lending Regulators:

Alabama: State Banking Department 401 Adams Avenue, Suite 680 Montgomery, Alabama 36130

Statutory Authority: Code of Alabama 1975 Title 5 Chapter 19

Arizona: Arizona Department of Financial Institutions

2910 N. 44th St., Suite 310 Phoenix, Arizona 85018

Statutory Authority: ARS Section 6-122

Connecticut: State of Connecticut Department of Banking

260 Constitution Plaza Hartford, CT 06103-1800

Statutory Authority: Sections 36a-735 to 36a-744, inclusive, of the Connecticut General Statutes

Delaware: Office of the State Bank Commissioner of the State of Delaware

555 E. Loockerman Street Dover, Delaware 19901

Statutory Authority: Chapter 22 of Title 5 of the Delaware Code

Georgia: Georgia Department of Banking and Finance

2990 Brandywine Road, Suite 200

Atlanta, GA, 30341

Statutory Authority: Georgia Residential Mortgage Act, codified at OCGA 7-1-1000 thru 7-1-

1021

Hawaii: Division of Financial Institutions

335 Merchant Street, Room 221

Honolulu, Hawaii 96813

Statutory Authority: Hawaii Revised Statutes §§ 412:2-100 and 412:9-101

Idaho: Idaho Department of Finance

800 Park Blvd., Suite 200

Boise, ID 83712

Statutory Authority: Idaho Code §26-31-101 et seq.

Illinois: Dept. of Financial & Professional Regulation

100 W. Randolph St. # 9-146

Chicago, IL 60601

Statutory Authority: 205 ILCS 670/1 et. seq. The Consumer Installment Loan Act.

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Indiana: Indiana Department of Financial Institutions

30 South Meridian Street, #300

Indianapolis, IN 46204

Statutory Authority: IC 24-4.4 and IC 24-4.5

Iowa: Iowa Division of Banking 200 East Grand Avenue, Suite 300 Des Moines, IA 50309-1827

Statutory Authority: Code of Iowa Chapter 536 "Iowa Regulated Loan Act" and the Code of

Iowa Chapter 536A "Iowa Industrial Loan Law"

Kentucky: Kentucky Department of Financial Institutions

1025 Capital Center Drive, Suite 200

Frankfort, KY 40601

Statutory Authority: Kentucky Revised Statutes Chapter 286.4

Louisiana: Louisiana Office of Financial Institutions

8660 United Plaza Blvd, 2nd Floor Baton Rouge, LA 70809-7024

Statutory Authority: LSA-R.S. 6:1081 et. seq. known as the Louisiana Secure and Fair

Enforcement of Mortgage Licensing Act of 2009

Maine: Maine Bureau of Consumer Credit Protection

State House Station #35 Augusta, Maine 04333

Statutory Authority: 9-A Maine Revised Statutes, Article IX, section 9-101 et seq.

Maryland: Office of the Commissioner of Financial Regulation, Maryland Department of Labor,

Licensing, and Regulation

500 North Calvert Street, Suite 402, Baltimore, Maryland 21202

Statutory Authority: Annotated Code of Maryland: Commercial Law Article, Title 12, Subtitle 3; Financial Institutions Article, Title 11, Subtitle 2; and Financial Institutions Article, Title 11, Subtitle 5.

Massachusetts: Division of Banks

One South Station Boston, MA, 02110

Under the authority of the Massachusetts General Laws, Chapter 255E, section 8.

Michigan: Office of Financial and Insurance Regulation

611 W Ottawa St, Third Floor Lansing, Michigan 48933

Statutory Authority: MCL 487.2059 and MCL 445.1661

Mississippi: Mississippi Department of Banking and Consumer Finance

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501 N West Street, 901A Woolfolk Building, Suite A

Jackson, MS 39201

Statutory Authority: 75-67-101 et seq. and 75-67-201 et seq., Mississippi Code of 1972,

Annotated

Montana: Montana Division of Banking and Financial Institutions

P.O. Box 200546

Helena, MT 59620-0546

Statutory Authority: Mont. Code Ann. Title 32, Chapter 5, Part 1

Nebraska: Nebraska Department of Banking and Finance

Commerce Court, Suite 400

1230 "O" Street

Lincoln, Nebraska 68508

Statutory Authority: Residential Mortgage Licensing Act, Neb. Rev. Stat. §§ 45-701 to 45-754

(Supp. 2009)

New Hampshire: New Hampshire Banking Department 53 Regional Drive

Concord, NH 03301

Statutory Authority: RSA 397-A:3,I

New Jersey: New Jersey Department of Banking and Insurance, P.O. Box 040

Trenton, NJ 08625-0040 Statutory Authority: New Jersey Licensed Lenders Act, N.J.S.A.

17:11C-1 et seq.

New Mexico: Financial Institutions Division

Toney Anaya Building 2550 Cerrillos Road Santa Fe, NM 87505

Statutory Authority: 58-21-3 NMSA 1978 and 58-21B-4 NMSA 1978

New York: New York State Banking Department

One State Street

New York, NY 10004-1511

Statutory Authority: New York Banking Law article 12-D

North Carolina: North Carolina Office of the Commissioner of Banks

316 W. Edenton Street Raleigh, NC 27603

Statutory Authority: Article 19B, of Chapter 53 of the North Carolina General Statutes

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Ohio: Ohio Division of Financial Institutions, Department of Commerce

77 South High Street, 21st Floor, Columbus, OH 43215 Statutory Authority: Ohio Revised Code 1321.51 to 1321.60

Oregon: Oregon Department of Consumer and Business Services

P.O. Box 14610 Salem, Oregon 97309

Statutory Authority: ML ORS 86A.124, previously 59.880, and for Consumer Finance 725.320

Pennsylvania: PA Department of Banking

17 North Second Street, 13th Fl.

Harrisburg, PA 17101

Statutory Authority: 7 P.S. Sec. 6201 et seq

Rhode Island: Rhode Island Department of Business Regulation Division of Banking

1511 Pontiac Avenue, Building 68-2

Cranston, RI 02920

Statutory Authority: R. I. Gen. Laws §19-14-23

Tennessee: Tennessee Department of Financial Institutions

414 Union Street - Suite 1000 Nashville, Tennessee 37219

Statutory Authority - Tennessee Code Annotated, Title 45, Chapter 13

Texas: Office of Consumer Credit Commissioner

2601 N. Lamar Blvd. Austin, TX 78705

Statutory Authority: Sec. 342.001 et seq. Tex Fin Code

Utah: Utah Department of Financial Institutions

P O Box 146800

Salt Lake City, UT 84114-6800

Statutory Authority: Utah Code, Title 70C-8-101 et seq

Vermont: Vermont Department of Banking, Insurance, Securities and Health Care

Administration

89 Main Street, Montpelier, VT 05620-3101 Statutory Authority: 8 V.S.A. § 2241(8)

Virginia: State Corporation Commission

Bureau of Financial Institutions

P.O. Box 640

Richmond, VA 23218-0640

Statutory Authority: Section 6.1-244 et.seq.of the Code of Virginia

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Washington: Department of Financial Institutions Division of Consumer Services, P.O. Box

41200, Olympia, WA 98504-1200

Statutory Authority: Chapter 31.04 RCW

West Virginia: West Virginia Division of Banking

One Players Club Drive, Suite 300

Charleston, WV 25311-1688

Statutory Authority: W.Va. Code §31A-2-4