Issue Date September 30, 2011	
Audit Report Number 2011-KC-1005	

TO: Deborah Holston, Acting Deputy Assistant Secretary for Housing, HU

//**signed**//
FROM: Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

SUBJECT: CitiMortgage Did Not Properly Determine Borrower Eligibility for FHA's Preforeclosure Sale Program

HIGHLIGHTS

What We Audited and Why

We reviewed 68 Federal Housing Administration (FHA) claims submitted by CitiMortgage, Inc., of O'Fallon, MO. We selected Citi due to an issue identified in a prior review and a review conducted by HUD's quality assurance division.

Our audit objective was to determine whether Citi properly determined that borrowers were eligible to participate in the Preforeclosure Sale Program.

What We Found

Citi improperly submitted claims totaling nearly $5 million for 63 of the 68 preforeclosure sales reviewed without properly determining borrower eligibility to participate in the Program. Citi did not always verify that the borrowers had defaulted or were in imminent danger of default as a result of an adverse and unavoidable financial situation. Additionally, Citi did not complete comprehensive reviews of the borrowers' financial records to demonstrate that the borrowers did not have sufficient income or assets to sustain the mortgage.

What We Recommend

We recommend that the U.S. Department of Housing and Urban Development (HUD) require Citi to reimburse HUD for the 63 improper claims totaling nearly $5 million. Additionally, we recommend that HUD require Citi to develop and implement policies and procedures to ensure that it properly determines the eligibility of borrowers to participate in the Program.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided the draft report to Citi on August 12, 2011, and held an exit conference on August 18, 2011. Citi provided its written response on August 30 and its final loan-level responses on September 2, 2011. Citi generally disagreed with our audit findings.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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BACKGROUND AND OBJECTIVE

CitiMortgage is a nonsupervised direct endorsement lender located at 1000 Technology Drive in O'Fallon, MO. Citi received approval from the Federal Housing Administration (FHA) in May 1981 and currently operates 18 branch offices in 10 States and the District of Columbia.

FHA provides mortgage insurance on loans made by FHA-approved lenders throughout the United States and its territories. It insures mortgages on single-family and multifamily homes including manufactured homes and hospitals. It is the largest insurer of mortgages in the world, insuring more than 34 million properties since its inception in 1934. FHA mortgage insurance provides lenders with protection against losses as the result of homeowners defaulting on their mortgage loans. The lenders bear less risk because FHA will pay a claim to the lender in the event of a homeowner's default. Loans must meet certain requirements established by FHA to qualify for insurance.

The PreForeclosure Sale Program allows borrowers in default (resulting from an adverse and unavoidable financial situation) to sell their home at fair market value and use the sale proceeds to satisfy the mortgage debt even if the proceeds are less than the amount owed. This Program is appropriate for borrowers whose financial situation requires that they sell their home, but they are unable to do so without FHA relief because the gross recovery on the sale of their property (that is, sales price minus sales expenses) is less than the amount owed on the mortgage. Under no circumstances should the Program be made available to borrowers who have abandoned their mortgage obligation despite their continued ability to pay[1]. Further, the borrower must not be encouraged to default on his or her mortgage for the purpose of participating in the Program[2].

Citi closed 1,884 FHA preforeclosure sales in 2010 with claims totaling more than $146 million. Each claim compensated Citi for the difference between the sales proceeds and the amount owed on the mortgage, plus incentives earned by Citi and/or the borrower, if applicable[3]; the shortfall and incentives are paid out in a single payment.

Our audit objective was to determine whether Citi properly determined whether borrowers were eligible to participate in the Program.

[1] Mortgagee Letter 2008-43, Pre-Foreclosure Sale Introduction
[2] PreForeclosure Sales Program Fact Sheet
[3] Mortgagee Letter 2008-43, Pre-Foreclosure Sale Introduction

RESULTS OF AUDIT

Finding 1: CitiMortgage Did Not Properly Determine Preforeclosure Sale Eligibility for 63 Borrowers

Citi did not properly determine that borrowers were eligible to participate in the Program. This condition occurred because Citi lacked adequate policies and procedures for accepting borrowers into the Program. As a result, the FHA insurance fund paid out nearly $5 million in improper claims including lender and borrower incentives.

Citi Did Not Properly Determine Eligibility

Of 68 loans reviewed, Citi did not properly determine that 63 borrowers were eligible to participate in the Program. The following table identifies how often each of the various deficiencies occurred in the 63 loans. The total number of deficiencies is greater than 68 because some loans had multiple deficiencies.

Deficiency	Number of loans
Adverse and unavoidable situation	44
Assets available	16
Surplus income	15
Unverified income	35
Unverified expenses	63
Unverified imminent default	16
Undocumented owner-occupant exception	9

Citi did not document an adverse and unavoidable financial situation leading to the default. Section B Mortgagor Qualifications of Mortgagee Letter 2008-43 states that the Program may be extended to borrowers who are in default as a result of an adverse and unavoidable financial situation. According to section B of the mortgagee letter, adverse and unavoidable financial situations may include but are not limited to loss of job or verifiable income reduction and extensive medical expenses. Citi did not verify the financial situations claimed by the borrowers; instead, it took the borrowers' claims without question. In some cases, the borrowers' financial situation was not shown to be unavoidable; in other cases, borrowers stated that they wished to sell the home but were not able to because it was worth less than the outstanding mortgage amount.

Citi did not require borrowers with assets to repay the indebtedness through the use of a repayment plan. Section D, Financial Analysis, of the mortgagee letter requires that the Program not be offered to borrowers who have sufficient personal resources to pay off their mortgage commitment; moreover, borrowers with assets are required to repay the indebtedness through the use of a payment plan. In some cases, bank statements provided by the borrowers reflected significant cash assets; in other cases, borrowers reported significant cash assets in bank accounts. In one case, tax returns reflected rental properties owned by the borrower and in another case reflected significant dividend and interest income, suggesting substantial assets held by the borrower. In no cases were these assets used to disqualify the borrowers from the Program.

Citi did not require borrowers with surplus income to repay the indebtedness through the use of a repayment plan. Section D, Financial Analysis, of the mortgagee letter requires that the Program not be offered to borrowers who have sufficient personal resources to pay off their mortgage commitment; moreover, borrowers with surplus income are required to repay the indebtedness through the use of a payment plan. Surplus income exists when income less expenses results in a positive residual. In some cases, Citi approved borrowers for participation in the Program despite their having surplus monthly income according to Citi's calculation.

Citi did not always properly verify income amounts used to calculate surplus income. Section D, Financial Analysis, of the mortgagee letter requires that lenders independently verify the borrowers' financial information regardless of how it is obtained. In its calculation of surplus income, Citi used income amounts stated by the borrower even if earnings statements provided by the borrower supported net monthly income in excess of the amount claimed; in some cases, the excess created surplus income for the borrower.

Citi did not properly verify borrower expense amounts used in the surplus income calculation. Section D, Financial Analysis, of the mortgagee letter requires that lenders independently verify the borrowers' financial information regardless of how it is obtained. In its calculation of surplus income, Citi used expense amounts claimed by the borrower without verifying those expenses. In some cases, the borrower listed additional mortgages or car payments not reflected on the credit report. Nearly all cases included amounts for utilities, insurance, medical expenses, car expenses, charitable donations, and other expenses not verified by Citi. Without verifying these expenses, Citi could not demonstrate that the borrower's expenses exceeded their income.

Citi did not document the basis for its determination that the borrowers' payment default was imminent in cases in which the borrower was current at the time he or she was admitted to the Program. Section A, Loan Default of Mortgagee Letter 2008-43 allows lenders to exercise their discretion to accept applications from borrowers who are current but facing imminent default. Additionally, Mortgagee Letter 2010-04, Loss Mitigation for Imminent Default, defines an "FHA borrower facing imminent default" as an FHA borrower who is current or less than 30 days past due on the mortgage obligation and is experiencing a significant reduction in income or some other hardship that will prevent him or her from making the next required payment on the mortgage during the month in which it is due. The borrower must be able to document the cause of the imminent default, and lenders should document this decision in its servicing system.

In many cases, borrowers were current until after being accepted into the Program and then defaulted. In some cases, borrowers stated that they would soon default on their payments due to retirement or weddings several months in the future or because they feared their jobs or compensation would be cut, although they had not been notified of such by their employer. In several cases, Citi told borrowers that they must be at least 30 days delinquent on their mortgage payments for the sale to close. In one of these cases, the borrower explicitly stated that he received a housing allowance from his employer and would be able to make his next 2 months' payments but missed the next payment, allowing the preforeclosure sale to close.

Citi did not document that approved borrowers were owner-occupants. Mortgagee Letter 2008-43 states that the Program is available to borrowers who are owner-occupants of a dwelling with an FHA-insured mortgage. The mortgagee letter also states that lenders are authorized to grant reasonable exceptions to nonoccupant borrowers when it can be demonstrated that the need to vacate was related to the cause of default and the subject property was not purchased as a rental or used as a rental for more than 18 months before the borrower's acceptance into the Program. In some cases, Citi accepted borrowers who indicated that they were not owner-occupants into the Program without demonstrating that the borrower's need to vacate was related to the cause of default and that the subject property was not purchased as a rental or used as a rental for more than 18 month before the borrower's acceptance. In some cases, the borrowers provided tax returns indicating that their properties were used as a rental, and Citi did not document the length of time the property had been rented.

Inadequate Controls

Citi lacked adequate policies for accepting borrowers into the Program. Instead of creating its own supplemental policies and procedures in addition to the mortgagee letter, Citi personnel relied on their own interpretation of the mortgagee letter. For example, Citi did not have policies or procedures instructing its personnel how to analyze and verify borrower income and expenses. In addition, Citi personnel believed that FHA was only concerned that preforeclosure sales generate sufficient net proceeds to satisfy the requirements set out in the mortgagee letter and was less concerned that the other requirements of the mortgagee letter be met.

FHA Paid Improper Claims

The FHA insurance fund paid out more than $4.9 million for these 63 improper claims including borrower and lender incentives. The Program allows borrowers who successfully sell to a third party within the required time to receive a cash incentive of up to $1,000. Lenders also receive a $1,000 incentive for successfully avoiding the foreclosure and complying with all the requirements of the mortgagee letter. By following procedures and timeframes included in the mortgagee letter, a lender may submit an FHA insurance claim and be compensated for the difference between the sale proceeds and the amount owed on the mortgage.

Conclusion

Regulations at 24 CFR (Code of Federal Regulations) 203.370 provide that HUD will pay FHA insurance benefits to lenders for preforeclosure sales that are conducted in accordance with all regulations and procedures applicable to the Program. Because Citi did not appropriately verify borrowers' financial information, it did not comply with the applicable regulations and procedures and, therefore, was not eligible to apply for FHA insurance benefits.

Recommendations

We recommend that the Assistant Secretary for Housing – Federal Housing Commissioner require Citi to

1A. Reimburse HUD for the 63 improper claims totaling $4,942,822.

1B. Develop and implement policies and procedures to ensure that Citi properly determines the eligibility of borrowers to participate in the Program.

SCOPE AND METHODOLOGY

To accomplish our objective, we

- Interviewed HUD and Citi staff;
- Reviewed Federal regulations, HUD handbooks, and mortgagee letters;
- Reviewed Citi policies and procedures;
- Reviewed Citi preforeclosure sale case files; and
- Reviewed Citi quality control reports

In calendar year 2010, Citi closed 1,884 preforeclosure sales, resulting in claims totaling more than $146 million. Of the total preforeclosure sales, there were 135 sales that closed after the borrower had missed three or fewer payments. To select our sample of 68 loans resulting in claims totaling more than $5.3 million, we initially sorted the 135 sales that closed after the borrowers had missed three of fewer payments by original loan closing date and selected every thirteenth sale and an additional 2 that were denoted as occupied by a renter. We later chose another 56 sales by selecting

- All sales that resulted in claims of $55,000 or greater and
- All borrowers with assets of $25,000 or greater at the time of originating the original loan and resulting in claims of $45,000 or greater.

We used reports obtained from HUD's NeighborhoodWatch Early Warning System and Single Family Data Warehouse database as background information for our review. Specifically, we used the reports to identify preforeclosure sales that closed during calendar year 2010 and the associated claim amounts. However, we did not rely on these data for our conclusions. All conclusions were based on additional review performed during the audit.

We reviewed Citi preforeclosure sale case files to evaluate whether Citi verified that the borrower

- Suffered an adverse and unavoidable financial hardship,
- Did not have surplus assets,
- Did not have surplus income,
- Accurately stated income,
- Accurately stated expenses,
- Was in danger of imminent default if applicable,
- Was the owner-occupant of the subject property,D
- Did not have another FHA-insured mortgage, and
- Was more than 30 days delinquent when the short sale closed
- And that (1) the mortgage payoff amount exceeded the "as-is" fair market value of the home, (2) the home was listed for sale at or near the appraised "as-is" fair market value, and (3) the sale generated the minimum net sales proceeds required by the Program.

For the purposes of our review, borrowers were considered to have surplus assets when they had more than $5,000 in cash and surplus income when income less expenses resulted in a positive residual greater than zero.

We performed our audit work between February and July 2011 at Citi's office at 1000 Technology Drive in O'Fallon, MO. Our audit generally covered the period January 1 through December 31, 2010.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Controls over reviewing borrower qualifications to participate in the Program.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- Citi did not have adequate policies and procedures in place to ensure that it properly determined borrower eligibility to participate in the Program.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/
1A	$4,942,822

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation **Auditee Comments**

Brian McWhorter
Director of Default Servicing

6400 Las Colinas Blvd.
Irving, TX 75039

Tel 972-653-4573
Fax 972-653-3464
Email Brian.McWhorter@citi.com

citi

August 29, 2011

Ronald J. Hosking
Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
400 State Avenue
Kansas City, Kansas 66101-2406

Regarding: CitiMortgage Pre-Foreclosure Sales Draft Report dated August 12, 2011

Dear Mr. Hosking,

The management of CitiMortgage, Inc. ("CMI") appreciates the opportunity to provide a response to the findings from the U.S. Department of Housing and Urban Development Office of Inspector General ("HUD OIG") audit of CitiMortgage Pre-Foreclosure Sales conducted on-site from February through July 2011, related to Pre-Foreclosure Sales performed January 1st through December 31, 2010. We take our responsibilities as a HUD/FHA servicer very seriously and believe that the facts and analysis provided below will satisfactorily address the concerns outlined in the above referenced report.

Executive Summary

Comment 1

CMI respectfully disagrees that HUD/FHA servicing requirements were violated and has provided specific responses to each of the alleged violations cited in the draft report. The report states that 63 of the 68 preforeclosure sales reviewed were completed without properly determining borrower eligibility to participate in the Pre-Foreclosure Sale (PFS) Program. Based upon management's review of the findings and supporting documentation, we believe that only 7 of the exceptions cited have merit. CMI relies on Mortgagee Letter 2008-43 ("ML") as the official guidance to managing the HUD PFS Program. The findings described in the HUD OIG report are based on the auditors' interpretation of the guidelines outlined for the PFS Program, which are not aligned with CMI's interpretation of these guidelines.

The PFS Program was established to assist families who are in default to avoid foreclosure and transition to more affordable housing. In our view, if the changes recommended in the draft report are implemented, the PFS process would slow down and negatively impact borrowers by not allowing them to qualify for a short sales treatment, possibly resulting in foreclosure and a higher loss. In the sampled cases, the borrowers are in default (all are 30+ dlq) and attempting to sell their homes. The PFS as executed represented a lower loss than the FC & subsequent REO loss. The PFS program acknowledges the devastating effects that foreclosure has on families and neighborhoods, and states that their individual situations need to be taken into consideration when defining eligibility.

Statement of Facts

1. Adverse and unavoidable situation

Comment 2

HUD OIG Finding:

CMI did not document an adverse and unavoidable financial situation leading to the default. Section B Mortgagor Qualifications of Mortgagee Letter 2008-43 states that the Program may be extended to borrowers who are in default as a result of an adverse and unavoidable financial situation. According to section B of the mortgagee letter, adverse and unavoidable financial situations may include but are not limited to loss of job or

Ref to OIG Evaluation **Auditee Comments**

verifiable income reduction and extensive medical expenses. CMI did not verify the financial situations claimed by the borrowers; instead, it took the borrowers' claims without question. In some cases, the borrowers' financial situation was not shown to be unavoidable; in other cases, borrowers stated that they wished to sell the home but were not able to because it was worth less than the outstanding mortgage amount.

CMI's Response:

a. **Reference to Mortgagee Letter 2008-43**: Section B Mortgagor Qualifications of Mortgagee Letter 2008-43 states: "Adverse and unavoidable financial situations may include but are not limited to loss of job or verifiable income reduction and extensive medical expenses".

b. **CMI's Process & Procedures**: The following information is validated and used to review the borrowers' stated situation in our current process and procedures:

- Borrower Hardship (stated situation summarized by the borrower) must be evidenced
- CBR Score (is the borrower in default on other financial responsibilities)
- Income documents and workout package ("WOP") to confirm negative residual income (Used to validate expenses and income as stated in the workout package)
- Status of occupancy (is the property owner occupied or vacant)
- Title Review (Used to validate lien position and other liens associated with the property)
- Appraisal value and date completed (Used to determine FMV, must be full interior FHA appraisal, as well as defines occupancy status, and condition of the property)
- If the file has an offer or no offer

c. **Conclusion:** CMI documented an explanation from each borrower included in the review, confirming he or she was in default or that default was imminent as a result of an adverse or unavoidable financial situation. Adverse and unavoidable financial situations are not clearly defined in the ML and it does not define which hardships do not qualify as an adverse and unavoidable financial situation. The ML also states that the "mortgagee must analyze the mortgagor's ability to meet the monthly mortgage obligation by…estimating the borrower's fixed monthly expenses (e.g., mortgage payment, food, utilities, car payment, outstanding obligations, etc.". CMI performed an evaluation of income and expenses in each sampled case by utilizing the WOP completed by the borrower, paystubs, and bank statements. This information is input into CMI's Default Reporting Interface ("DRI") where a financial analysis is completed. The result of this analysis is considered in relation to the requirements of the ML for each borrower hardship situation to determine qualification into the PFS program. The borrower's entire current situation as well as future anticipated hardships and circumstances (e.g., divorce, job transfer, job loss, and borrower death) are considered when qualifying borrowers for the PFS Program. Section A of ML states that "Mortgagees may exercise their discretion to accept applications from mortgagors who are current but facing imminent default", but does not further clarify or define the term "imminent default".

Comment 3

Comment 4

2. Assets available

HUD OIG Finding:

CMI did not require borrowers with assets to repay the indebtedness through the use of a repayment plan. Section D, Financial Analysis, of the mortgagee letter personal resources to pay off their mortgage commitment; moreover, borrowers with assets are required to repay the indebtedness through the use of a payment plan. In some cases,

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bank statements provided by the borrowers reflected significant cash assets; in other cases, borrowers reported significant cash assets in bank accounts. In one case, tax returns reflected rental properties owned by the borrower and in another case reflected significant dividend and interest income, suggesting substantial assets held by the borrower. In no cases were these assets used to disqualify the borrowers from the Program.

CMI's Response:

a. **Reference to Mortgagee Letter 2008-43:** Section D – Financial Analysis states the mortgagee is to estimate the borrower's fixed income expenses as well as the anticipated month net income. The expenses are to be subtracted from the income to determine the amount of surplus income. Section D also states: The mortgagee may prescribe the form that the mortgagor must use to submit its financial information. Mortgagors may provide financial information during a telephone interview, electronically, via the regular mail, or in person. Regardless of how the mortgagor's financial information is obtained, the mortgagee must independently verify the financial information.

b. **CMI's Processes & Procedures:** A Financial Analysis is completed on every short sale that CMI manages through Citi's Default Reporting Interface (DRI) and reviews the financial analysis to determine if borrower met the qualifications. One of the qualifications is to ensure that Citi has obtained the income documents and Workout Package, as displayed in DRI (Income/Expense module). Any assets identified in tax returns or the workout package is entered in the first note in DRI Notepad by the Advisor. All additional assets are reviewed and discussed with the borrower to determine if they could be liquidated and applied to the delinquent balance of the loan.

c. **Conclusion:** In all cases sampled, during the review, CMI assessed the borrower's financial situation, including available assets and determined that they were insufficient to resolve the borrower's hardship. CMI performed a detailed evaluation of the income and expenses reported in the WOP and other documents provided by the borrower.

