Testimony of

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Chairwoman Waters, Ranking Member Capito and Members of the Subcommittee on Housing and Community Opportunity, thank you for the invitation to appear before you today to discuss Citi's loan modification efforts.

My name is Steve Hemperly and I am the Executive Vice President for CitiMortgage Real Estate Default Servicing. As a top five servicer with more than $800 billion dollars in our loan servicing portfolio, Citi services approximately 7% of the loans in the United States. We believe this gives us a considerable understanding of the scope and dynamics related to the foreclosure crisis confronting the nation and the work that needs to be done to keep borrowers in their homes.

In this enormously difficult housing market, Citi has moved aggressively to help distressed borrowers. We have a high degree of success in keeping borrowers in their homes when we are able to make contact with them, and they want to remain in their homes.

Citi specifically focuses on finding long-term solutions for borrowers in need. In support of this, a key loss mitigation tool is loan modification. A modification agreement is typically used when the customer has a significant reduction of income that impacts his or her ability to pay and will last past the foreseeable future. This agreement makes the mortgage more affordable for the customer. We have found modifications to be effective in helping borrowers manage through difficult times and avoid foreclosure.

Citi has a specially trained servicing unit that works with at-risk homeowners to find solutions short of foreclosure and tries to ensure that, wherever possible, no borrower loses his or her home. Citi continuously evaluates each of its portfolios to identify those customers who can save money and reduce monthly payments, and offers them timely loss mitigation solutions. Among other efforts, we provide free credit counseling, make our loss mitigation staff available to borrowers or nonprofit counseling organizations acting on behalf of borrowers, and provide work-out arrangements and other options.

In keeping with our commitment to help borrowers stay in their homes, we are implementing the FDIC's streamlined modification program for loans we own, where the borrower is at least 60 days delinquent or where a long-term modification is appropriate, even if the borrower is not yet delinquent.

In November 2008, we announced the Citi Homeowner Assistance Program for families, particularly in areas of economic distress and sharply declining home values, whose mortgages Citi holds. For those borrowers who may be at risk, although still current on their mortgages, we are deploying a variety of means to help them remain current on their mortgage and in their homes.

Citi's foreclosure prevention activities have good resolution rates for distressed borrowers whom we are able reach; for example, for those going through the foreclosure process with whom we are in contact, we are able to save approximately 70 percent. However, we are not able to reach everyone, and in those circumstances, there are limits to what we can do.

To better meet the increased needs of struggling borrowers we service, both pre and post delinquency, and reach as many of them as possible, we have dedicated significant resources to our loss mitigation area. We have stepped up our loss mitigation staffing by almost three times over last year's staffing levels, and have provided additional training for our existing staff.

Additionally, to reiterate the commitment made by our Chief Executive Officer Vikram Pandit to the House Financial Services Committee on February 11, 2009, Citi initiated a foreclosure moratorium on all Citi owned first mortgage loans that are the principal residence of the customer as well as all loans Citi services where we have reached an understanding with the investor.

The moratorium became effective February 12, 2009, and will continue until March 12, 2009, before which time we expect finalized details on President Barack Obama's loan modification program. Citi will not initiate any new foreclosures or complete pending foreclosures on eligible customers during this time.

This commitment builds upon our existing foreclosure moratorium for eligible borrowers with Citi-owned mortgages who work with us in good faith to remain in their primary residence and have sufficient income to make affordable mortgage payments.

In order for our efforts to have the broadest possible impact, Citi has also worked with investors and owners of more than 90 percent of the mortgages we service – but do not own – to make sure that many more qualified borrowers will also benefit from this moratorium.

In order for policymakers, regulators, consumers and market participants to better understand the extent of the current situation, and our efforts to ameliorate it, we think it is important to share what we know. To assist in this effort, for the past four quarters we have produced and publicly released the *Citi U.S. Consumer Mortgage Lending Data and Servicing Foreclosure Prevention Efforts* report. The Report, available at www.Citigroup.com, goes into specific detail on our originations, delinquency trends, ARM resets, loss mitigation efforts, loan modifications, foreclosures in process, and new foreclosures initiated. Our soon to be released fourth quarter report will also include detailed information on our re-default rates for the first time.

Our report will show that distressed borrowers serviced by Citi, who received modifications, reinstatements or repayment plans outnumbered those who were foreclosed by more than six to one in the fourth quarter of 2008. The data demonstrate that our commitment to long term solutions is yielding results; the number of borrowers serviced by Citi who received long term solutions, in the form of loan modifications, in the fourth quarter of 2008 increased by approximately 51% as compared with the third quarter of 2008.

Our re-default rates, by which we mean the percentage of borrowers who became 60+ or 90+ days past due at a given time period after their loans were modified, do not exceed twenty-three percent for loans modified over the past year. For example, of the loans modified in the second quarter of 2008, only 14% were 90+ days past due six months after modification. The fact that these borrowers are delinquent does not mean that the result will be foreclosure, and in fact, we continue to work with these borrowers after re-default to find long term solutions to help keep them in their homes.

In keeping with the actions I have described and our desire to do more, Madam Chairwoman, and members of the Committee, I want to assure you that we share your interest in helping homeowners, and we strongly support this Committee's leadership in foreclosure prevention and its tireless efforts to solve the housing crisis.

In closing, I want to again emphasize Citi's commitment to keeping borrowers who we service out of foreclosure and in their homes whenever possible. Thank you again, and I would be pleased to answer questions.