3. Surplus Income

Comment 5

HUD OIG Finding:

Citi did not require borrowers with surplus income to repay the indebtedness through the use of a repayment plan. Section D, Financial Analysis, of the mortgagee letter requires that the Program not be offered to borrowers who have sufficient personal resources to pay off their mortgage commitment; moreover, borrowers with surplus income are required to repay the indebtedness through the use of a payment plan. Surplus income exists when income less expenses results in a positive residual. In some cases, Citi approved borrowers for participation in the Program despite their having surplus monthly income according to Citi's calculation.

CMI's Response:

a. **Reference to Mortgagee Letter 2008-43: SECTION D:** The PFS option may not be offered to mortgagors who have sufficient personal resources to pay off their mortgage commitment. Mortgagors with surplus income and/or other assets are required to re-pay the indebtedness through the use of a repayment plan.

The mortgagee must analyze the mortgagor's ability to meet the monthly mortgage obligation by:

- Estimating the borrower's fixed monthly expenses (e.g., mortgage payment, food, utilities, car payment, outstanding obligations, etc.);

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- Estimating the borrower's anticipated monthly net income (making necessary adjustments for income fluctuations)
- Subtracting expenses from income to determine the amount of surplus income available each month.

b. **CMI's Processes & Procedures:** Financial Analysis is completed on every short sale that CMI manages through Citi's Default Reporting Interface (DRI) and reviews the financial analysis to determine if borrower met the qualifications. One of the qualifications is to ensure that Citi has obtained the income documents and Workout Package to confirm negative residual income, as displayed in DRI (Income/Expense module. All surplus income is reviewed and discussed with the borrower to determine if it could be applied the delinquent balance of the loan.

c. **Conclusion:** CMI assessed the borrowers' financial situation, including any surplus income in all cases sampled during the review and determined that the amounts were insufficient to support a repayment plan and/or resolve the borrowers' hardship. CMI was able to support and document the hardships through credit reports and bank statements. In addition, the identified assets were insufficient to maintain or pay off the loan.

4. Unverified Income

HUD OIG Finding:

Comment 6

Citi did not always properly verify income amounts used to calculate surplus income. Section D, Financial Analysis, of the mortgagee letter requires that lenders independently verify the borrowers' financial information regardless of how it is obtained. In its calculation of surplus income, Citi used income amounts stated by the borrower even if earnings statements provided by the borrower supported net monthly income in excess of the amount claimed; in some cases, the excess created surplus income for the borrower.

CMI's Response:

a. **Reference to Mortgagee Letter 2008-43: Section D:** The PFS option may not be offered to mortgagors who have sufficient personal resources to pay off their mortgage commitment. Mortgagors with surplus income and/or other assets are required to re-pay the indebtedness through the use of a repayment plan.

The mortgagee must analyze the mortgagor's ability to meet the monthly mortgage obligation by:

- Estimating the borrower's fixed monthly expenses (e.g., mortgage payment, food, utilities, car payment, outstanding obligations, etc.);
- Estimating the borrower's anticipated monthly net income (making necessary adjustments for income fluctuations); and
- Subtracting expenses from income to determine the amount of surplus income available each month

b. **CMI's Processes & Procedures:** CMI reviews all reported income for accuracy. Income is supported through the review of paystubs, profit/loss statements, or awards letters, as appropriate. Income information is also matched to bank statements and tax returns for verification. Mortgagors are required to explain any variances identified during this validation process.

c. **Conclusion:** Citi assessed the borrower's financial situation in each case cited, and used prudent underwriting practices that are standard in the industry, following not only the directions as set forth in the Letter, but also considered the borrower's financial hardship. Citi based its decisions on what minimal impact any repayment through the use of assets would have on the delinquent loan, as compared to the further financial hardship it would have on the borrower.

Ref to OIG Evaluation **Auditee Comments**

Comment 7

5. Unverified Expenses

HUD OIG Finding:

Citi did not properly verify borrower expense amounts used in the surplus income calculation. Section D, Financial Analysis, of the mortgagee letter requires that lenders independently verify the borrowers' financial information regardless of how it is obtained. In its calculation of surplus income, Citi used expense amounts claimed by the borrower without verifying those expenses. In some cases, the borrower listed additional mortgages or car payments not reflected on the credit report. Nearly all cases included amounts for utilities, insurance, medical expenses, car expenses, charitable donations, and other expenses not verified by Citi. Without verifying these expenses, Citi could not demonstrate that the borrower's expenses exceeded their income.

CMI's Response:

a. **Reference to Mortgagee Letter 2008-43: Section D:** The PFS option may not be offered to mortgagors who have sufficient personal resources to pay off their mortgage commitment. Mortgagors with surplus income and/or other assets are required to re-pay the indebtedness through the use of a repayment plan.

   The mortgagee must analyze the mortgagor's ability to meet the monthly mortgage obligation by:

   - Estimating the borrower's fixed monthly expenses (e.g., mortgage payment, food, utilities, car payment, outstanding obligations, etc.);
   - Estimating the borrower's anticipated monthly net income (making necessary adjustments for income fluctuations); and
   - Subtracting expenses from income to determine the amount of surplus income available each month.

b. **CMI's Processes & Procedures:** To determine income and expenses, CMI requires credit bureau reports ("CBRs"), WOPs (including borrowers' list of monthly expenses and income), Tax returns, bank statements, profit and loss statements, and award letters, as applicable. CMI reviews expenses for accuracy and compares reported expenses to the CBRs and bank statements. Other expenses are compared to average monthly living expenses for reasonableness. Variances must be explained by the mortgagors.

c. **Conclusion**: In each of the cases cited, monthly debt obligations were verified in accordance with standard industry practice and the requirements of the ML. As noted above, expenses not reflected on CBRs were reviewed for reasonableness. The ML allows for "estimating the borrower's fixed monthly expenses (e.g. mortgage, food, utilities, car payment, outstanding obligations, etc.)". Citi made the determination that the hardship explanation or pending change in circumstances would render the borrower unable to continue making the mortgage payment. It should be noted that only mortgagors are required to be reviewed for the PFS qualifications.

Comment 8

6. Unverified Imminent Default

HUD OIG Finding:

Citi did not document the basis for its determination that the borrowers' payment default was imminent in cases in which the borrower was current at the time he or she was admitted to the Program. Section A, Loan Default of Mortgagee Letter 2008-43 allows lenders to exercise their discretion to accept applications from borrowers who are current but facing imminent default. Additionally, Mortgagee Letter 2010-04, Loss Mitigation for Imminent Default, defines an "FHA borrower facing imminent default" as an FHA borrower who is current or less than 30 days past due on the mortgage obligation and is

Ref to OIG Evaluation	Auditee Comments

experiencing a significant reduction in income or some other hardship that will prevent him or her from making the next required payment on the mortgage during the month in which it is due. The borrower must be able to document the cause of the imminent default, and lenders should document this decision in its servicing system. In many cases, borrowers were current until after being accepted into the Program and then defaulted. In some cases, borrowers stated that they would soon default on their payments due to retirement or weddings several months in the future or because they feared their jobs or compensation would be cut, although they had not been notified of such by their employer. In several cases, Citi told borrowers that they must be at least 30 days delinquent on their mortgage payments for the sale to close. In one of these cases, the borrower explicitly stated that he received a housing allowance from his employer and would be able to make his next 2 months' payments but missed the next payment, allowing the pre-foreclosure sale to close.

CMI's Response:

a. **Reference to Mortgagee Letter 2008-43: (**Page 5 of 18) at the time the PFS closes, the loan must be in default (i.e., delinquent more than 30 days). Mortgagees may exercise their discretion to accept applications from mortgagors who are current but facing imminent default. However, by the date the PFS settlement occurs, the loan must be in default. Mortgagees should document this decision in the claim review file.

b. **CMI's Processes & Procedures**: CMI reviews the borrowers' stated hardships, along with financial documents and WOP to determine imminent default. Review of expenses through CBR and the mortgagors provided list of household expenses are compared to current income and future documented income curtailments.

c. **Conclusion:** In each of the 16 cases cited, the borrowers had realized a payment default (2 or more payments due) at the time of PFS completion and CMI performed an analysis to determine that the default would continue. Advisement to borrowers of the investor requirements, such as 31 days delinquent before the pre-foreclosure sale can close, is necessary for the borrowers to have a clear understanding of the PFS process. At no time does CMI ever advise, suggest, or encourage a customer not to make a mortgage payment in order to qualify for any program. 15 of the 16 cases cited resulted in negative residual income, rendering default imminent.

Comment 9

7. Undocumented Owner-Occupant Exception

HUD OIG Finding:

Citi did not document that approved borrowers were owner-occupants. Mortgagee Letter 2008-43 states that the Program is available to borrowers who are owner-occupants of a dwelling with an FHA-insured mortgage. The mortgagee letter also states that lenders are authorized to grant reasonable exceptions to non-occupant borrowers when it can be demonstrated that the need to vacate was related to the cause of default and the subject property was not purchased as a rental or used as a rental for more than 18 months before the borrower's acceptance into the Program. In some cases, Citi accepted borrowers who indicated that they were not owner-occupants into the Program without demonstrating that the borrower's need to vacate was related to the cause of default and that the subject property was not purchased as a rental or used as a rental for more than 18 month before the borrower's acceptance. In some cases, the borrowers provided tax returns indicating that their properties were used as a rental, and Citi did not document the length of time the property had been rented.

CMI Response:

Ref to OIG Evaluation **Auditee Comments**

a. **Mortgagee Letter 2008-43**: Non-owner Occupant Exceptions – Mortgagees are authorized to grant reasonable exceptions to non-occupant mortgagors when documentation indicates a property was not purchased as a rental or used as a rental for more than 18 months, immediately preceding the approval into the PFS program. Section B of the ML states that mortgagees "are authorized to grant reasonable exceptions to non-occupant borrowers when it can be demonstrated that the need to vacate was related to the cause of default (e.g., job loss, transfer, divorce, death), and the subject property was not purchased as a rental or used as a rental for more than 18 months prior to the mortgagor's acceptance into the PFS Program".

b. **CMI's Processes & Procedures:** In cases where CMI determines that the property is non-owner occupied, a letter of explanation from the borrower explaining the reason for vacating the subject property is required. CMI also reviews the interior appraisal completed as part of the initial program review as an additional tool in assessing occupancy status. CMI also reviews tax statements to determine if any rental income is reported for verifying both occupancy status and overall financial hardship. CMI performs routine inspections of the property every 30 days through SafeGuard Properties to determine if the property is vacant or occupied. Results of these inspections are noted in CMI's main servicing system, Citilink.

c. **Conclusion:** In each of the 9 cases cited, the borrowers purchased the property as owner occupied property and the property was not used as a rental in the 18 months prior to Program approval. CMI granted reasonable exceptions to non-occupant borrowers whose situations included job relocations or changes to marital status. Each of the exceptions granted would be considered unavoidable situations as defined in the ML.

Comment 10

Final Conclusion

Citi has established adequate policies for accepting borrowers into the PFS Program. As the following documents are collected (Bank statements; Pay stubs; Tax docs; W2's; Unemployment letter; Workout Package) this data is inserted into Citi's Default Reporting Interface in which a financial analysis is conducted. This analysis along with the HUD Mortgagee Letter is used to determine customer eligibility into the program. Citi utilizes the requirements outlined within the Mortgagee Letter as their guidance in all liquidation treatments that are HUD backed loans. Citi manages all supporting documentation to demonstrate independent verification of the borrower's reported expenses within its Filenet Imaging application. Financial analysis on short sales is completed in Citi DRI application. The findings described in the OIG HUD Audit were based on their interpretation of the guidelines, the details of which were not found in the Mortgagee Letter 2008-43. CMI has reached out to the National Servicing Center (NSC) on many occasions in attempt to receive clarification of these guidelines; the responses received have consolidated these into a control matrix for tracking purposes.

Citi has established the following controls (with associated dates) as clarifications to the MORTGAGEE LETTER 2008-43.

FHA control Matrix
for PFS an DIL accou

Sincerely,

Brian McWhorter
Director of Default Servicing

Ref to OIG Evaluation **Auditee Comments**

Comment 11

Date of Control	Control/Communication
1/26/2011	As of today, you may no longer approve a short sale if the loan is current on all FHA loans. You may approve them into the program, however when you send the ATP you should put in the email That if they send in an offer that meets these terms, but the loan is still current the offer will Be denied. You must be setting the expectations with your customers. Again, **you must NO LONGER approve an offer on a current account.**
8/24/2009	In order to ensure that we have nothing to hold up the booking process, I am requesting that each of you, on FHA, please make sure that you **get the signed ATP prior to issuing the approval letter**. You can still approve, it but dont send it out until they send it back. Please make sure they are signed and sent to filenet as well.
1/15/2010	In order to send an approval letter the rep must get the **signed ATP back** and have it in filenet before issuing an approval letter. The problem is that being some of them that were not issued before the process change are not closing because they can be in the program for 5 mths at the time. I just wanted to keep you in the loop of the controls put into place to ensure this will not be an issue anymore.
11/4/2010	I just spoke to a rep from HUD, and evidentially when you are approving a short sale, **you must include the incentive in the net proceeds**. For example if the ATP says net required is 88k, then the incentive is paid, HUD must still receive a check for 88k after closing, so your approval letter is sent out for 88k. The customer is able to decline the incentive and use the incentive to meet the net, but the net must still now be met. Also the **incentive must be paid at closing and be on the final HUD**, we cant then go back and send out a check for the incentive.
3/3/2011	Created a **new approval letter** to control the current accounts from closed
2/14/2011	Advised of change in time-line, **loans must be approved into the program for 120 days**. Advised from HUD Service Center contact (Powell, Darrell) - The PFS is for four months (120 days) as stated in Mortgagee Letter 2008-43 and in addition to the four months Citimortgage, being a Tier I lender, gets an automatic 60 day extension of the PFS Program that HUD would expect to be taken. HUD would expect Citimortgage or any servicer to take the maximum available time allowed to make sure that every opportunity is allowed to sell the property and lessen the impact on the insurance fund. An alternate loss mitigation option or first legal action to initiate foreclosure must be completed within 90 days of the expiration of the PFS period. If more than 90 days are needed to complete a DIL or initiate foreclosure or resume foreclosure, mortgagees must follow HUD's standard extension procedures and request an extension from the NSC.We request a variance to start one sooner, if the property has been on the market for 120 days and not one offer, etc..Always get a variance when the PFS is bypassed.
4/19/2011	Citimortgage can go ahead and approve the customer for a deed in lieu as long as they meet the DIL requirements, if the ATP has been issued for more than 120 days and we haven't received any valid offers on the property meeting the terms of the program. If after 4 months we should discuss the situation with realtor and if it appears that there will not be any viable offers we can proceed with DIL without HUD approved.
6/13/2011	Confirmed with Matt Martin that after 6mths regardless of the % net proceeds requires a Variance to approve offer.
6/21/2011	if the account has residual income at all, regardless of the harships, a variance must be requested and approved by HUD to approve offer or approval into the program per Matt Martin, director at National Servicing Center
7/6/2011	Verified with Matt Martin that we cannot approve a current short sale even if there was a variance approved. It is against section 204 National Housing Act that HUD cannot pay a claim on a loan unless it is in default.

Comment 12

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 1	1. Hardship - Adverse and unavoidable financial situation demonstrated. Customer's financial analysis revealed a negative surplus income of $531 a month. ($3,784 - $4,315) 2. Income - Income documentation obtained was standard and customary to industry practices and as defined by the Letter 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Imminent Default- The negative disposbale income of $531 caused an default situation for the customer and short sale was best option.	EXPENSES VERIFIED THROUGH WORKOUT PACKAGE: $3157 + MORTGAGE PI/TI $1157.55 = $4314.55 INCOME VERIFIED THROUGH 2 MONTHS OF PAYSTUBS AND BANK STATEMENTS IS $3783.55 PER MONTH WHICH LEAVES A NEGATIVE RESIDUAL INCOME OF ($531)
Sample 2	1. Hardship - Adverse and unavoidable financial situation demonstrated: - Borrower's job relocated, leaving him unable to maintain two households. - Customer's financial analysis revealed a negative surplus income of $85 a month. ($7,939 - $8,024). 2. Income - Income documentation obtained was standard and customary to industry practices and as defined by the Letter 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Assets - Citi agree to $17k in assets, however assets were insuficient to "pay off their mortgage commitment". 5. Owner Occupant - The property was purchased as a primary residence and then put up for rent after they were forced to move for work, it was not rented for more than 18 months nor purchased as a rental so it was within the terms of the PFS requirements.	INCOME $7939.31 - EXPENSES $8023.74 = ($84.43)
Sample 3	1. Hardship - Adverse and unavoidable financial situation demonstrated: - Borrower's job relocated, leaving him unable to maintain two households. - Customer's financial analysis revealed a negative surplus income of $267 a month. ($7,328 - $7,595). 2. Income - Income documentation obtained was standard and customary to industry practices and as defined by the Letter 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Assets - 19k in Assets were insufficient to "pay off their mortgage commitment" of $88,000.	INCOME $7328 - EXPENSES $7595 = ($267) RESIDUAL INCOME
Sample 4	1. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter	the borrower had monthly income of $1,448.42 and monthly expenses of $1,826.84 resulting in monthly surplus income of $(378.42)

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 5	1. Hardship - Adverse and unavoidable financial situation demonstrated: - Borrower's job (Army) relocated, leaving him unable to maintain two households. - Excluding the student loan, the customer's financial analysis revealed a negative surplus income of $1,413 a month. ($4,672 - $6,085). 2. Income - Income documentation (pay stubs) obtained was standard and customary to industry practices and as defined by the Letter. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	EXPENSES $6085(without student loans) - INCOME $4672 = ($1413)
Sample 6	1. Hardship - Adverse and unavoidable financial situation demonstrated: - Borrower's child and marriage added expenses. - Customer's financial analysis revealed a negative surplus income of $1408 a month. ($5064 - $6472). 2. Income - Income documentation obtained was standard and customary to industry practices and as defined by the Letter 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Owner Occupant - The property was purchased as a primary residence but was vacated when the borrower got married.	Income is verified through paystubs of $5064.10 and expenses are verified from the CBR and WOP that are calculated to $6472, leaving a residual income of $(1407.90)
Sample 7	1. Hardship - Adverse and unavoidable financial situation demonstrated: - Loss of income resulting from co-borrower unemployment - Income figures noted were acknowledged as a typo. Utilizing HUD OIG income calculation, the borrower's financial analysis reflected a negative surplus income of $1,628 ($2,803 - $4,431). 2. Income - Income documentation obtained was standard and customary to industry practices and as defined by the Letter 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship.	INCOME 2347.67 - EXPENSES 4431.39 = ($2,083.72)

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 8	1. Hardship - Adverse and unavoidable financial situation demonstrated: - Loss of income resulting from divorce. - Co-borrower was the only income utilized as a result of the divorce. - The financial analysis reflected a positive surplus of $39 ($2,898 - $2,859), insufficient to "re-pay the indebtedness through the use of a repayment plan" 2. Income - Income documentation (pay stubs) obtained was standard and customary to industry practices and as defined by the Letter 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	The income verified by paystubs is $2898/mth and the expenses verified by the workout package and cbr are $2859/mth leaving a positive $39 of income
Sample 9	1. Income - Income documentation obtained through pay stubs which verified 3623 monthly with expenses of 3940 for negative surplus of $317 2. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	INCOME $3623.03 - EXPENSE $3940.54 = $(317.51)
Sample 10	1. Detailed hardship letter in file 2. Surplus income verified with $3673 income $4749 expenses = $1076 negative cash flow 3.. Income documentation (pay stubs) obtained was standard and customary to industry practices and as defined by the Letter 4.. Expenses- Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 5. Assets- Citi did not identify customer assets during the financial anylysis	The income shown by his paystubs is $3672.32 and the expenses shown in the workout package are $4749 creating a residual income of $(1076.68).
Sample 11	PFS qualified per OIG HUD findings	Total Income = 3132.89 Total Expenses = 5843.71 = ($2710.82)
Sample 12	1. Assets- Citi agrees that customer had 33k CD, but customer was 76 years old and on fixed income and the Cd was life savings and would not have paid off loan. 2. Income was verified through pension, ssi 3. Expenses were gathered from customer and workout package and were deemed reasonable. 4. Customer had negative surplus income of $682	The monthly income is $4222.41 and monthly expenses are $4905.00 creating a residual income of $(682.59).
Sample 13	1. Customer hardship was listed as medical, in addition customer had negative surplus of $1185. 2. Debts on CBR and living expenses were listed on workout package received and mtg letter states use reasonable standard living expense in income to expense calculation.	Their documented income is $3138 and expenses are $4322.08 creating a residual income of $(1184.08).

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 14	1. Hardship was confirmed by fixed income and negative cash flow of $214 per month 2. Expenses were documented per policy 3. Customer had negative surplus and could not maintain 2 households per income to expense calculation creating a default situation. **Agree with fail:** 1. Assets- Citi agrees to borrower having $30k in assets; however assets were insuficient to "pay off their mortgage commitment".	The borrower had monthly income of $6,493.50 and monthly expenses of $6,708.05 resulting in monthly surplus income of $(214.55).
Sample 15	1. Hardship-there were multiple hardships experienced. Because of the death of her son, she had increased credit card bills which would be excessive obligations which you can verify on CBR with a CBR score 580 that reports mulitple deliquencies and high credit limit which supports the Hardship Hardship also confirmed by negative cash flow of $195 3.Expenses. Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. Citi does not advise borrowers to stop making payments, but it may relay reasons a borrower is, or would be, disqualified from the program per guidelines.	$4291 in expenses income of $4096 through paystubs, benefit statements and tax returns. That leaves a residual income of $(195).
Sample 16	1. Hardship- Customer is self employed- stating that work staff has been reduced to maintain business. 2. Income to expense calculation shows ($39) 3. Expenses were documented in workout package as stated in Mtg letter. 4. Imminent default- Customer had deteriorating business with layoffs and decreasing receivables per tax returns.	The borrower reported monthly income of $4,820.27 and monthly expenses of $4,860 resulting in monthly surplus income of $(39.73). The statement of owner distributions provided by the borrower supports the borrower reported income.
Sample 17	1. Expenses- Citi validates expenses are prudent and reasonable through system and workout package per Mortgagee letter.	Total Income – 2216.56 Total Expenses – 2432.52 – ($215.96)
Sample 18	1. Income- Citi calculated 1500 net income vs. customer stated of 2400 in letter, both would result in neagtive cash flow 2. Expenses- Citi used expenses from CBR and workout package for standard living expenses.	Total Income – 1551.33 Total Expenses – 2415.17 – ($863.84)
Sample 19	1. Income was verified through pay stubs and bank statements 2. Expenses were verified through stated from customer on workout package. **Agree with fail:** 1. Did not validate non owner exception properly	Total Income – 4599 Total Expenses – 4962.83 – ($363.83)
Sample 20	1. Hardship- verified by negative income of $3119 2. Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Income $ 3500 Expenses - $6619 – $(3119)

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 21	1. Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses **Agree with fall:** 1. Surplus Income- Citi assessed the borrower's financial situation, including available assets, and determined they were sufficient surplus of $653 to resolve the borrower's hardship.	$4216.33-$3563= $653
Sample 22	1. Expenses-Monthly debt obligations were verified as is customary to the industry and according to the Letter.Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. **Agree with fall:** 1.Citi did not obtain income documentation that is standard or customary in the industry. Co-borrower's paystubs were out of date and not indicative of the borrower's income at the time of program application. 2. Borrower's request for program participation was not based on financial hardship.	Income - 2356 Expenses 2716 negative cash flow (360)
Sample 23	1. Expenses- Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses Citi validates expenses are prudent and reasonable through system and workout package per MTg letter. 2. Income-Income documentation obtained was standard and customary to industry practices and as defined by the Letter	2089.74-3676.72= ($1586.98)
Sample 24	1.Hardship-supports negative residual income of $1362 2.Income- Income documentation obtained was standard and customary to industry practices and as defined by the Letter 3.Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses	2402-3764= ($1362)
Sample 25	PFS qualified per OIG HUD findings	Income - 4050 expense 5458 - neg surplus of $1408

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 26	1. Hardship-Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. 2. Citi assessed the borrower's financial situation, including available assets, and determined they were insufficient to resolve the borrower's hardship. 3. Citi assessed the borrower's financial situation, including surplus income, and determined the amounts were insufficient to support a repayment plan and/or resolve the borrower's hardship.Letter allows for necessary adjustments for income fluctuations. 4. Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. **Agree with fail:** 1.Occupancy- Agree Citi did not verify how long property was rented prior to PFS program, although verified purchased as primary residence by original loan application.	Income -$3597 expense - 4657 – ($1060)
Sample 27	PFS qualified per OIG HUD findings 1. Borrower was unemployed and could not afford property 2. Borrower moved out of property when he he knew that he could not make monthly pmts.	1863 income expenses - 7996 (6133)
Sample 28	1. Hardship-verified negative residual income of $2380 2.Income- Income documentation obtained was standard and customary to industry practices and as defined by the Letter 3. Expenses- Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	$1856.00-$4236.00– ($2380.00)
Sample 29	1. Hardship-verified negative residual income of $718 2.Income- Income documentation obtained was standard and customary to industry practices and as defined by the Letter 3. Expenses- Monthly debt obligations were verified as is customary to the industry and according to the Letter Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses	$2000.00-$2718.00– ($718)
Sample 30	1. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 2. Assets - $4,000 was not going to change hardship and imminent default status.	$3734.00-$4562.00–($828.00)

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 31	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. 2. Assets - citi did not identify assets during their financial review 3. Surplus Income - Citi assessed the borrower's financial situation, including surplus income, and determined the amounts ($ 83) were insufficient to support a repayment plan and/or resolve the borrower's hardship. 4. Income Verification - Income documentation obtained was standard and customary to industry practices and as defined by the Letter 5. Expense Verification - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 6. Imminent Default - Negative Residual income of $83 was proven and that is cause for imminent default.	$3000-$3083.43=($83.43)
Sample 32	1. Hardship - Verified as increase in expenses and excessive obligations causing negative cash flow of $1197 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Imminent Default - Negative Residual income of $1197 was proven and that is cause for imminent default.	$2754.00-$3951.35=$(1197.35)
Sample 33	1. Hardship - Several reasons for hardship documented in hardship letter in addition to a negative cash flow of $382 2. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 3. Imminent Default - Negative Residual income of $368 was proven and that is cause for imminent default.	$2626.00-$3008.66=$(382.66)
Sample 34	1. Hardship - Several reasons for hardship documented in hardship letter including neagtive cash flow of $368 2. Income - Income is verified by pay stubs and bank statements that they provided showing their income and direct deposits every month. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Combined monthly average income $6,368.49-$5,327.97 monthly expenses - $1,408.78 mortgage payment = ($368.23)
Sample 35	1. Hardship-Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. 2. Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. **Agree with fail:** 1. Surplus Income - Agree with findings all Persons on the loan are taken into consideration when reviewing income, Whether or not the the coborrower was leaving their obligation, they both have surplus income	Combined monthly average income $4,698.99 - $3,031.00 in expenses - $1,065.04 mortgage payment = $602.9 in residual income.

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 36	OIG agrees that customers qualified 1. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Average weekly income for Jesus is 895.73, equating to $3,881.50 - $3,568.00 in monthly expenses - $1,246.94 monthly mortgage payment = ($933.44) in monthly residual income.
Sample 37	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. 2. Surplus Income - Income was positive $15.83/month and husband was unemployed. $15/month is not surplus income enough to deal with flood damages and repairs needed to property and maintain the normal daily expenses of the household. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Average monthly income for Dawn is $2,323.83 - $2,308.00 = $15.83 in positive residual income.
Sample 38	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. Confirmed by negative surplus of $227 2. Income - Income documentation obtained was standard and customary to industry practices and as defined by the Letter. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Imminent Default - Negative Residual income of $227 was proven and that is cause for imminent default.	Average monthly income is $1,670.02 - $1,897.33 in expenses = ($227.31) in residual income.
Sample 39	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship which is also confirmed by the neagtive surplus of $341 2. Assets - Client shows assets in her checking/savings account totaling $13,209.05 at the end of the statement. Using the funds for repay would cause hardship as in negatvie income of $1,569.43 in residual income every month. 3. Income - Income documentation obtained was standard and customary to industry practices and as defined by the Letter. 4. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Average monthlyincome is $2,279.19 - $2,620.00 in monthly expenses = ($341) in residual income.

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 40	1. Hardship verified in workable solutions packet and DRI notes. Negative residual income of $2440 2. Assets of $28000 verified by banks statements and determined they were insufficient to resolve the borrower's hardship and payoff the loan in full 3. Income: Income documentation obtained was standard and customary to industry practices and as defined by the Letter 4. Monthly debt obligations were verified as is customary to the industry and according to the letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.(as the mtgee we are not to question where the money is being spent, if they are spending it is considered part of a hardship) 5. Imminent Default: Income curtailment-reduction of hours as stated in the hardship-they will not be able to maintain the mtg committment with the reduction their hours work and negative cash flow of $2440. 6. Borrower purchased property as an owner occupied property and resided in it a minimum of 18 months prior to Program approval.	Income -1728 Expense 4168 = ($2440)
Sample 41	1. Assets- Cit agrees the borrower had $18k in assets, however verified by bank statements and determined that available assets were insufficient to resolve borrower's hardship.Appraisal was 55k, UPB was 124,101.18. Loss was 78k. The borrower suffered an avoidable or adverse situation as validated by HUD findings, therefore using the 18k would not resolve the borrowers situation, but put them in a worse position. 2. Expenses- Monthly debt obligations were verified as is customary to the industry and according to the letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses	Income of $2,906.37 (verified using paystubs from December) - $3,135.68 (monthly expenses and mortgage) = ($229.31) in monthly residual income.
Sample 42	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. Negative surplus of 1445 2. Income - Averaged the income provided and calculating from DRI shows negative residual income. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the letter. Expenses not reflected on CBR were considered reasonable; letter allows for estimating borrower's fixed monthly expenses.	Average monthly income when reviewed was $1,450.50 - $2,915.00 in monthly expenses = ($1,445.50) in residual income.
Sample 43	1. Hardship verified through negative surplus of $794.00 2. Surplus-Citi assessed the borrower's financial situation, including surplus income, ($794) and determined the amounts were insufficient to support a repayment plan and/or resolve the borrower's hardship. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Imminent Default - Financial analysis completed and the borrowers reports a monthly negative residual income of $794.	Monthly income of $4,274.30 - $5,068.56 monthly expenses/mortgage = ($794.26) every month in residual income.

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 44	1. Income verified from documents provided by the borrower. 2. Expenses -Monthly debt obligations were verified as is customary to the industry and according to the letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Monthly income of $4,372.68 - $4,626.03 monthly expenses - $2,066.68 in mortgage payments = ($1470) negative every month in residual income.
Sample 45	1. Hardship verified by documents provided from borrower through negative surplus of 1772 2. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 3. Borrower purchased property as an owner occupied property and relocated due to employment reasons.	INCOME: $4,736.31 MONTHLY - $4,442.00 MONTHLY EXPENSES - $2,066.68 MTHY MTG PAYMENT = ($1,772.37) a mthly negative income
Sample 46	1. Income verified by paystubs provided by the borrower. 2. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Monthly income for May 2010 $2,836.44 - $1,746.00 in monthly expenses - $1,116.40 mortgage payment = ($25.96) in residual income.
Sample 47	PFS qualified per OIG HUD findings with no issues identified Citi did verify expnses per letter using information from customer and workout package	Income - 3453 expense $5575 = (2123)
Sample 48	1. Hardship verified by documents provided from borrower with $980 negative surplus 2. Income verified by paystubs provided from borrower. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Imminent Default is determined after a financial analysis completed and resulted in a monthly negative residual income of $980	Combined montly income $3,833.01 - $ 3,154.00 in monthly expenses - $1,659.82 mortgage payment = ($980.81) in residual income.
Sample 49	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. 2. Assets - Citi did not identify Assets to sustain mortgage payments or to pay off loan in full 3. Income not verified - Income was verified via bi-weekly pay stubs 4. Expense not verified - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Incoem $2770 Expense 6763 = ($3992)

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 50	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship and was completed correctly as the clients were negative in residual income with $94 2. Surplus - Clients had negative in residual income $94, Citi assessed the borrower's financial situation, including available assets, and determined they were insufficient to resolve the borrower's hardship. 3. Expense not verified - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	INCOME: $3,244.93 MONTHLY - $922 MONTHLY EXPENSES REPORTED ON CBR - $1,505 MONTHLY ADDITIONAL EXPENSES STATED BY BRW MTHY MTG PAYMENT = $911.49 = ($93.56) a mthly negative income
Sample 51	1. Hardship - Was valid as client relocated due to job loss and negative surplus of $1620 Citi's obligation is to acknowledge the borrower's financial hardship. 2. Assets - Cit did not identify assets to payoff loan balance. Citi assessed the borrower's financial situation, including available assets, and determined they were insufficient to resolve the borrower's hardship. 3. Surplus - Client was negative in residual income of $1620 Citi determined the amounts were insufficient to support a repayment plan and/or resolve the borrower's hardship 4. Expenses not verified - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Monthly income was originally from gross income. Net income is $3,081.00 monthly - Monthly Expenses $3,496.00 + House payment $1,205.66 Total expenses =$4,701.66results in Negative residual Income. (1620)
Sample 52	1. Hardship - Client is supporting 4 dependants and has negative in residual income of $2042 due to income curtailment. Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. 2. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Monthly income took avg of paystub which is $1254.00 biweekly results in $2,717.00 monthly. Expenses of $3,837.00 and house payment of 922.32 = 4759.32 monthly expenses. Negative residual income of ($2042)
Sample 53	1. Hardship - Demonstrated financial strain and negativity in residual income of $937.. Citi's obligation is to acknowledge the borrower's financial hardship. 2. Surplus - Citi assessed the borrower's financial situation, including surplus income which is negative $937 and determined the amounts were insufficient to support a repayment plan and/or resolve the borrower's hardship. 3. Expenses not verified - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Imminent Default - Client showed their imminent default due to their negative residual income of $937, combined with their financial hardship, leaving the client unable to make their payments even if the loan was current.	Updated Monthly income NET monthly income paystub from 8-01-8-31 =$3,971.05 from 3 paystubs Expenses including the house payment $4,908.00 resulting in a negative residual income (937)

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 54	1. Assets - Citi assessed the borrower's financial situation, including available assets, and did not identify assets to resolve the borrower's hardship. Assets not sufficient to sustain mortgage or payoff loan. 2. Income - Income was verified via bank statement deposits and correlating pay stubs. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Total montly expenses from bank statements Aug-Sept $5946.45 & Sept-Oct $10,630.41EXPENSES PAID... TOTAL from bank statements $16,576.86. updated 8-10- from Net income avg aug-sept & sept-oct bnk $2351.00 NET income from bank statements two month statements of Aug-Sept. Sept-Oct =$3231.00 month . GROSS income on taxes declined from over $98K in 2008 to $80K in 2009. (5048)
Sample 55	1. Hardship - Based upon their hardship of negative surplus of $4362, borrower confirmed he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. 2. Income - Verified via pay stubs provided and bank statements showing income deposits. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Imminent default - Client is negative in residual income of (4362) along with the co-borrower losing income in the future once his current job at hand is completed. Citi performed analysis to determine the default would continue.	Mrs avg two bank April & May 4296.00 monthly direct deposits Mr paystubs weekly 785.00 for total net income $3402.00 vs expenses along with house payment 6290.00+1474.86= 7,764.86 result in negative residual income (4362)
Sample 56	1. Hardship - Client relocated due to work. Incurred further expenses due to new marriage and dependents. Citi received their explanation confirming he or she was in default, or default was imminent, as result of negative surplus of $1883. 2. Expenses not verified - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Net income from payroll show on Feb-March bank statement show $+M2 7,470.00 vs Monthly expenses of $5,902.32 + House payment 2,418.38 result in negative residual income. (1883)

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 57	1. Surplus - Citi confirmed $700 negative in residual income after review. Citi assessed the borrower's financial situation, including available assets and surplus, and determined they were insufficient to resolve the borrower's hardship. 2. Expenses not verified - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	INCOME: Joselyn YTD net income $21,256.19 / 9.55 months = 2,225.78 monthly. Income Deb - Paystubs 2,178.38*2= $4356.76 monthly for combined total monthly net income of $6,582.54..... $5696.00 EXPENSES MTHLY- $1586.60 MTHLY MTG PAYMT= TOTAL EXPENSES $7,282.60. - This shows a justification of negative residual income. (700)
Sample 58	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship as confirmed by the negative cash flow of $1041. 2. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Total monthly income from paystub and Oct, Nov-Dec bank statements are $1757+1787+1779+1885 =7208/4 =$1802 biweekly for total monthly income $3904.33. exenses $3,801.97 plus house payment $1,143.33= $4,945.30.
Sample 59	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship which can be determined with the negative cash flow of $966.00 2. Income - Income documentation obtained was standard and customary to industry practices and as defined by the Letter. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	Total income from paystubs avg April & May $1250+$217=$1467 & $1250+$140=$1390 total 2857/2=$1428.50 biweekly = Total $3,095.08 Net Monthly income. Total monthly expenses from CBR, Bank statements and WOP expense document provided are $2967.00 + $1,094.52 house payment for Total Monthly expenses of $4,061.52. INCOME:$433.33 This shows a justification of negative residual income. (966)

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 60	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship of negative disposable of $2286.00 2. Assets - Citi assessed the borrower's financial situation, including available assets of $13700 and determined they were insufficient to resolve the borrower hardship and payoff loan balance. 3. Income - Income documentation obtained was standard and customary to industry practices and as defined by the Letter 4. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	INCOME:Mrs Biweekly NET paystub $1009.14= 2186.47 monthly income. Mr income from WOP of $800 month. Total monthly expenses from CBR, Bank statements and WOP expense document provided are $4,130.00 + $1152.52 house payment for Total Monthly expenses of $5,282.52. This shows a justification of negative residual income of (2286)
Sample 61	1. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	-$4337.00 MTHLY EXPENSES-$642.19 FOR MTG PYMT= 4,979.19 Mr monthly net income biweekly 1179.76 p/s september $2,556.15 & Mrs. 1152.20 biweekly = 2496.43 monthly.. Negative surplus monthly of (500)
Sample 62	1. Hardship - Documented as unable to afford multiple properties. 2. Surplus Income - Agree with surprlus income of $188.00, however not enough to sustain monthly payments on two properties 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Owner Occupant - The property was purchased as a primary residence.	Expenses $4,975.00 and house payment $1,127.87 = 6,102.87 total monthly expenses. Kelly income from paystub 1,762.00 bewkly for 3,817.67 net monthly income. Took Avf pay stub weekly for Michael $631+$527=1,1158.00 /2=579 week for net montly income $2,506.83. Shows a residual income $188.39

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 63	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. 2. Assets - Citi assessed the borrower's financial situation, including available assets, and did not identify any assets to resolve the borrower's hardship. 3. Income - Income documentation obtained - 2 years tax returns but could only verufy 625.00 which was standard and customary to industry practices and as defined by the Letter. 4. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 5. Imminent Default - The borrower had already realized a payment default (2 or more payments due) at the time of PFS and Citi performed analysis to determine the default would continue. Based on large negative surpus Citi confirmed imminent default	INCOME:$625.00 MTHLY-$3572.00 MTHLY EXPENSES-$1224.36 MTHLY MTG PAYMENT= ($4171.36)
Sample 64	PFS qualified per OIG HUD findings	Income - 1690 Expense 1991 = ($301)
Sample 65	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. Citi showed negative surplus of $1878. 2. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 3. Owner Occupant - Borrower purchased property as an owner occupied property and demonstrated that the need to vacate was related to the cause of default. Customer relocated for employment opportunity which created 1878 in negative surplus and imminent default	INCOME: $2000.00 MTHLY-$3425.00 MTHLY EXP-$435.61 MTHY MTG PAYMENT= ($1878.61).... Shows negative residual income and expenses , hardship are documented in the file.
Sample 66	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. 2. Assets - Citi assessed the borrower's financial situation, including available assets, and determined $5400 in checking account was insufficient to resolve the borrower's hardship. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses.	INCOME PENG NET monthly avg 1226+1195=2,421.00/2=$ 1,210.50 biweekly $2,622.75 NET INCOME Monthly Youa Net Monthly income $598.00 biweekly = $1,295.67 monthly Total Monthly NET INCOME $3,918.42 -$3137.00 MTHLY EXPENESES-1468.29 MTHLY MTG PAYMENT=- result in negative residual income. (687)

	Citi Response	INCOME AND EXP SUMMARY AS IN DRI
Sample 67	1. Surplus Income - Citi assessed the borrower's financial situation, including surplus income, which resulted in $178.00 and determined the amounts were insufficient to support a repayment plan and/or resolve the borrower's hardship. Letter allows for necessary adjustments for income fluctuations. 2. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter.	Income for Avg net income from paystubs 1,507.33 biweekly MONTHLY NET INCOME of $3265.88 , Teresa NET MONTHLY income: $1,942.11 from paystubs Sept-Nov. total income 5169 EXPENSES - $3256.3+ $1735.01 MTHLY MTG PAYMENT - Monthly TOTAL EXPENSES $4,991.31. 178 surplus income
Sample 68	1. Hardship - Citi received an explanation from borrower confirming he or she was in default, or default was imminent, as result of an adverse or unavoidable financial situation. Citi's obligation is to acknowledge the borrower's financial hardship. 2. Income - Income documentation obtained was standard and customary to industry practices and as defined by the Letter. 3. Expenses - Monthly debt obligations were verified as is customary to the industry and according to the Letter. Expenses not reflected on CBR were considered reasonable; Letter allows for estimating borrower's fixed monthly expenses. 4. Imminent Default - The borrower had already realized a payment default (2 or more payments due) at the time of PFS and Citi performed analysis to determine the default would continue as customer had $925 in negative disposable income to confirm imminent default	INCOME: $350 MTHLY- $2030- 2718 MTHLY EXPENSES 3643 MTH MTG PAYMENT- ($ 925) a mthly negative income

OIG Evaluation of Auditee Comments

Comment 1 We do not agree that "The findings described in the HUD OIG report are based on the auditors' interpretation of the guidelines outlined for the PFS Program, which are not aligned with CMI's interpretation of these guidelines;" rather, we believe Citi is misinterpreting the guidelines as clearly laid out by the mortgagee letter. The changes recommended in the audit report would ensure that Citi is complying with the program criteria. Borrowers that would not qualify under the program criteria, by definition, do not qualify for help under the Preforeclosure Sales Program. Citi has indicated the 7 exceptions that it believes to have merit relate to 6 sample items: 14, 19, 21, 22, 26, and 35. See Appendix D for the details of each sample item.

Comment 2 While the mortgagee letter does not strictly define adverse and unavoidable situation or contain an exhaustive list, it does include "verifiable income reduction and extensive medical expenses." Indeed, our finding is that "Citi did not verify the financial situation claimed by the borrowers." We also believe that reasonable interpretation of "adverse and unavoidable" should preclude some of the hardships in the sample under review. Additionally, the mortgagee letter does not contain a provision for "anticipated future hardships and circumstances." Finally, the financial information input into Citi's DRI system for use in the analysis of the borrower's financial situation did not always agree with supporting documentation such as pay stubs and bank statements.

Citi did not verify that the adverse and unavoidable financial situation claimed by the borrower actually happened; we were not provided documentation evidencing the borrower's stated financial hardship. For example, in cases where the borrower claimed that they were going to be laid off, the loan files did not include documentation from the employer informing the borrower that they would be laid off. In cases where the borrower claimed that excessive medical bills were causing them to default on their mortgage, the files did not contain cancelled checks or other documentation which substantiated those bills. Finally, cases where the borrower claimed that their hardship was that they simply wished to sell their home do not fit a reasonable interpretation of "adverse and unavoidable;" moreover, Mortgagee Letter 2008-43 specifically states the program shall not be made available to mortgagors who have abandoned their mortgage obligation despite their continued ability to pay.

Citi stated that its process and procedures include validating a number of items used to review the borrowers' stated situation. However, because Citi did not have adequate policies and procedures over qualifying borrowers for participation in the program, the process of validation is open to interpretation by each individual negotiator. Consistency cannot be assured without a standardized process for all preforeclosure sale negotiators.

Comment 3 While Mortgagee Letter 2008-43 does not define the term "imminent default," Mortgagee Letter 2010-04 does define an FHA borrower in danger of imminent default as "an FHA borrower who is current or less than 30 days past due on the mortgage obligation and is experiencing a significant reduction in income or some other hardship that will prevent him or her from making the next required payment on the mortgage during the month that it is due. The borrower must be able to document the cause of the imminent default."

Comment 4 We received no documentation showing that Citi negotiators considered assets identified by the borrowers' claims, tax returns or bank statements; moreover, Citi did not provide us with justification for disregarding the assets.

Because Citi lacked adequate policies and procedures over qualifying borrowers for participation in the program, the documentation required to perform a satisfactory analysis and identify potential assets held by the borrower is at the discretion of each individual preforeclosure sale negotiator. Many cases that we reviewed did not contain bank statements or tax returns; therefore, it is possible for a borrower to withhold information about assets available by not providing documentation. In the examples we provided, the case contained no documented justification or explanation from the borrower regarding why cash or investment assets could not be liquidated to support the mortgage obligation.

Comment 5 We identified several instances where Citi's DRI system reported positive monthly residual yet the borrower was still approved. We were not provided any documentation supporting Citi negotiators' justification for approving borrowers with positive monthly residual.

Comment 6 We identified several instances where the borrowers claimed income that was different than income supported by the borrowers' pay stubs. While Citi stated that its processes and procedures require an explanation of any such variance from the borrower, we were not provided any. In cases where the borrowers' claimed income differed from supporting documentation, Citi negotiators used amounts claimed by the borrower instead of amounts supported by documents in the file. Additionally, many cases reviewed did not contain bank statements or tax returns. Identifying income omitted by the borrower on their Work Out Package is made difficult, if not impossible, by the absence of bank statements and tax returns.

Comment 7 We identified several instances where credit bureau items claimed by the borrower exceeded what was supported by the credit report; in such cases Citi negotiators completed their analysis using the amount claimed by the borrower rather than the amount supported by the credit report. Citi did not provide us with justification for using the higher amounts. Many cases did not contain bank statements making verifying items not shown on the credit report difficult, if not impossible. Finally, because Citi did not have adequate policies and procedures over the approval process, the reasonableness of expenses is subject to each individual negotiator's definition; therefore, consistency in application cannot be assured.

It should also be noted that before we suggested a reasonableness test, Citi's stated position was that expenses not reflected on the credit report are not possible to verify and were therefore included in the financial analysis regardless of the amount claimed by the borrower. Interviews with Citi personnel did not reveal a reasonableness test in practice by Citi negotiators. Because Citi lacked adequate policies and procedures over qualifying borrowers for participation in the program, the documentation required to perform a satisfactory analysis and identify and verify borrower expenses is at the discretion of each individual preforeclosure sale negotiator.

Comment 8 In 6 of these 16 cases Citi accepted borrowers into the program, according to the dates on signed Approval to Participate forms, before ever missing a payment. These borrowers were admitted to the program under the premise that default was imminent, yet remained current on their mortgages until their short sale was ready to close. This does not meet the definition of imminent default laid out in Mortgage Letter 2010-04. Borrowers whose adverse and unavoidable financial situation was a future retirement or fear of furlough/layoff would therefore not meet the definition of imminent default as defined by FHA. Of the 16 cases cited, 6 had positive residual income; additionally, 4 more had assets or investment income. The remaining 6 cases claimed expenses and hardships which Citi did not verify to be true.

Comment 9 We did not receive any documentation indicating that Citi verified that the homes were not used as a rental in the 18 months prior to approval. In cases where the borrowers' tax returns indicated rental income, Citi did not document the investigation of the rental income to determine that the FHA insured mortgage property was not being rented.

Comment 10 During the course of the audit we asked Citi for internal policies and procedures governing qualifying borrowers for participation and were told that Citi deferred to the mortgage letter for guidance. We recommend that Citi work to develop and implement official standardized procedures for all personnel responsible for approving borrowers for participation in the program to follow. Citi should work to ensure that all information used to analyze a borrower's financial situation is accurate and supported by source documentation.

Comment 11 The policies listed are not sufficient to address the specific concerns raised in the audit or fulfill our recommendations. Citi will have the opportunity to resolve the recommendations during the audit resolution process.

Comment 12 The final column of Citi's response, "Income and Exp Summary as in DRI," generally differs from what was presented to us during our audit. See Appendix D for case narratives analyzing income and expense figures that were presented to us during our audit.

Sample 1

1. Hardship - The borrower did not claim to be unable to continue making payments; the borrower stated that they were not behind on their payments but would like to sell their home but was unable to because the market value at the time was less than the borrower owed. Citi's own documentation shows hardship reason as "unable to sell." Citi states that the borrower's financial analysis revealed a negative surplus income of $531/month using income of $3784 and expenses of $4315; however, paystubs in the file support income of $4384. Using these figures, the borrower had surplus income of $69.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income of $4384, not $3629 originally used by Citi in its analysis.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The borrower's expenses also included an auto loan not reflected on the credit report or otherwise supported.
4. Imminent Default - see discussion of Hardship above.

Sample 2

1. Hardship - The borrower's stated hardship was that the family relocated and then her husband, who is not on the mortgage obligation, lost his job. The borrowers on the mortgage obligation appear to be a father and daughter who were both employed at the time of the preforeclosure sale application.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The borrowers' expenses also included credit cards and student loans which exceeded the credit report by $656/month.
4. Assets - Mortgagee Letter 2008-43 requires that borrowers with assets be required to re-pay the indebtedness through the use of a repayment plan. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage. Citi calculated negative monthly surplus income of $85; the borrower's cash assets would cover this monthly shortfall for more than 15 years.
5. Owner Occupant - Citi could not demonstrate the that home was not rented for more than 18 months prior to the preforeclosure sale.

Sample 3

1. Hardship – We did not take issue with the borrowers' financial hardship.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable.
4. Assets - Mortgagee Letter 2008-43 requires that borrowers with assets be required to re-pay the indebtedness through the use of a repayment plan. The

letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage.
On November 9, 2009 the borrower stated he could pay the mortgage "for the next two months. I have just paid November's today." The short sale closed 01/15/2010; therefore, the borrower did not make the December payment despite explicitly stating that he was able to do so. The borrowers abandoned their mortgage commitment despite a continued ability to pay.

Sample 4
1. Expenses - Citi was unable to provide a credit report for the borrower and did not independently verify the borrowers' claimed expenses. Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 5
1. Hardship - Citi was not able to provide documentation verifying that the borrower's job relocation was involuntary.
2. Income - Borrower assertions in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus. Citi did not document independent verification of the borrower's income.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 6
1. Hardship - The borrower's stated hardship is basically that she moved out of the house and into another home with her spouse and now she can't sell the subject property; the borrower does not claim to have experienced an adverse and unavoidable financial situation. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Income - Citi did not use the collected income documents appropriately; in the file, the borrower asserts bonus income of $3000/month. The paystubs show year to date amounts validating this additional income. However, the bonus income was not used by Citi in its calculation of monthly surplus.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.
4. Owner Occupant - Citi could not demonstrate the that home was not rented for more than 18 months prior to the preforeclosure sale; the borrower claims to not have lived in the home for three years and claimed to have rented it for at least a year.

Sample 7
1. Hardship - Coborrower's unemployment was not verified by unemployment benefits statement, etc; borrower's future unemployment is not verified by the 90

day notification she claimed to have received. More than 90 days passed between the borrower's hardship letter and the preforeclosure sale closing.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its original calculation of monthly surplus.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.
4. Imminent Default - Citi did not document verification that the borrower's stated reason for imminent default actually occurred.

Sample 8
1.Hardship – We did not take issue with the borrower's reported hardship; however, the hardship did not cause the borrower to default on the mortgage as evidenced by the analysis of monthly surplus income.
2. Income - The file contained income documentation on only one of the two borrowers named on the mortgage obligation; thus, the second borrower's income was not verified. Using the single borrower's financial income information yielded monthly surplus income.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 9
Income - The original analysis provided by Citi indicated Citi used an income amount which was less than the amount supported by income documentation; Citi has now adjusted its income figures to reflect the amount supported by the documentation.
Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 10
1. Hardship - Citi was not able to provide documentation verifying that the borrower's stated financial hardships actually occurred. The borrower claimed to have had reduced income, medical expenses, daycare expenses, child support expenses, and provided financial assistance to his father; however, none of these expenses or events are substantiated by any documents or other proof.
2. Surplus Income - Citi's original analysis as provided indicated that the borrower had monthly surplus income of $225; Citi has now adjusted the analysis to reflect negative surplus. Citi approved the borrower for participation despite its own documentation showing the borrower had a positive monthly surplus.
3. Income - Citi's original analysis appears to have been based on the borrower's gross income.
4. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.
5. Assets - The borrower indicated, on his application to participate in the preforeclosure sale program, Cash, Checking and or Savings of $25,000. Citi did

not consider these assets for use in a repayment plan as required by the mortgagee letter.

Sample 11
Borrower qualification not disputed.

Sample 12
1. Assets - Mortgagee letter 2008-43 requires that mortgagees with surplus assets repay the indebtedness through the use of a repayment plan. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage.
2. Income - Income documents support income greater than the amount used by Citi in its original calculation of surplus income. Citi has now adjusted its income figures.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.
4. See assets and expenses above.

Sample 13
1. Hardship - Citi was not able to provide documentation verifying that the borrower's stated financial hardships actually occurred.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The borrower's expenses also included credit cards and other loans which exceeded the credit report by $551/month.

Sample 14
1. Hardship - Citi did not document an adverse and unavoidable financial situation suffered by the borrower; Citi did not demonstrate that the borrower's relocation was involuntary.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. Per interviews with Citi personnel there were no internal policies over borrower qualification in place.
3. Mortgagee letter 2010-04 defines an FHA borrower in danger of imminent default as someone unable to make the next required payment on the mortgage during the month that it is due. Because the borrower had cash assets of $30,015 on hand they could afford to make the next month's payment during the month that it was due; thus, default was not imminent.
4. Assets - Mortgagee letter 2008-43 states mortgagors with surplus income and/or other assets are required to re-pay the indebtedness through the use of a repayment plan. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage. Also, because the borrower had cash assets on hand they could afford to make the next month's payment during the month that it was due; thus, default was not imminent.

Sample 15
1. Hardship - The family death occurred almost a year before the loan was originated and two years before the default, moreover, the deceased person

discussed was neither of the borrowers named on the mortgage obligation. Citi did not document verification of the borrowers' claimed hardships.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The mortgagee letter requires mortgagees to verify the borrower's financial information
"The account holder is not to make the April payment" is a direct quote from Citi's internal documentation included in the loan file.

Sample 16
1. Hardship - Stated hardship reason was "income curtail;" comparative income information would be required to substantiate a decrease in income. Citi did not document comparative information to verify the decrease in income.
2. Income - Income documents support income greater than the amount used by Citi in its original calculation of surplus income.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The mortgagee letter requires mortgagees to verify the borrower's financial information.
4. Citi did not document a hardship preventing the borrower from making the next required payment on the mortgage during the month that it was due. Citi did not provide tax returns during review of the loan to evidence decreasing receivables.

Sample 17
1. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 18
1. Income - Income documents support income significantly greater than the amount used by Citi in its original calculation of surplus income. The borrower reported negative cash flow of $48.95 per month; Citi calculated negative cash flow of $863.84 per month. We believe this is a material difference and it is unreasonable for Citi to make such adjustments to borrowers' qualifying information without justification.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 19
1. Income – We were also able to document direct deposits for social security and pension benefits of $4952; adding the $1075 rental income to other income results in total income of $6027. The most recent tax return included in the file (2008) indicates rental income of $24,475 but documentation supporting more recent rental income is not documented in the file. Additional documentation would be required to verify rental income for inclusion in the calculation of the surplus income.
2. Expenses - The borrower's monthly expenses included amounts of $11,368 utilities and $10,800 total food expense while the borrower indicated there was 1 dependent under the age of 18. These amounts would require supporting

documentation. Customer statements on workout package are not sufficient for independent verification.

Sample 20

1. Hardship - The borrower's stated hardships were unverified by Citi; comparative tax returns or paystubs reflecting a pay reduction were not documented. The borrower's sister is not a coborrower on the mortgage and thus her financial contribution would not affect the borrower's financial analysis. Additionally, the claim that the sister provided income to the borrower was not verified.
2. Expenses - Mortgagee Letter 2008-43 requires that borrower financial information be independently verified. The borrower's expenses of family support overseas, school MBA, and medical expenses, totaling $1719 were not verified by supporting documentation. Additionally, the borrower's stated expenses for credit cards (used by Citi in its calculation of surplus income) are also overstated by $311 compared to the amount substantiated by the credit report, and Citi include the mortgage payment twice in the total expenses.

Sample 21

1. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 22

1. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 23

1. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The mortgagee letter requires mortgagees to verify the borrower's financial information.
2. Income - The file contained no documentation supporting the borrower's income. The borrower completed a financial statement stating monthly income of $3600; Citi used $2089.74 in its calculation.

Sample 24

1. Hardship - The borrower's stated hardships were unverified by Citi.
2. Income - The file did not include borrower paystubs. Citi did not document verification of unemployment.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The mortgagee letter requires mortgagees to verify the borrower's financial information.

Sample 25

Borrower qualification not disputed.

Sample 26

1. Hardship - The borrower claimed to no longer live at the home and to have a second mortgage payment; however, the borrower's credit report did not list another mortgage. The borrower also asserted that they wished to get married and have another child; however, the borrower did not show, and Citi did not verify, an adverse and unavoidable financial hardship suffered by the borrower. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Assets - The most recent bank balance included in the file indicated the borrower had cash equivalent to more than 6 mortgage payments on hand. Mortgagee letter 2008-43 states mortgagors with surplus income and/or other assets are required to re-pay the indebtedness through the use of a repayment plan. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage. Also, because the borrower had cash assets on hand they could afford to make the next month's payment during the month that it was due; thus, default was not imminent.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The mortgagee letter requires mortgagees to verify the borrower's financial information.
1. Occupancy - Citi agrees with fail determination.

Sample 27

Borrower qualification not disputed.

Sample 28

1. Hardship - The borrower provided a statement claiming extreme loss of income. Citi did not independently verify the claim made by the borrower.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. Citi should have determined if there was an additional income source, given that the borrower was current on his payments and the expenses shown on his credit report greatly exceeded his reported income.

Sample 29

1. Hardship - The borrower provided a statement claiming excessive obligations. Citi did not independently verify the claim made by the borrower.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus. Earnings statements were not included for the coborrower. The justification for the exclusion of the coborrowers income was not documented.

3. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable. The borrower claimed an auto loan and credit card obligations that were not reported on the credit report.

Sample 30
1. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The borrower claimed credit card obligations that exceeded the amount reported on the credit report by $446.
2. Assets - We did not cite Citi for assets on this case.

Sample 31
1. Hardship - The borrower provided a statement claiming he is planning to get married and will be taking on an additional mortgage. Citi did not independently verify the claims made by the borrower. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property. Because the borrower is able to meet his current financial obligations and future expenses were not verified, it was not established that the events would have prevented the borrower from making the next required payment in the month that it was due. The borrower was not facing imminent default at the time of acceptance into the program or when the property was sold.
2. Assets - Per tax returns for 2008 and 2009 included in the file, the most recent of which was filed less than three months before the borrower was accepted into the PFS program, the borrower received rental income from at least three rental properties in each year. Per mortgagee letter 2008-43 borrowers with assets are required to re-pay the indebtedness through the use of a repayment plan.
3. Surplus – The original calculation of surplus income indicates that the borrower had surplus monthly income. Using the income supported by the paystubs and all claimed expenses, the borrower had surplus income. The letter does not stipulate that surplus income must be sufficient to resolve the borrower's entire financial hardship.
4. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
5. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.
6. Imminent Default – see discussions of Hardship above.

Sample 32
1. Hardship - Because the apparent hardship was projected into the future it was not possible for Citi to verify that the borrower did in fact experience a reduction in income. The borrower provided a statement claiming possible reduction in income and a financial hardship due to her parents' medical expenses. Citi did not independently verify the claims made by the borrower.

2. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable
3. Imminent Default – see discussions of Hardship above.

Sample 33
1. Hardship - Citi did not independently verify the claims made by the borrower. The borrower provided a statement claiming he is planning to get married and his current residence is not acceptable; the borrower did not declare when he was getting married and the marriage was not verified. The borrower also claimed that being laid off was only a matter of time for him but did not provide any documentation to substantiate this.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable, and did not independently verify them to ensure they were accurately reported.
3. Imminent Default – Because the borrower has been meeting his current financial obligations and future expenses were not verified, it was not established that the events would have prevented the borrower from making the next required payment in the month that it was due.

Sample 34
1. Hardship - The borrowers provided a statement claiming the need to care for elderly parents. Citi did not independently verify the claim made by the borrowers.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable. The borrowers claimed a loan obligation that was not reported on the credit report.

Sample 35
1. Hardship - The borrower provided a statement claiming the need to care for elderly parents. The coborrower did not claim a financial hardship. Citi did not independently verify the claims made by the borrower. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Surplus – Citi agreed in their response that the borrowers had surplus income.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable. Further, Citi completed its analysis using all claimed monthly expenses, without reconciling these items to the credit report, on which auto loans and credit cards were significantly lower.

Sample 36
We did not agree that customers qualified.

1. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable

Sample 37
1. Hardship - The borrower provided a statement claiming flood damage to the property and unemployment of spouse; however, the spouse was not a coborrower on the loan and Citi did not independently verify the claims made by the borrower. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Surplus – Citi confirmed in their response that the borrower had surplus income but commented that the surplus was not sufficient.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 38
1. Hardship - The borrower provided a statement claiming future retirement; however, Citi did not independently verify the claim made by the borrower. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property. Because the apparent hardship was projected into the future, it was not possible for Citi to verify that the borrower did in fact retire. Additionally, because retirement would not prevent the borrower from making the next required payment in the month that is was due the borrower was not facing imminent default, as defined by Mortgagee Letter 2010-04, at the time of acceptance into the program or when the property was sold.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.
4. Imminent Default – see discussions of Hardship above.

Sample 39
1. Hardship – On the original documents provided by Citi, the hardship reason was listed as seller has two homes. This claim was not supported by the credit report. In its response, Citi said the hardship is negative residual income. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property. See income section for additional explanation.
2. Assets - The borrower had $13,545 in her bank accounts. Per Mortgagee Letter 2008-43, borrowers with surplus income and/or other assets are required to re-pay the indebtedness through the use of a repayment plan.

3. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus. The income reported in DRI uses the mid-month payment to the borrower as monthly income. The earnings statements provided indicate the borrower was paid twice per month.
4. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The borrower claimed loan obligations that were not reported on the credit report.

Sample 40
1. Hardship - The borrower provided a statement claiming current and future family medical expenses and possible reduction in income. Citi did not independently verify the claims made by the borrower. Because the borrower is able to meet his current financial obligations and possible future expenses would not prevent the borrower from making the next required payment in the month that it was due, the borrower was not facing imminent default.
2. Assets - The borrower had $28,000 in his checking and savings accounts, which disqualified him from the preforeclosure sale program. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage.
3. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
4. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.
5. Imminent Default – see discussions of Hardship above.
6. Owner Occupant - The borrower was not an owner occupant of the property; according to the borrower he had been renting the property. Citi did not document independent verification that the sale qualified for an exemption from the owner occupant rule.

Sample 41
1. Assets - A bank statement in the file indicate the borrower is a co-holder on a Bank of America money market account with a balance of $18,034; Mortgagee Letter 2008-43 requires borrowers with surplus income and/or other assets to re-pay the indebtedness through the use of a repayment plan. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage obligation. If, as Citi claims, the borrowers had negative surplus income of $229/month, the assets would be enough to bridge their monthly needs for many years.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable

Sample 42
1. Surplus/Hardship – We cited surplus income, Citi directed its response to hardship. The original calculation of surplus income provided by Citi indicates that the borrower had surplus monthly income.

2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower’s expenses were reasonable. The borrower’s expenses also included an auto loan not reflected on the credit report or otherwise supported.

Sample 43
1. Hardship - The borrower provided a statement claiming future retirement; however, Citi did not independently verify the claim made by the borrower. Because retirement would not prevent the borrower from making the next required payment in the month that is was due, the borrower was not facing imminent default as defined by Mortgagee Letter 2010-04. Because the apparent hardship was projected into the future it was not possible for Citi to verify that the borrower did in fact retire.
2. Surplus – The original calculation of surplus income using borrower supplied information indicates that the borrower had surplus monthly income. The letter does not stipulate that surplus income must be sufficient to resolve the borrower's entire financial hardship.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower’s expenses were reasonable.
4. Imminent Default – see discussions of Hardship above.

Sample 44
1. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrower’s expenses were reasonable.

Sample 45
1. Hardship - Citi indicated the borrowers’ hardship was income curtailment; however, the borrower neither claimed nor provided evidence of an income reduction. The borrower provided a statement claiming a hardship of negative equity in their home and wanting to be out from underneath the home. Because this does not meet the definition of an adverse and unavoidable financial event the sale should not have been approved.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrowers’ expenses were reasonable
3. Owner Occupant - The borrowers were not owner occupants after moving to another residence 1 mile from the subject property. According to the borrower supplied tax return, the property was rented beginning 1/1/2009. Citi did not document verification that the sale qualified for an exemption from the owner occupant rule.

Sample 46
1. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus. Earnings statements were not included for both borrowers; income from only one borrower was used in Citi's calculation of surplus income. The reason for the exclusion of the coborrower's income was not documented.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable.

Sample 47
Borrower qualification not disputed.

Sample 48
1. Hardship - The borrower provided a statement claiming future unemployment; The borrower claimed employment would be terminated in July. The property was sold in September but Citi did not document verification of the job loss.
2. Surplus Income – The original calculation of surplus income provided by Citi indicates that the borrower had surplus monthly income; thus we cited Citi for accepting the borrower into the program with surplus income.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable.
4. Imminent Default – see discussions of Hardship above.

Sample 49
1. Hardship - The borrowers provided a statement claiming a hardship of negative equity in their home. Because this does not meet the definition of an adverse and unavoidable financial event the sale should not have been approved.
2. Assets - The borrowers had $13,695 in their bank account. Mortgagee Letter 2008-43 requires borrowers with surplus income and/or other assets to re-pay the indebtedness through the use of a repayment plan. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage.
3. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus. Citi used the borrower-supplied biweekly net income amounts as monthly amounts.
4. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable.

Sample 50
1. Hardship - The borrower provided a statement claiming a hardship that she and her fiancée separated; however, NeighborhoodWatch and all documentation provided by Citi indicate that the fiancée was not a coborrower on the loan. Citi did not independently verify the claims made by the borrower. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also

requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Surplus - The original calculation of surplus income provided by Citi indicates that the borrower had surplus monthly income. The letter does not stipulate that surplus income must be sufficient to satisfy the borrower's entire financial hardship. "Income and Exp Summary as in DRI" amounts differ from what was presented to us during our review. Citi added borrower claimed expenses and credit bureau expenses resulting in double counting of the credit bureau expenses.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 51
1. Hardship - The borrower provided a statement claiming a hardship of relocation for education and her previous employment had been terminated; however it cannot be determined from the information provided if this was a voluntary move and therefore avoidable. Finally, Citi did not independently verify the claims made by the borrower.
2. Assets - The borrower had $7,986 in her bank accounts. Mortgagee Letter 2008-43 requires borrowers with surplus income and/or other assets to re-pay the indebtedness through the use of a repayment plan. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage.
3. Surplus - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus. The original calculation of surplus income provided by Citi indicates that the borrower had surplus monthly income.
4. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 52
1. Hardship - The borrower claimed increased expenses since the purchase of her home; however, Citi did not independently verify the claims made by the borrower.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 53
1. Hardship - Citi did not independently verify the claims made by the borrower or the reduction in income. The borrower claims her son has experienced health and legal issues that have added to her financial burden. Citi classified the hardship reason as "Income Curtail" on the Workout Solution worksheet. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Surplus - The original calculation of surplus income provided by Citi indicated that the borrower had surplus monthly income. The letter does not stipulate that

surplus income must be sufficient to satisfy the borrower's entire financial hardship. We were able to verify the borrower reported income by averaging the reported year to date income. In the hardship letter, the borrower stated that she ran a business, making her salary and earnings draws somewhat variable.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.
4. Imminent Default – see discussions of Hardship and Surplus above.

Sample 54
1. Assets - The borrowers' bank statement showed a balance of $8,056. Mortgagee Letter 2008-43 requires borrowers with assets to re-pay the indebtedness through the use of a repayment plan. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage. The funds available would allow the borrower to cover the negative residual income of $19 per month for the life of the loan.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable.

Sample 55
1. Hardship - Citi did not document independent verification of the adverse and unavoidable financial situations claimed by the borrower. The borrower provided a statement claiming employment relocation and future unemployment of spouse. The file does not contain documentation verifying that the employment relocation or unemployment actually occurred. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus. NOTE - "Income and Exp Summary as in DRI" amounts differ from what was presented during our review. The net income reported in DRI reports the coborrower's income and omits the borrower's income.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable. Citi did not use the credit report appropriately; the borrowers' claimed expenses also included $581 per month in auto loans not reported on the borrowers' credit report.
4. Imminent Default – see discussion of Hardship above.

Sample 56
1. Hardship - Citi did not independently verify the claims made by the borrower. The borrower provided a statement claiming employment relocation and

unemployment of spouse. It cannot be determined from the information provided if this was a voluntary move and therefore avoidable.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 57
1. Surplus - During the review Citi provided a calculation of the borrowers' income and expenses that determined the borrowers' had combined positive residual monthly income. The letter does not stipulate that the surplus income must be sufficient to satisfy the borrower's entire financial hardship. The borrower-reported income was verified using the borrower-supplied earnings statements. Later, Citi presented new information to us as part of their response to this item. The "Income and Exp Summary as in DRI" presented as a response differs from what was presented to us during our review. Citi calculated one of the borrower's income by dividing the YTD net earnings by 9.55 months. The Regular Earnings reported on the borrower's Earning Statement YTD is $27,449.94; dividing the YTD pay by the reported regular rate of $2,115.38 indicates that the borrower has been paid for approximately 13 periods. Alternatively, 9.55 months is equal to approximately 20 pay periods; therefore, the borrower appears to have not been employed at the current employer for the entire year. This discrepancy makes dividing YTD earnings by 9.55 an invalid method of calculating monthly income. There is no documentation to support the use of this alternate calculation performed by Citi. Per the mortgagee letter, borrowers with surplus income and/or other assets are required to re-pay the indebtedness through the use of a repayment plan.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable.

Sample 58
1. Hardship - The borrower claimed inability to keep up with payments due to a change in jobs and having to move across the state. Citi was not able to provide documentation verifying that the borrower's job relocation was involuntary. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 59
1. Hardship - It is stated in the Workout Solutions Worksheet included in the file that the borrower's reason for hardship is excessive obligations. Citi stated the borrower has a reduction in income; paystubs in the file document steady income. Citi did not document independent verification of the adverse and unavoidable financial situation suffered by the borrower. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to

obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Income - Citi did not use the collected income documents appropriately; income documents in the file support monthly net income different than the amount Citi used in its calculation of monthly surplus.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable.

Sample 60
1. Hardship - The borrowers claim they experienced an adverse and unavoidable financial situation due to a reduction in income and the birth of a child. The borrowers claim as a result of the financial situation the family relocated. Citi did not independently verify the claimed adverse and unavoidable situations. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Assets - The borrower had liquid assets of $13,701, almost 12 monthly mortgage payments, according to bank statements included in the file. Per the mortgagee letter, borrowers with surplus income and/or other assets are required to re-pay the indebtedness through the use of a repayment plan. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage.
3. Income - The file contained income documentation on only one of the two borrowers named on the mortgage obligation; thus, the second borrower's income was not verified.
4. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable.

Sample 61
1. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. Further, the documented net income was greater than the expenses claimed; therefore, the borrower appeared able to continue to support the mortgage and did not qualify for a preforeclosure sale.

Sample 62
1. Hardship - The borrowers claim they were not able to continue to make two mortgage payments. A second mortgage payment was not listed on the borrowers' credit report and was not otherwise verified by supporting documentation in the file.
2. Surplus - Citi agrees in their response that the borrowers had surplus income. The letter does not stipulate that surplus income must be sufficient to satisfy the borrower's entire financial hardship.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower's expenses were reasonable. The borrowers' claimed expenses included a second mortgage that was not listed on the credit report and not otherwise verified by supporting documentation in the file.

4. Owner Occupant - The property was occupied by a renter at the time of the sale. Citi did not document independent verification that the sale qualified for an exemption from the owner occupant rule.

Sample 63

1. Hardship - The borrowers claim a hardship of unemployment; employment information is not provided for the borrower and the coborrowers did not report a change in employment status. Citi did not meet the requirement to independently verify the claims made by the borrowers. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Assets - Citi did not document the total investments held by the coborrowers; however, significant dividend and interest income is shown on the 2007 and 2008 tax returns included in the file. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage.
3. Income - The file contained income documentation on only one of the three borrowers named on the mortgage obligation; thus, the other two borrowers' incomes were not verified. Additionally, dividend income and capital gains shown on the tax returns in the file were not investigated.
4. Expenses - Citi did not demonstrate the basis on which it determined the borrowers' expenses were reasonable. Total monthly expenses include $1927 per month for insurance expenses without supporting documentation.
5. Imminent Default - Citi did not establish that default was imminent. The coborrower made a payment for March 2010 but Citi informed her that the loan must be 31 days delinquent before the preforeclosure sale could close. Citi informed the borrower that Citi could not stop the payment, but that it would be much easier for the borrower to stop payment through her bank. The borrower then stopped payment on the check, the payment was missed and the loan was delinquent so the sale could close. Additionally, because the borrowers reported significant dividend income and capital gains, they likely had assets sufficient to sustain the mortgage obligation.

Sample 64

Borrower qualification not disputed.

Sample 65

1. Hardship - The borrower claimed that his job was not bringing in enough income to make ends meet. There is no documentation that the borrower lost his job or his income declined. Based on the tax returns and pay stubs provided, the borrower maintained a consistent income after he chose to move from the mortgaged property. Citi did not document a verifiable income reduction. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property

2. Expenses - Citi did not demonstrate the basis on which it determined the borrower’s expenses were reasonable.
3. Owner Occupant - The borrower was not an owner occupant of the property at the time of the sale. Citi did not document independent verification that the home was not used as a rental for more than 18 months prior to the sale.

Sample 66
1. Hardship - The borrower provided a statement claiming a hardship of relocation for work. Employment information included in the file indicated that one borrower worked in Duluth, MN while the other worked in St. Paul, MN. It cannot be determined from the information provided if this was a voluntary move and therefore avoidable. Citi did not independently verify the claims made by the borrower. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Assets -The bank statement showed a balance of nearly $5,400. Borrowers with assets are not eligible for the preforeclosure sale option and are required to re-pay the indebtedness through the use of a repayment plan. The letter does not stipulate that the assets must be sufficient to satisfy the entire mortgage.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrowers’ expenses were reasonable.

Sample 67
1. Surplus - Citi agrees in its response that the borrowers had surplus income. The letter does not stipulate that surplus income must be sufficient to satisfy the borrower's entire financial hardship.
2. Expenses - Citi did not demonstrate the basis on which it determined the borrowers’ expenses were reasonable.

Sample 68
1. Hardship - The borrower provided a statement claiming a need for more space because she is expecting. Citi did not independently verify the claims made by the borrower. While Citi states its obligation is to acknowledge the borrower's financial hardship, HUD also requires the lender to obtain documentation substantiating a reduction in income, an increase in living expense, or the need to vacate the property.
2. Income - The file contained income documentation on only one income source reported by the borrower; thus, the second "other" income source was not verified.
3. Expenses - Citi did not demonstrate the basis on which it determined the borrower’s expenses were reasonable.
4. Imminent Default - Citi did not establish that default was imminent. The borrower claimed she was current on her payments when she applied for the program. The borrower stated that she was expecting a child in August; because

the letter was from February and the preforeclosure sale closed in April this does not meet the definition of imminent default.

Appendix C

SCHEDULE OF PREFORECLOSURE SALE DEFICIENCIES

Sample item number	Claim amount	Hardship not verified	Borrower had assets	Borrower had surplus income	Borrower income not verified	Borrower expenses not verified	Imminent default not verified	Owner-occupant exception not documented
1	$76,441.60	x			x	x	x	
2	$60,099.76	x	x		x	x		x
3	$88,138.07		x		x	x	x	
4	$60,576.91					x		
5	$75,788.74	x			x	x		
6	$95,887.89	x			x	x		x
7	$80,088.30	x			x	x	x	
8	$68,966.95			x	x	x		
9	$67,626.64				x	x		
10	$95,391.58	x	x	x	x	x		
11	$104,710.57				x			
12	$53,746.13		x		x	x		
13	$138,368.21	x				x		
14	$99,534.84	x	x			x	x	
15	$78,721.82	x				x		
16	$159,130.67	x			x	x	x	
17	$91,077.12					x		
18	$84,595.81				x	x		
19	$175,243.28	x			x	x		x
20	$68,443.01	x				x		
21	$99,920.53			x		x		
22	$94,988.38	x			x	x		
23	$74,885.31				x	x		
24	$60,046.14	x			x	x		
25	$87,905.55							
26	$63,587.37	x	x			x		x
27	$120,252.81				x			x
28	$197,250.55	x			x	x		
29	$65,511.60	x			x	x		
30	$57,779.39					x		
31	$100,507.21	x	x	x	x	x	x	
32	$104,546.32	x				x	x	
33	$56,817.44	x				x	x	
34	$69,172.91	x			x	x		

Sample item number	Claim amount	Hardship not verified	Borrower had assets	Borrower had surplus income	Borrower income not verified	Borrower expenses not verified	Imminent default not verified	Owner-occupant exception not documented
35	$61,395.50	x		x		x		
36	$56,417.81					x		
37	$79,404.43	x		x		x		
38	$83,267.38	x			x	x	x	
39	$70,097.17	x	x		x	x		
40	$80,363.93	x	x		x	x	x	x
41	$78,809.59		x			x		
42	$57,191.61			x	x	x		
43	$147,593.20	x		x		x	x	
44	$51,711.94				x	x		
45	$75,133.82	x				x		x
46	$110,137.49				x	x		
47	$76,004.72							
48	$68,039.85	x		x		x	x	
49	$113,980.84	x	x		x	x		
50	$108,763.80	x		x		x		
51	$72,671.20	x	x	x		x		
52	$58,576.44	x				x		
53	$110,332.87	x		x		x	x	
54	$107,406.04		x		x	x		
55	$77,218.33	x			x	x	x	
56	$92,314.66	x				x		
57	$25,056.96			x		x		
58	$41,553.62	x				x		
59	$17,730.25	x			x	x		
60	$68,475.93	x	x		x	x		
61	$25,532.23					x		
62	$15,023.45	x		x		x		x
63	$26,621.32	x	x		x	x	x	
64	$27,269.18							
65	$20,497.88	x				x		x
66	$74,391.86	x	x			x		
67	$53,963.89			x		x		
68	$50,266.44	x			x	x	x	
Total	$5,358,965.04	44	16	15	35	63	16	9
	($416,142.83)	Claims for five eligible loans						
	$4,942,822.21	Total for 63 ineligible loans						

Yellow highlights indicate that the loan was eligible for the Program.

Appendix D

CASE NARRATIVES

Sample 1
Claim amount: $76,442
Oldest unpaid installment: 10/01/2009
Closing date of preforeclosure sale: 01/08/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. Citi stated that the hardship reason was "Unable to Sell. Remarks - Market value is much lower than what is owed on the home." The borrower stated, "I'm not behind on my payments. I would like to sell my house, but the current market value is lower than my amount owed. I am in the residential construction industry and do not want to be put in the position of being delinquent in my payments and ruining my credit as the market continues to decline. I would like to be pro-active and be given the opportunity to short sale my home. I feel that I should have the same options as the people who over mortgaged and put people like me who continue to make payments, in this position." The borrower also said, "I am in new home construction and our sales have dropped to numbers that won't sustain us much longer in this area. I am getting married in September and my fiancée has taken a large pay cut recently. She owns a home as well and has much better credit..."

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances[4]. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $3,629.17 and monthly expenses of $4,264.47, resulting in monthly surplus income of $(635.30). The borrower-provided earnings statements documented monthly net income of $4,383.78. We were able to verify monthly expenses for the borrower of $3,171 using the borrower's credit report. Independent verification of the remaining $1,093 in monthly expenses that Citi used to calculate the borrower's residual income was not documented. These undocumented expenses included a $496 auto loan claimed by the borrower that was not reported by the credit bureau. Even when all of the borrower's claimed expenses were included, the borrower had net surplus income; therefore, the borrower appeared able to continue to support the mortgage and did not qualify for a preforeclosure sale.

Sample 2
Claim amount: $60,100
Oldest unpaid installment: 10/01/2009
Closing date of preforeclosure sale: 01/11/2010

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[4] Mortgagee Letter 2008-43 Pre-Foreclosure Sale Introduction: Mortgagees must maintain supporting documentation to demonstrate that a comprehensive review of the mortgagor's financial records was completed, and that the mortgagor did not have sufficient income to sustain the mortgage.

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrower's stated hardship was that the "family relocated to Minnesota to seek more stable employment...Since this time, my husband has lost his job. Unfortunately, his unemployment is coming to an end and we are now struggling to make the mortgage payments." The borrower's husband was not listed on the mortgage. The coborrower listed on the mortgage appeared to be the borrower's father based on birthdays reported on the credit report. Neither borrower appeared to be unemployed.

Because Citi did not document independent verification of the borrowers' expenses it did not satisfy the requirement for a comprehensive analysis of the borrowers' financial situation. Citi calculated surplus income using net monthly income of $4,485 and monthly expenses of $4,964.81, resulting in surplus income of $(479.81). The borrower provided pay stubs supporting net monthly income of $7,302.78; Citi appeared to have not considered the coborrower's income in the calculation. We were able to verify monthly expenses of $3,224 using the borrowers' credit report. The monthly expenses that Citi used in its calculation differed greatly from those listed by the borrowers totaling $8,581.

The borrower had surplus cash assets. According to the most recent bank statements in the file, the coborrower had a money market account balance of $15,490 and a share account balance of $7,548 on August 31, 2009.

Finally, according to the borrower's hardship letter, the borrower moved from the home in January 2007; thus, the property had not been owner occupied for approximately 3 years as of the time of the short sale closing. The borrower's hardship letter also made reference to "tenants" but did not state the exact duration when the home was rented. Citi did not document verification that the home was rented for less than 18 months before the short sale.

Sample 3
Claim amount: $88,138
Oldest unpaid installment: 12/01/2009
Closing date of preforeclosure sale: 01/15/2010

Citi did not properly determine that these borrowers were eligible to participate in the program. The borrower suffered a financial hardship after relocating from Hawaii to Florida for his job; however, the borrower did not qualify for the Program because he possessed significant cash assets and a continued ability to pay.

Because Citi did not document independent verification of the borrower's financial records, it did not complete the required comprehensive analysis of the borrower's finances. The borrower listed income of $6,287 and expenses of $7,595, including $1,280 in unverified rent expense not reflected on the bank statements or any document in the file, resulting in residual income of $(1,308). The borrower-provided pay stubs supported net monthly income of $7,328, and the borrower’s credit report supported monthly expenses of $4,088; the remainder of the borrower’s claimed expenses was not verified.

On December 5, 2009, the borrower also sent an e-mail to the negotiator stating that he would be able to pay the mortgage “for the next two months. I have just paid November’s today.” The negotiator’s reply was “The loan has to be 30 days delinquent at the time of closing in order to actually close, it is a HUD guideline for short sales. So, if you paid the Novembers payment and happen to come into an offer in November. The sale will not be able to close until Jan 2nd at the very earliest and that’s if you don’t make the December payment.” The short sale closed January 15, 2010; therefore, the borrower did not make the December payment despite explicitly stating that he was able to do so.

Finally, on his workout package, the borrower indicated that he had $19,000 available immediately and an additional $17,000 would be available in 30 days; the borrower-supplied bank statements supported cash on hand of $19,723 as of July 23, 2009, and $4,052 in other bank accounts as of July 6, 2009 (the most recent bank statements in the file).

Sample 4
Claim amount: $60,577
Oldest unpaid installment: 12/01/2009
Closing date of preforeclosure sale: 01/20/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation when he lost his job. Citi stated that the hardship reason was “Unemployment, Remarks: been laid off for a year.” The borrower claimed, “I was laid off from my place of employment…on 11/21/2008. I was given 2 months of severance and began receiving unemployment mid February 2009. Since I began unemployment my financial situation has declined and become bleak to say the least.” The borrower-provided bank statements indicated payment of unemployment benefits.

Citi did not document independent verification of the borrower’s stated expenses and, therefore, did not complete the required comprehensive analysis of the borrower’s finances. Citi’s calculation of surplus income indicated that the borrower had monthly income of $1,448.42 and monthly expenses of $1,826.84, resulting in monthly surplus income of $(378.42). The borrower-provided bank statements supported the net monthly income entered by Citi. Citi did not document verification of the borrower’s claimed expenses, and a credit report was not included with this file.

Sample 5
Claim amount: $75,789
Oldest unpaid installment: 12/01/2009
Closing date of preforeclosure sale: 01/21/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation due to the Army's relocating his position from Rex, GA, to Port Arthur, TX. However, Citi did not document verification that the borrower was required to relocate; copies of the borrower's orders were not documented.

Citi did not document independent verification of the borrower's income. It also did not document independent verification of $4,449 in borrower-reported expenses including $720 per month for student loans not included on the borrower's credit report; therefore, Citi did not satisfy the requirement to complete a comprehensive analysis of the borrower's finances.

Sample 6
Claim amount: $95,888
Oldest unpaid installment: 02/01/2010
Closing date of preforeclosure sale: 03/04/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason was "Unable to Sell." The borrower claimed, "I have not lived in this house for three years and it is been sitting vacant for the past two years after I moved in with my husband. I rented it for one year for 500 less per month than my mortgage...I have tried to rent it for as low as 1000 per month for over a year now with no takers...I cannot keep paying 1565 per month for a house to sit empty. I also do not have 50K anywhere to sell it. I recently had a child and the plan was for me to stay home with our child but I cannot do this because of the mortgage payment. I need to discuss a short sale with someone regardless of the effect on my credit."

In addition, Citi did not document independent verification of the borrower's stated expenses and, therefore, did not complete the required comprehensive analysis of the borrower's finances. The borrower claimed net monthly income of $4,000 and monthly expenses of $7,896, resulting in monthly surplus income of $(3,896). The borrower provided earnings statements that documented net monthly income of $5,486.12 per month, and Citi completed its analysis using this verified amount. However, this amount did not include $3,000 per month in bonuses reported by the borrower. We were able to verify monthly expenses for the borrower of $3,392 using the borrower's credit report. Independent verification of the remaining $4,504 in monthly expenses was not documented by Citi. This amount included a monthly $2,000 personal loan payment claimed by the borrower that did not appear on the credit report and claimed monthly medical expenses of $600.

Sample 7
Claim amount: $80,088
Oldest unpaid installment: 02/01/2010
Closing date of preforeclosure sale: 03/24/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason was "Unemployment." The borrowers claimed that the coborrower lost his job and "Then a week ago I was given a 90 day notice that I will no longer have a job as my employer is closing his business." Citi did not document verification of unemployment for the coborrower or the borrower's claim that she was to be laid off in 90 days.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $41,000 and monthly expenses of $4,331.19, resulting in monthly surplus income of $36,668.61. The borrower reported net personal income of $870,000 per month. In response to our request for verification of the borrower's income, Citi stated that the correct total monthly income was $2,347.67. This income was supported by the borrower-provided earnings statement when only base income and child support were included in total income; it did not account for commissions reported on the borrower's earnings statement or any income received by the coborrower. We were able to verify monthly expenses for the borrower of $1,906 using the borrower's credit report. Independent verification of the remaining $2,425 in monthly expenses was not documented by Citi.

Finally a title search for the property, a requirement to participate in the Program, was not documented.

Sample 8
Claim amount: $68,967
Oldest unpaid installment: 02/01/2010
Closing date of preforeclosure sale: 03/30/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation. Citi stated that the hardship reason was "Divorce, Remarks - can't afford on one income." The borrower claimed, "I am divorced and can no longer afford my mortgage payment without sacrificing basic needs such as food, medical care, and heating." The title documented conveyance of the property by a quit-claim deed from the borrower to the coborrower.

Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses; therefore, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrowers had monthly income of $5,904.67 and monthly expenses of $2,694.15, resulting in monthly surplus income of $3,210.52. Because the property was conveyed to the coborrower by the borrower via a quit-claim deed, we evaluated net monthly income using only the coborrower's income; however, according to documentation in the file, both borrowers remained obligated on the mortgage obligation. Citi did not document independent verification of the borrower's income, expenses, or assets. The coborrower-provided earnings statements documented monthly income of $3,140.40. Using this figure to compute surplus income yielded $446.25 monthly when including all of the expenses used by Citi in the calculation of residual income. We were able to verify monthly expenses for the borrower of $1,874 using the borrower's credit report. Independent verification of the remaining $820 in monthly expenses was not documented by Citi. The pay stubs provided by the coborrower documented net income greater than expenses claimed; therefore, the borrower appeared able to continue to support the mortgage and did not qualify for a preforeclosure sale.

Sample 9
Claim amount: $67,627
Oldest unpaid installment: 03/01/2010
Closing date of preforeclosure sale: 04/02/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation caused by divorce.

The borrower claimed monthly expenses of $3,913.64 and $3,541.16 and net income of $3,020 on two different documents. In its calculation of residual income, Citi used net income of $3,020 and expenses of $4,340.54, resulting in residual income of $(1,320.54). The borrower-provided pay stubs supported net income of $3,666, while the borrower's credit report supported monthly expenses of $2,396. If the lesser of the borrower-claimed monthly expenses was accurate, he would have $125 in surplus income. Citi's calculation of residual income should have used income supported by the borrower's pay stubs. In addition, Citi should have required the property to be listed for at least its fair market value.

Sample 10
Claim amount: $95,392
Oldest unpaid installment: 01/01/2010
Closing date of preforeclosure sale: 04/08/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the borrower's hardship reason was "Unemployment." The borrower claimed, "The main reasons that I have been late are: My employment has slowed down due to the economy and my hours cut considerably, I have daycare expenses of $400 per month, I have child support expense of $700 per month, My daughter has recently had medical bills that have totaled over $7,000, I have assisted my father financially over the last year due to loss of job." Citi did not document a reduction in income. It did not document payment of child care expenses or child support. Citi did not document the borrower's financial contributions to his daughter's medical bills or financial assistance to his father. The borrower also stated that he had to refinance due to separation from his ex fiancée. Because the FHA loan was originated to allow the borrower to refinance, this situation existed when the FHA loan originated in October 2008.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. Citi's calculation of surplus income indicated that the borrower had monthly income of $6,100 and monthly expenses of $5,874.62, resulting in monthly surplus income of $225.38. The borrower-provided pay stubs from February and March 2009 documented net monthly income of $3,957.50, while the approval to participate was dated February 22, 2010, and the sale closed on April 8, 2010. We were able to verify monthly expenses for the borrower of $2,692 using the borrower's credit report. Independent verification of the remaining $3,183 in monthly expenses claimed by the borrower was not documented by Citi.

In addition, the borrower reported the value of his cash, checking, and savings at $25,000. This amount indicated that the borrower had sufficient financial resources to continue paying the mortgage.

Sample 11
Claim amount: $104,711
Oldest unpaid installment: 01/01/2010
Closing date of preforeclosure sale: 04/09/2010

The borrower's credit report showed expenses in excess of the income supported by pay stubs included in the file; therefore, there was sufficient evidence to show that the borrower could not sustain the mortgage obligation.

Sample 12
Claim amount: $53,746
Oldest unpaid installment: 03/01/2010
Closing date of preforeclosure sale: 04/23/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation when his wife passed away in 2007. The borrower stated that he lost her income and took on more bills, including medical bills, after his wife was in the hospital for 2 years. The borrower himself was 76 years old and still working at the time.

Citi did not document independent verification of the borrower's stated expenses and, therefore, did not complete the required comprehensive analysis of the borrower's finances. The financial records maintained in the file did not clearly tie to analysis performed by Citi; the income and expense amounts were materially different. We were able to verify expenses of $2,913 using the credit report; assuming income remained relatively constant from 2009 to 2010, it could be inferred that the borrower had income of approximately $3,308 per month from pension, Social Security, and wage income. The workout solution page maintained in the file stated income of $1,733 and expenses of $11,418, but it was unclear how Citi calculated these numbers. Given that credit report items totaled all but $395 of the borrower's income, it was unlikely that the borrower had surplus income.

The borrower had a certificate of deposit reflecting a balance of $33,750.89 on the bank statement provided, which would disqualify the borrower from the Program.

Sample 13
Claim amount: $138,368
Oldest unpaid installment: 02/01/2010
Closing date of preforeclosure sale: 04/27/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower claimed inability to remain current and make payments, which “has been the result of escalated medical expenses and other unforeseen costs.” Citi listed as the hardship reason, “MEDICAL EXPNS TO MUCH.” It did not document independent verification of escalated medical expenses or other unforeseen costs. The borrower entered “?” for medical expenses and a current balance of $1,200 in the projection of monthly expenses. The borrower also reported an “inability to remain current and make payments,” but his credit report indicated no history of delinquency.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower’s reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower’s finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $3,400 and monthly expenses of $4,322.08, resulting in monthly surplus income of $(922.08). The borrower-provided pay stubs supported the borrower-reported income amount, and we were able to verify monthly expenses for the borrower of $1,993 using the borrower’s credit report. Independent verification of the remaining $2,329 in monthly expenses was not documented by Citi.

Sample 14
Claim amount: $99,535
Oldest unpaid installment: 03/01/2010
Closing date of preforeclosure sale: 04/29/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason was “Unable to Sell - Remarks - relocation for job.” The borrower claimed, “In the last 6 months a new job opportunity presented itself 200 miles south of our home in Orlando, FL. In order to perform the duties of this job, it has required a relocation for our family. We have lived apart for the last 6 months and decided now was the time to move. This distance has caused a lot of stress in our life, personally and financially. We have purchased a new home in Orlando to reunite our family, and we have decided to move. So we put our home in St. Augustine on the market for today’s value of $179,500. As you can see from our paper work we owe $263,187 on this home. We have been fortunate to have received an offer on the home for $181,000. In order for us to close conventionally we would need to come up with over $81,000 of which we do not have. This is why we need to short sale the home." The borrower's credit report did not include a mortgage obligation for another home. When asked to "explain the reason you are behind on your mortgage(s) or are in danger of imminent default," the borrower responded "n/a."

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $6,493.50 and monthly expenses of $6,708.05, resulting in monthly surplus income of $(214.55). The borrower-provided earnings statements supported the monthly net income used by Citi. We were able to verify monthly expenses for the borrower of $2,677 using the borrower's credit report. Independent verification of the remaining monthly expenses was not documented by Citi. These undocumented expenses included a monthly mortgage payment for a new home of $2,144 claimed by the borrowers that was not on the credit report.

The borrowers had a balance of $30,015 in their bank account on January 21, 2010, which would disqualify them from the Program.

Sample 15
Claim amount: $78,722
Oldest unpaid installment: 04/01/2010
Closing date of preforeclosure sale: 05/03/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason for this short sale was "Family Death." Citi added, "Remarks - Homicide of son on Feb of 2008 Funeral expenses Interest increase on credit cards Car repair State employee furlough." The family death occurred almost a year before the loan was originated and 2 years before the default. The borrowers claimed they were experiencing: reduction or loss in income, change in household financial circumstances, and increase in expenses. Citi did not document verification of these claims.

Citi documented sending the following statement to the borrowers' real estate agent before the short sale was completed: "The account holder is not to make the April payment. If the account is under 30 days delinquent I will not approve the final HUD for closing."

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrowers had monthly income of $4,670.17 and monthly expenses of $8,589.50, resulting in monthly surplus income of $(3,919.33). The borrower-provided earnings statements supported net monthly income of $4,369. We were able to verify monthly expenses for the borrower of $3,074 using the borrower's credit report. Independent verification of the remaining monthly expenses was not documented by Citi. However, for the monthly expenses entered by Citi for personal loans, the amounts entered under remaining balance and the monthly payments were reversed, resulting in an overstatement of monthly expenses. Citi entered $4,484 as the monthly payment and $265 as the remaining balance. Correcting this error reduced the reported monthly expenses by $4,219. After the correction, the calculation of surplus income provided by Citi would have indicated that the borrowers had monthly income of $4,670.17 and monthly expenses of $4,370.50, resulting in monthly surplus income of $299.67; therefore, the borrower appeared able to continue to support the mortgage and did not qualify for a preforeclosure sale.

Sample 16
Claim amount: $159,131
Oldest unpaid installment: 03/01/2010
Closing date of preforeclosure sale: 05/07/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason was "Income Curtail, Remarks - can't afford home any more." The borrower claimed, "...our country has experienced one the biggest housing market crashes in history. This, combined with the rising food and gas prices and current slow down in the economy, has affected my ability to pay bills on time. In the last couple of years my home has lost about 55% of it's value making it impossible to refinance it since the equity I once had is now gone. In the last six months my economic situation has gotten even worse because with the slow down and halt in new construction my company is barely staying afloat. After numerous lay off's this year we are down to three employees and I can no longer afford the new payments." Documentation was not included to verify the borrower's claimed reduction in income; documentation comparing the current year and previous years' incomes would be needed to verify a reduction of income.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $3,750 and monthly expenses of $4,794.45, resulting in monthly surplus income of $(1,044.45). The borrower reported monthly income of $4,820.27 and monthly expenses of $4,860, resulting in monthly surplus income of $(39.73). The statement of owner distributions provided by the borrower supported the borrower-reported income. We were able to verify monthly expenses for the borrower of $2,839 using the borrower's credit report. Independent verification of the remaining $2,021 in monthly expenses was not documented by Citi.

Sample 17
Claim amount: $91,077
Oldest unpaid installment: 04/01/2010

Closing date of preforeclosure sale: 05/12/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower-stated that hardship was "I have been having trouble paying for (the home) due to the repairs that still have to be done to it. I am unable to make these repairs and make the mortgage payment at the same time. The foundation is cracked and leaning as well as the porch, also the roof needs to be completely replaced." The home's appraisal supported that there were conditions affecting the livability, soundness, and structural integrity of the home, including "front porch steps & floor are settling…the concrete foundation has areas that are cracked and have shifted...the roof has been partially replaced - part of it is still in need of replacement." The appraiser estimated total repair costs of $11,900 that would result in an "as-repaired" value of the home of $35,000, a $10,000 increase over the "as-is" value of the home of $25,000.

Because Citi did not document independent verification of the borrower-supplied expenses not included on the credit report, it did not complete the required comprehensive analysis of the borrower's finances. The borrower's pay stubs provided support monthly income of $2,396, and the borrower claimed monthly expenses totaling $2,433, resulting in residual income of $(37). We were able to verify expenses of $1,518 using the borrower's credit report; the remaining $915 could not be verified. There were no bank statements or other supporting documentation provided.

Sample 18
Claim amount: $84,596
Oldest unpaid installment: 04/01/2010
Closing date of preforeclosure sale: 05/13/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi stated that the hardship reason was "Divorce". "Remarks - 2 income to 1." The borrower claimed, "I am in a financial hardship due to the economy and the loss of a second income due to my divorce. When the price of fuel sky rocketed well over $4.00 a gallon is when I really felt the financial crunch. I was spending approximately $640.00 a month in fuel alone. I drive to and from work, 80 miles a day. But my divorce is a big bearing as well on my hardship. His income was 75% more than mine and now all I have from him is child support." The spouse was not a coborrower on the loan.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $1,551.33 and monthly expenses of $2,415.17, resulting in monthly surplus income of $(863.84). The borrower reported monthly income of $2,502.71 and monthly expenses of $2,551.66, resulting in monthly surplus income of $(48.95). The borrower-provided earnings statements and bank statement supported income of $2,331. We were able to verify monthly expenses for the borrower of $1,497 using the borrower's credit report. Independent verification of the remaining $1,055 in monthly expenses was not documented by Citi.

Sample 19
Claim amount: $175,243
Oldest unpaid installment: 04/01/2010
Closing date of preforeclosure sale: 05/21/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrowers did not qualify for the Program because they were not the owner-occupants of the property. The borrowers indicated on their workout package that they occupied the property as a "second/vacation" residence, and the borrowers' 2008 income tax return included in the file indicated that the property was a three-unit apartment building, while the borrowers' primary address was approximately 25 miles away in Crete, IL. Several documents in the file reflected the subject property as the borrowers', while others reflected an address in Crete, IL; the file did not include a resolution of these discrepancies. The borrowers' stated hardship included that they "are not in a position to manage or pay for this property" and that the "third floor unit has been vacant for some time." Citi's workable solutions worksheet stated the hardship to be "unable to rent" and "medical bills as well." Citi also did not document independent verification of medical expenses.

The borrowers reported monthly net income of $4,599 and rental income of $1,075 for a total of $5,674 and total expenses of $28,952. Citi did not document independent verification of the borrowers' stated expenses (Citi used $28,139.22 in its calculation of surplus income) including monthly amounts of $11,368 for utilities and $10,800 for total food expense; therefore, it did not complete the required comprehensive analysis of the borrowers' finances. We were able to verify monthly expenses of $3,133 using the borrowers' credit report. We were also able to document direct deposits for Social Security and pension benefits of $4,952; adding the $1,075 stated rental income to other income resulted in total income of $6,027. The most recent tax return included in the file (2008) indicated rental income of $24,475, but documentation supporting more recent rental income was not in the file.

Sample 20
Claim amount: $68,443
Oldest unpaid installment: 05/01/2010
Closing date of preforeclosure sale: 06/02/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason for this short sale was "Income Curtail." Citi added, "Remarks - pay cuts and lack of work." Citi did not document independent verification of income curtailment. The borrower claimed, "The main reasons that caused us to be late are pay cuts and no merit increases and my sister and her husband who lived with us recently found a home they bought. My sister moving out was not only loss of income to us, but additional costs of child-care as a result...Now, we are expecting our second child and it's to the point where we cannot afford to pay what is owed to Citibank due to increasing medical costs and a lower income." The borrower's sister was not a coborrower on the mortgage, and, thus, her financial contribution would not affect the borrower's financial analysis.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $3,500 and monthly expenses of $6,619.55, resulting in monthly surplus income of $(3,119.55). The borrower-provided earning statement verified the income reported by the borrower. The borrower-reported monthly expenses included the "house payment." This item was added a second time in the plan calculation completed by Citi, leading to the borrower's monthly expenses being overstated by $1,030.66. We were able to verify monthly expenses for the borrower of $1,142 using the borrower's credit report. Independent verification of the remaining $4,447 in monthly expenses was not documented by Citi. This expense included significant monthly amounts for "family support overseas" ($600), "School MBA" ($831) and "Medical Expenses ($288). The borrower's stated expenses for credit cards (used by Citi in its calculation of surplus income) were also overstated by $311 compared to the amount substantiated by the credit report. Bank statements were not present in the file.

Sample 21
Claim amount: $99,921
Oldest unpaid installment: 05/01/2010
Closing date of preforeclosure sale: 06/03/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation (income curtailment) resulting from business closure requiring the borrower to find a new job. The borrower stated the following: "A little over a year after buying our home, the company Brandon worked for closed causing him to get another job making far less money. Also when we bought this home, we didn't have to pay for health insurance and I didn't have student loans to pay on. These two expenses combined have added about $450 to our monthly expenses. In addition, Brandon will be done with school in June and we will have to start paying on his loans also."

Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses; therefore, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $4,216 and monthly expenses of $3,562, resulting in monthly surplus income of $654. The borrower-provided pay stubs documented net monthly income of $3,682. Even so, these pay stubs documented net income greater than expenses claimed by the borrower. Using this figure to compute surplus income yielded $119 monthly when including all borrower-claimed expenses. We were able to verify monthly expenses for the borrower of $2,512 using the borrowers' credit report. Independent verification of the remaining

$1,051 in monthly expenses was not documented by Citi.

Sample 22
Claim amount: $94,988
Oldest unpaid installment: 03/01/2010
Closing date of preforeclosure sale: 06/03/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower claimed that she was unable to live in the house because "...the entire house is contaminated with Chinese drywall." Citi listed as the hardship reason "reduction and loss of income." The borrower did not state that she suffered an adverse and unavoidable financial situation but rather that there was a defect in the home that prevented her from living in it. The file did not contain documentation of independent verification of the borrower's expenses, Citi's stated hardship, or a claim that the home was "contaminated" by Chinese drywall.

The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $2,356 and monthly expenses of $2,716, resulting in monthly surplus income of $(360). Our review of monthly income based on borrower-provided pay stubs calculated the monthly income of the borrower and the coborrower to be $454 and $3,947, respectively, resulting in a total monthly net income of $4,401. The pay stubs included by the coborrower were from February 2009, approximately 1 year earlier than the pay stubs provided by the borrower. We were unable to establish from the file whether the borrower had additional income that pay stubs were not provided for to support the monthly income reported by Citi. Using the borrowers' credit report and including the subject mortgage, we were able to verify monthly expenses of $2,981 for the borrower and coborrower.

Sample 23
Claim amount: $74,885
Oldest unpaid installment: 03/01/2010
Closing date of preforeclosure sale: 06/04/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation due to the following circumstances: "I am in construction and there is very little work in Michigan and my pay continues to decline - no body is building in Michigan." The borrower-supplied income tax returns indicated a $19,260 decrease in total income from 2007 to 2008 (from $49,477 to $30,217). The borrower appeared to have qualified for the Program; however, because Citi did not maintain documentation of independent verification of the borrower's income, we could not be sure of the income decline in 2010.

Citi did not maintain supporting documentation to demonstrate independent verification of the borrower-supplied financial records; thus, Citi did not complete the required comprehensive review of the borrower's income and expenses. The calculation of surplus income using information provided by the borrower to Citi indicated that the borrower had monthly income of $2,089.74 and monthly expenses of $4,746.59, resulting in monthly surplus income of $(2,656.85). No verification of the borrower's pay was included in the loan file. Federal tax returns documented adjusted gross income of $44,094 and $28,211 for 2007 and 2008, respectively. The borrower completed a "financial statement," dated December 11, 2009, and listed his monthly income as $3,600. We were able to verify monthly expenses for the borrower of $1,866 using the borrower's credit report. Independent verification of the remaining $2,881 in monthly expenses was not documented by Citi.

Sample 24
Claim amount: $60,046
Oldest unpaid installment: 04/01/2010
Closing date of preforeclosure sale: 06/14/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason for this short sale was "Mortgagor Ill." Citi added, "Remarks - Due to medical issues that affected the mh work performance he was replaced." The borrower entered the following statement when he requested the short sale: "Having been recently diagnosed with severe anxiety disorder and panic attacks. I have high blood pressure all of which has created a disability to perform my daily duties and responsibilities. My employer recognizing these disabilities has replaced my position with a more competent employee." Citi entered the following statement from the borrower on May 25, 2010: "Said, he only did a SS because he was going to get fired and wouldn't be able to pay mortgage.... Employer is working with him and he wants to makeup back payments on mortgage and keep home." Citi entered the following statement from the borrower on June 2, 2010: "I had gone to the doctor last week and gotten a decent report. I thought I was going to be able to keep my job. I am going to half to have surgery so I am going to be losing job." The short sale was completed on June 14, 2010. Citi did not document verification that the borrower lost his job.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported income or expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $500 and monthly expenses of $6,076.03, resulting in monthly surplus income of $(5,576.03). The borrower did not provide pay stubs, and Citi did not document verification of unemployment. The borrower-provided bank statements indicated payroll deposits from the employer as recently as March 31, 2010. We were able to verify monthly expenses for the borrower of $2,992 using the borrower's credit report. Independent verification of the remaining $3,084 in monthly expenses was not documented by Citi.

Sample 25
Claim amount: $87,906
Oldest unpaid installment: 04/01/2010

Closing date of preforeclosure sale: 06/21/2010

The borrower suffered an adverse and unavoidable financial situation when one of the two borrowers on the mortgage passed away May 30, 2010 (they were already accepted into the Program at that time); death of the borrower reduced the household income by $2,435 to $2,078 per month. The borrower properly qualified for the Program with the borrower's hardship and finances.

Before the death of the borrower, the borrowers claimed a hardship due to reduced income and increased expenses. The borrowers' 2008 tax return reflected unemployment compensation partially substantiating the borrower's claim. Citi did not document independent verification of the borrower's listed expenses not reflected on the credit report; therefore, it did not complete the required comprehensive review of the borrowers' finances. The borrowers claimed and Citi used in the calculation of surplus income, income of $4,050, while their pay stubs supported income of $4,513. The borrowers claimed expenses of $5,458; we were able to verify $2,950 using the borrowers' credit report. Verification of the remaining expenses was not documented by Citi.

Sample 26
Claim amount: $63,587
Oldest unpaid installment: 04/01/2010
Closing date of preforeclosure sale: 06/28/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason was "Exc Obligations, Remarks: I no longer live at residence. With 2 house payments, preschool and other bills I can no longer afford the mtg. I remodeled most of the house." The borrower claimed, "I have one child and would like to have another. My soon to be wife and I would like to move on with our lives and get married, however with two mortgages and daycare/preschools to pay for along with many other bills I regret to inform you that I will no longer be able to make the payments." The borrower's credit report did not list a second mortgage.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $3,400 and monthly expenses of $4,191.59 (the borrower reported expenses of $4,425), resulting in monthly surplus income of $(791.59). The borrower-provided pay stubs documented net monthly income of $3,772.73. We were able to verify monthly expenses for the borrower of $3,048 using the borrower's credit report and bank statements. Independent verification of the remaining $1,377 in monthly expenses was not documented by Citi. The borrower claimed a $2,000 monthly mortgage that was not reflected on the credit report.

As of April 12, 2010, the borrower had $5,702 in his bank account. The borrower walked away from his home and mortgage obligation. The borrower remarked in his letter, "Effective April 1, 2010 I will stop making payments on my house at 2480. I will start removing all of my things effective March 1, 2010." Citi's documentation also indicated that the borrower was no longer living in the home. The borrower was not eligible for the Program because it is not available to borrowers who have abandoned their mortgage obligation despite their continued ability to pay.

Sample 27
Claim amount: $120,253
Oldest unpaid installment: 05/01/2010
Closing date of preforeclosure sale: 06/30/2010

The borrower suffered an adverse and unavoidable financial situation after being unemployed for 14 months.

The borrower's bank statement indicated weekly unemployment benefit payments substantiating the unemployment claim. The borrower stated that he received unemployment benefits of $1,720 per month, which was reasonably consistent with the $1,863 per month supported by the deposits shown on the bank statement. However, $2,700 in "Other Additional Income" shown by the borrower was not verified. The borrower claimed expenses of $7,829; the credit report supported monthly expenses of $7,996. Therefore, the borrower had negative surplus income and qualified for the Program.

The borrower indicated that he was not living in the home as a primary residence, but the file did not document justification of when and why he moved out. The address on the borrower's credit report indicated that he was living in Harrison, NY, approximately 30 miles from the subject property, at the time the credit report was printed.

Sample 28
Claim amount: $197,251
Oldest unpaid installment: 04/01/2010
Closing date of preforeclosure sale: 06/30/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation by the borrower. According to documentation in the file, the borrower began receiving Social Security retirement benefits in September 2009. Employment information included on the borrower's credit report indicated that he was "self" employed and worked with "investments" as of January 2007; no information on the borrower's previous income or assets was provided. The borrower stated that he suffered an "extreme loss of income" but did not cite the reason for such a loss; Citi listed the borrower's hardship reason as "unknown" on the workout solutions worksheet.

Citi did not document independent verification of the borrower's expenses. The borrower claimed total monthly expenses of $9,774 while the credit report substantiated only $5,807, leaving $3,967 unverified by Citi. Because it did not document independent verification of the borrower's expenses, Citi did not complete the required comprehensive analysis of the borrower's finances. Citi should have determined whether there was an additional income source, given that the borrower was current on his payments on the expenses shown on his credit report, despite how greatly they exceeded his reported income of $1,856 per month.

Sample 29
Claim amount: $65,512
Oldest unpaid installment: 05/01/2010
Closing date of preforeclosure sale: 07/02/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower's stated reason for requesting a short sale was "because im behind with all my bills theirs not enough money to cover my payments." The borrower's credit report indicated total outstanding nonmortgage debt of $19. Citi classified the hardship reason as "Income Curtail" but did not document verification of a reduction in income.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $2,000 and monthly expenses of $2,715.78, resulting in monthly surplus income of $(715.78). The borrower-provided pay stubs documented net monthly income of $2,130.10. Citi did not consider the income and expenses of the coborrower in the calculation of surplus income documented in the file. We were able to verify monthly expenses for the borrower of $997 using the borrower's credit report. Independent verification of the remaining $1,718 in monthly expenses was not documented by Citi. These unverified monthly expenses included $275 for an automobile loan and $356 in credit card or installment loan minimum payments that were not reported on the borrower's credit report. Citi did not document a reconciliation between the $650 for items that should be substantiated by the credit report and the credit report-supported monthly payments of $19, a $631 per month overstatement. Citi did not document a comprehensive analysis of the coborrower's finances. Neither a credit report nor earnings statements were included for the coborrower. Tax returns indicated that the coborrower had income but did not provide sufficient information to calculate net monthly income.

Sample 30
Claim amount: $57,779
Oldest unpaid installment: 06/01/2010
Closing date of preforeclosure sale: 07/07/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation due to "relocation for employment purposes over an hour away. My home office shifted to the office in Pensacola, FL over 2 years ago."

Citi did not document independent verification of the borrower's expenses including $975 per month in rent, $500 per month in credit cards, and $200 per month in charitable donations. The borrower's credit report justified credit card monthly payments of only $54 and total monthly expenses of $1,385. These expenses, when subtracted from monthly net income of $4,229, resulted in surplus income of $2,844.

Sample 31
Claim amount: $100,507
Oldest unpaid installment: 06/01/2010
Closing date of preforeclosure sale: 07/09/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower leading to default. The borrower's stated hardship was "I need to sell my house due to getting married in October which will cause me to be taking on another mortgage...The money has been used to pay major credit card debt as well as several medical bills. This type of debt will continue to arise with no end in sight and I fear that I will not be able to afford my mortgage with the current state of overtime ending and possibility of hours getting cut." It was unclear how the borrower would be made to take on another mortgage and how it would take precedence over his current mortgage obligation. The borrower stated that he would be getting married in October, while the short sale closed in July 2010. The borrower's stated hardship does not meet the definition of imminent default.

According to tax returns for 2008 and 2009 included in the file, the most recent of which was filed less than 3 months before the borrower was accepted into the Program, the borrower received rental income from at least three rental properties in each year. According to Mortgagee Letter 2008-43, borrowers with assets are required to repay the indebtedness through the use of a repayment plan.

Additionally, because Citi did not document independent verification of the borrower's stated expenses, it did not complete the required comprehensive analysis of the borrower's financial records. Citi used an expense amount less than that listed by the borrower to calculate positive surplus income of $481.48. The borrower listed monthly income of $3,000 and expenses totaling $3,134; the borrower-supplied pay stubs supported net monthly income of $3,713 (or $3,408 with minimal overtime; the borrower stated that the overtime pay would be ending), resulting in surplus income of $579 (or $274 with minimal overtime). We were able to verify monthly expenses of $1,750 using the credit report, which did not include "major credit card debt" as stated in the hardship letter; the remaining $1,384 in expenses claimed by the borrower could not be verified.

The sale did not result in the minimum net sales proceeds required by the Program criteria and identified in the approval to participate, falling below the 84 percent of "as-is" value requirement. According to the appraisal addendum, the home was listed for sale for $25,000, less than the $31,000 "as-is" fair market value.

Sample 32
Claim amount: $104,546
Oldest unpaid installment: 05/01/2010
Closing date of preforeclosure sale: 07/14/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower's stated reason for being behind on her mortgage was "Our family has gone through a very difficult financial time for the past 2 years. My parents' health is failing and they can no longer take care of themselves nor can they afford the home health care nurse on a full time basis. I have very few options available to me at this time. These new health care requirements are adding to my financial burden. As a result, I am forced to request a short sale of my home. My parents' health comes before anything else. I am hopeful that my financial situation will soon turnaround but with a cut in salary being projected due to decreased enrollment I have no choice but to request a short sale." Citi classified the hardship reason as personal problems but did not document verification of the reduction in income or increase in expenses. Moreover, the borrower's parents were not coborrowers on the mortgage, and, thus, their financial situation would not affect the borrower's financial analysis.

In addition, Citi did not maintain supporting documentation to demonstrate that independent verification of the borrower's financial records was completed. According to the borrower-supplied income and expenses information, she earned $2,754 monthly and had $3,969 in expenses. The borrower's pay stubs supported net income of $2,970 per month. However, Citi did not document verification of monthly expenses including $222 in homeowner association fees, $200 in child care, $410 in utilities, $150 in medical expenses, $415 in automobile expenses, $725 for parents home health care, or $400 in groceries and toiletries expenses claimed by the borrower. Review of the borrower's credit report verified $1,576 in fixed monthly expenses. Due to the lack of documentation of independent verification of the borrower's fixed monthly expenses, Citi did not include a proper, fully documented analysis of net surplus income.

Sample 33
Claim amount: $56,817
Oldest unpaid installment: 06/01/2010
Closing date of preforeclosure sale: 07/16/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason for this short sale was "Exc Obligations," Citi added, "Remarks - I have not received a pay increase. Increase in HOA [homeowner association] fees and declining market. I am marrying a women that has 2 kids. 1 bedroom will not work." The borrower cited seven reasons why he was seeking a short sale. The reasons that could qualify as adverse and unavoidable financial situations included increase in expenses, increased medical bills, and change in family situation. Citi did not document verification of these events.

Most of the borrower's stated hardships had to do with the property being worth less than the amount owed. The borrower also stated, "it may only be a matter of time before I am laid off" and "planning on getting married to a woman that has 2 small girls" but did not identify a timeframe or support for either of these events. The borrower's claims of the "increase in association dues" and "increase in medical bills that (my) insurance won't cover" are not substantiated by supporting documentation. He wrote that the increased medical bills were from an auto accident a few years ago. He obtained his FHA loan 14 months before he wrote this letter; therefore, the medical expenses would have existed at the time the loan was underwritten.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $2,626 and monthly expenses of $3,008.66, resulting in monthly surplus income of $(382.66). The borrower-provided pay stubs supported the borrower-reported income amount. We were able to verify monthly expenses for the borrower of $1,113 using the borrower's credit report. Independent verification of the remaining $1,895 in monthly expenses was not documented by Citi. This amount included $990 in expenses that were included in the surplus income calculation but not included on the detail of expenses screen shot provided by Citi.

Sample 34
Claim amount: $69,173
Oldest unpaid installment: 06/01/2010
Closing date of preforeclosure sale: 07/23/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason was "Medical. Remarks - Sellers have ill parents that they must take care of which has been an increased financial burden." The borrower claimed, "My father in-law has been disabled for several years and also has diabetes and no longer works. My mother in-law has macular degeneration in both eyes and has recently been diagnosed with emphysema. We drive to Chattanooga, Tennessee every weekend to take care of them. Now we are having to take time off at work due to doctor appointments, surgeries and test they must have."

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $4,522.59 and monthly expenses of $6,736.72, resulting in monthly surplus income of $(2,214.13). The borrower-provided earnings statement documented monthly net income of $6,646.14. Using this figure to compute surplus income yielded $(90.58) monthly when including all of the borrower's claimed expenses. We were able to verify monthly expenses for the borrower of $3,236 using the borrower's credit report. Independent verification of the remaining $3,500 in monthly expenses was not documented by Citi. These undocumented expenses included $383 in loans claimed by the borrower that were not on the credit report.

Sample 35
Claim amount: $61,396
Oldest unpaid installment: 07/01/2010
Closing date of preforeclosure sale: 08/02/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower's stated reason for requesting a short sale was "Now, not only for physical reasons but financial reasons as well, my parents need to move here to Denver, where I can help them pay a monthly mortgage and take care of them. The main problem is that my current house is not big enough for the 2 of them, myself, and [the coborrower], and the house is not friendly to elderly individuals. There are only bedrooms on the top floor, so they would have to climb many stairs to get to a place to sleep which is becoming closer to impossible for them. My father is 77 and my mother is 66 and they are both in need of additional help for daily tasks. I need to live with my parents to help them physically and financially as my father will not be working any more after their current house goes on the market." Citi classified the hardship reason as family illness but did not document verification of the borrower's financial support of her parents. Moreover, the borrower's parents were not coborrowers on the mortgage, and, thus, their financial situation would not affect the borrower's financial analysis.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrowers had monthly income of $4,762 and monthly expenses of $4,096.04, resulting in monthly surplus income of $665.96. The borrower-provided pay stubs documented combined net monthly income of $4,884.88. We were able to verify monthly expenses for the borrower of $1,666 using the borrowers' credit report. Independent verification of the remaining $2,430 in monthly expenses was not documented by Citi. Citi did not document a reconciliation between the $1,360 for items that should be substantiated by the credit report [credit cards ($330), other loans ($200), and auto loans ($830)] and the credit report-supported monthly payments of $601, a $759 per month overstatement.

Additionally, the coborrower on the loan did not claim a hardship and had net monthly income of $2,417 and credit report-verified monthly expenses of $1,128, including the entire monthly mortgage payment, leaving surplus income of $1,289 before living expenses. Citi did not document a comprehensive analysis of the borrowers' finances individually or justification requiring both borrowers to vacate the property. Documentation in the file indicated that the coborrower may have been able to maintain the property.

Finally, even when including the unverified expenses claimed in the financial information provided by the borrower, Citi calculated that the borrower had positive monthly residual income.

Sample 36
Claim amount: $56,418
Oldest unpaid installment: 07/01/2010
Closing date of preforeclosure sale: 08/04/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrowers suffered an adverse and unavoidable financial situation. The borrowers stated that they were having a hard time with their mortgage payments due to a serious auto accident, resulting in both borrowers being out of work for a period, excessive medical bills, and a totaled automobile. The borrowers also stated that they had been unable to rent their second property and that one of them had been laid off since February of 2010.

Pay stubs supported borrower income of $3,882. We were able to verify expenses totaling $2,105 using the credit report; however, Citi did not document independent verification of the remaining $2,714 listed by the borrowers. Because Citi did not document independent verification of the borrowers' expenses, it did not satisfy the requirement for a comprehensive analysis of the borrowers' finances.

Sample 37
Claim amount: $79,404
Oldest unpaid installment: 07/01/2010
Closing date of preforeclosure sale: 08/04/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation experienced by the borrower. The borrower claimed, "My husband and I have been having a rough time financially this year. He lost his job and has been looking for a job for the last 2-3 months with no success. The development in which our town home is located was flooded and evacuated in September 2009. Since the flooding, we have been putting in financially to repair the town house." The claim was supported by a $10,619 note on the borrower's credit report with a reporting date of October 2009.

The file did not contain documentation that Citi calculated the borrower's net surplus income. The calculation of surplus income using information provided by the borrower indicated that the borrower had net monthly income of $2,591.97 and monthly expenses of $2,308, resulting in monthly surplus income of $283.97. The borrower-provided earnings statements supported the income reported by the borrower. We were able to verify monthly expenses for the borrower of $2,571 using the borrower's credit report. This amount exceeded the total monthly expenses claimed by the borrower. The credit report included $1,213 in monthly payments not claimed as expenses by the borrower. The borrower-provided earnings statements and credit bureau report supported the claim that the borrower had negative surplus income.

Sample 38
Claim amount: $83,267
Oldest unpaid installment: 06/01/2010
Closing date of preforeclosure sale: 08/05/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial event that qualified the borrower for the Program. Citi listed the hardship reason as "retiring soon and will not be able to afford investment property." Citi did not document independent verification that the borrower's retirement was an unavoidable event.

In addition, Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrower's financial records had been completed. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $0 and monthly expenses of $3,422.35, resulting in monthly surplus income of $(3,422.35). Our review of the borrower's tax returns (which were filed as "single" filing status) found reported income from pensions and annuities of $38,227 and $35,287 in 2008 and 2009, respectively. The borrower also reported adjusted gross income of $67,856 and $64,841 in 2008 and 2009, respectively. The documents provided by Citi for this file did not include pay stubs; however, our review of the borrower-provided bank statement found credits to the account on May 7, 2010, from payroll in the amount of $735.01 and on May 3, 2010, from pension payments in the amount of $2,593.42. Based on these payments, additional documentation to support the borrower's claim of $0 income was required. Citi did not document independent verification of the borrower's claimed income of $0. Using the credit report, we were able to verify monthly expenses for the borrower of $1,857. Independent verification of the remaining $1,565 in monthly expenses was not documented by Citi.

Sample 39
Claim amount: $70,097
Oldest unpaid installment: 06/01/2010
Closing date of preforeclosure sale: 08/06/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason for this short sale was "Other." Citi added, "Remarks - Seller has two homes and can't afford both mortgages." The borrower's credit report did not list a second mortgage. Additionally, the borrower stated, "I was pregnant and was put on bed rest from my job." The borrower claimed negative financial issues resulting from her divorce; however, the mortgage was originated as a refinance, which the borrower stated occurred "following her divorce in January 2009" (the loan originally closed January 26, 2009). After the short sale, the borrower faxed to Citi a document that stated the following: "During the sale process I was advised to miss at least one payment in order to ensure the short sale process would quickly go through. This advice came to me through my real estate agent who received the information from the advisor she was working with at Citi Bank. I followed the advice, but again, up until that point had not missed any payments."

In addition, Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses; therefore, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $2,750 and monthly expenses of $3,848.62, resulting in monthly surplus income of $(1,098.62). The borrower-provided earnings statement documented monthly net income of $4,558.42. Using this figure to compute surplus income yielded $709.80 monthly when including all claimed expenses. We were able to verify monthly expenses for the borrower of $1,903 using the borrower's credit report. Independent verification of the remaining $1,945 in monthly expenses was not documented by Citi. These undocumented expenses included $584 in loans claimed by the borrower that were not reported on the credit report.

As of March 31, 2010, the borrower had $13,545 in her bank accounts. Bank statements showed that the borrower had sufficient assets to continue making approximately 11 mortgage payments.

Sample 40
Claim amount: $80,364
Oldest unpaid installment: 07/01/2010
Closing date of preforeclosure sale: 08/06/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower's stated reasons for requesting the short sale were "I have only been able to find one renter for 4 days in the last 10 months, this has resulted in me not being able to recuperate any of the mortgage payment....I feel that currently I cannot afford this burden and that my conditions will only get worse. I help support my mother financially and I recently had to pay $6,500 in surgery costs, more costs will follow. As of right now I cannot save a penny, any unexpected bumps in the road will continue to drain my savings, not being able to save for the future is no way to live. My current employer, Clark County, NV is in financial trouble with the state making many budget cuts leaving the possibility of future pay cuts and possible reduced hours and already my extra hours are being reduced, this is income I depend on. Similar city and county entities are making employees take mandatory furlough days or cutting base salaries by anywhere from 3-6% It is only a matter of time before this happens to me." Citi classified the hardship reason as family illness but did not document independent verification of the medical expenses. Moreover, the borrower's mother was not a coborrower on the mortgage, and, thus, her financial situation would not affect the borrower's financial analysis. The borrower's other "hardships" related to Clark County, NV, were speculative.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. According to Citi's analysis, the borrower earned $1,728 monthly and had $4,168.26 in expenses. The borrower's pay stubs documented net income of $4,858.92 per month. We were able to verify monthly expenses for the borrower of $2,359 using the borrower's credit report. Independent verification of the remaining $1,810 in monthly expenses was not documented by Citi. The pay stubs provided by the borrower documented net income greater than expenses claimed by the borrower.

In addition the borrower reported $28,000 in his checking and savings accounts.

Finally this borrower was not living in the subject property. Citi did not document that the borrower qualified under any of the exceptions that allow a borrower to participate in the Program while not living in the property. The borrower's 2009 Internal Revenue Service Form 1040, Schedule E, reflected that the subject property was a rental property, and the borrower's credit report indicated that his current address was approximately 11 miles away.

Sample 41
Claim amount: $78,810
Oldest unpaid installment: 07/01/2010
Closing date of preforeclosure sale: 08/23/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower suffered an adverse financial situation due to "being unemployed for approximately one month in 2007; expenses incurred from a fire to the adjacent condominium and being displaced for approximately four months; having my neighbor's unleashed dog viciously attack my dog and consequently my dog needing emergency surgery for her wounds; and two automotive accidents resulting in insurance and medical costs."

Citi did not document independent verification of the borrower's reported expenses; $1,349 of the borrower's $3,186 reported expenses could be verified with the documentation supplied. The borrower's average monthly net income was $3,149.

Additionally, a bank statement in the file indicated that the borrower was a coholder on a money market account with a balance of $18,034.

Sample 42
Claim amount: $57,192
Oldest unpaid installment: 06/01/2010
Closing date of preforeclosure sale: 08/26/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation. Citi stated that the hardship reason was "Unemployment." The borrower claimed, "I lost my job April of 2009. I have not found another job yet. In December I lost my truck because I could not make my payments. I am behind in all my utility bills so I am making payments to them before they shut them off. I know I am going to lose my house because I cannot find a job." The unemployment claim was supported by pay stubs.

Citi did not document independent verification of the borrower's stated income or expenses and, therefore, did not complete the required comprehensive analysis of the borrower's finances. It did not document verification of the income used in the calculation of surplus income or the income claimed by the borrower. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $5,152 and monthly expenses of $3,754.81, resulting in monthly surplus income of $1,397.19. The borrower reported net personal income of $2,576 per month. Borrower-provided unemployment pay stubs supported net monthly income of $1,950. We were able to verify monthly expenses for the borrower of $958 using the borrower's credit report; however, the borrower's claimed $600 per month car payment was not reflected on the credit report. Independent verification of the remaining $2,797 in monthly expenses was not documented by Citi.

Finally, this transaction did not generate the net sales proceeds required by the mortgagee letter, and the file did not contain an approved variance from HUD. The sale generated net sales proceeds of 83.7 percent of the "as-is" appraised value of the property during the first 30 days of participation in the Program when 88 percent was the requirement.

Sample 43
Claim amount: $147,593
Oldest unpaid installment: 08/01/2010
Closing date of preforeclosure sale: 09/01/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower claimed, "Retirement at age 62 and will be taking care of my mother who now is 91 years old. At the end of 2010 I will be 62 and returning to Ohio to take care of my mother. Income will be only Social Security." Earnings statements indicated that borrower was contributing to a 401K, providing additional retirement income. The borrower's hardship—future retirement—was not an adverse and unavoidable circumstance. Further, because retirement would not prevent the borrower from making the next required payment in the month in which it was due, as required by Mortgagee Letter 2010-04, the borrower was not facing imminent default at the time of acceptance into the Program or when the property was sold. Because the apparent hardship was projected into the future, it was not possible for Citi to verify that the borrower retired.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The borrower claimed net monthly income of $5,230 and monthly expenses of $4,730, resulting in monthly surplus income of $500. The borrower-provided earnings statements documented net monthly income of $4,630 per month. We were able to verify monthly expenses for the borrower of $2,975 using the borrower's credit report. Independent verification of the remaining $1,755 in monthly expenses was not documented by Citi.

Finally, the sale did not generate the minimum net sales proceeds required by the mortgagee letter, and the borrower's credit report indicated that the borrower had a second FHA mortgage. Citi did not document an approved variance from HUD or an exception allowing the borrower to qualify for the Program.

Sample 44
Claim amount: $51,712
Oldest unpaid installment: 08/01/2010
Closing date of preforeclosure sale: 09/03/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation due to the following event: "In June of 2008, I lost my job and could not find anything in Illinois to support our family. I found a job in Vermont and decided it made sense to take the job as I had not found anything quickly in Illinois."

Citi did not maintain supporting documentation to demonstrate independent verification of the borrower-supplied financial records; thus, it did not complete the required comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $2,364.44 and monthly expenses of $6,205.68, resulting in monthly surplus income of $(3,841.24). The borrower-provided pay stubs documented net monthly income of $4,736.31. The borrower's credit report verified monthly expenses of $2,445. Independent verification of the remaining $3,761 in monthly expenses was not documented by Citi.

Sample 45
Claim amount: $75,134
Oldest unpaid installment: 08/01/2010
Closing date of preforeclosure sale: 09/03/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrowers. It stated that the hardship reason was "Income Curtail"; Citi did not document income curtailment, and the borrowers did not claim income curtailment. The borrowers claimed, "We currently owe more than what the home is worth. At this time there is no way we can sell the residence for anything close to what we owe...We would like to be out from under this home. We have been borrowing money from my husband's parent's to enable us to pay the mortgage." The borrowers moved to a new residence 1.39 miles from the subject property. According to the borrowers' credit report, the mortgage payment on the new residence was $30 less than the mortgage on the subject property; therefore, income curtailment would not be a reasonable explanation for the borrowers' leaving the FHA property originally.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrowers' reported expenses, it did not satisfy the requirement of a comprehensive review of the borrowers' finances. The calculation of surplus income provided by Citi indicated that the borrowers had monthly income of $7,265.21 and monthly expenses of $7,694.78, resulting in monthly surplus income of $(429.57). The earnings statements provided by the borrowers supported the income entered by Citi. We were able to verify monthly expenses for the borrowers of $4,167 using the borrowers' credit report. Independent verification of the remaining $3,527 in monthly expenses was not documented by Citi. These non-credit report expenses includes $2,000 monthly for daycare, which was $484 more than the daycare payments supported by bank statements and the tax return.

Finally, the borrowers were not owner-occupants of the property. According to the borrower-supplied tax return, the property was rented beginning January 2, 2009. According to Mortgagee Letter 2008-43, "participants are to be owner-occupants of a one-to-four unit single-family dwelling with a FHA-insured mortgage...Mortgagees are authorized to grant reasonable exceptions to non-occupant borrowers *when it can be demonstrated that the need to vacate was related to the cause of default (e.g., job loss, transfer, divorce, death)*, and the subject property was not purchased as a rental or *used as a rental for more than 18 months prior to the mortgagor's acceptance into the Program*."

Sample 46
Claim amount: $110,137
Oldest unpaid installment: 06/01/2010
Closing date of preforeclosure sale: 09/08/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation when her income was reduced. Citi stated that the hardship reason was "Exc Obligations." The borrower claimed, "I have been experiencing this hardship since about 2008 when my job cut back all of it available overtime which reduced my income about $600.00." Earnings statements were included that supported the claim of a reduction in income.

Because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The borrowers' workable solutions application claimed net monthly income for both borrowers of $5,413.84 and monthly expenses of $2,673.92, resulting in monthly surplus income of $2,739.92. The borrowers' electronically submitted financial data claimed monthly net income of $2,684 for the borrower and $0 for the coborrower and monthly expenses of $2,887, resulting in monthly surplus income of ($203). Citi used net monthly income of $2,680 and expenses of $3,151.40, resulting in surplus income of ($471.40). It did not consider the coborrower's finances in its calculation of surplus income, nor did it document the basis for its exclusion.

The borrower-provided earnings statements documented net monthly income of $3,013.04 per month. Verification of the coborrower's income was not documented. We were able to verify monthly expenses for the borrower of $1,950 using the borrower's credit report. Independent verification of the remaining $937 in monthly expenses was not documented by Citi. The pay stubs provided by the borrower documented net income greater than expenses claimed; therefore, the borrower appeared able to continue to support the mortgage and did not qualify for a preforeclosure sale.

Sample 47
Claim amount: $76,005
Oldest unpaid installment: 06/01/2010
Closing date of preforeclosure sale: 09/08/2010

Citi did not document independent verification of $1,800 ($5,575 claimed - $3,775 on credit report) in expenses claimed by the borrower; however, the credit report verified expenses ($3,775) in excess of income supported by the borrower's pay stubs ($3,452), indicating that the borrower had negative surplus income and, therefore, qualified for the Program.

Sample 48
Claim amount: $68,040
Oldest unpaid installment: 08/01/2010
Closing date of preforeclosure sale: 09/23/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason was "Unknown." The borrower claimed, "My husband's boss let him know in January that at the end of July he will be laid off. He let him know in advance only because we had a new born and understood we would need to make arrangements because of how tight things are all ready in our household. When this happens we will be unable to pay our mortgage...eight months ago we had the joy of the birth of our first child Riley. This has added additional financial burden in the forms of day-care, medical bills and day to day living expenses associated with children." The property was sold in September, but verification of the job loss was not documented.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $4,880 and monthly expenses of $4,856.24, resulting in monthly surplus income of $23.76. The borrower-provided earnings statements documented net monthly income of $5,333.76 per month, which included both borrowers' incomes since the job loss was not verified. We were able to verify monthly expenses for the borrower of $2,828 using the borrower's credit report. Independent verification of the remaining $2,098 in monthly expenses was not documented by Citi. Even when the unverified expenses were included, the borrower had positive monthly residual income of $407.76

Sample 49
Claim amount: $113,981
Oldest unpaid installment: 08/01/2010
Closing date of preforeclosure sale: 10/21/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation leading to default of the loan; the reason for hardship stated by Citi was “other,” “upside down in mortgage, additional strain on family, can no longer afford to pay mortgage.”

Because Citi did not document independent verification of the borrowers’ expenses, it did not satisfy the requirement for a comprehensive analysis of the borrowers’ financial situation. In its calculation of surplus income, Citi counted the mortgage payment twice and used the borrower-supplied expenses including $679 in credit report items not supported by the credit report; Citi also used the borrower-supplied biweekly net income amounts as monthly amounts. The borrower claimed net income of $6,067 and monthly expenses of $6,763, resulting in surplus income of $(696). Citi’s calculation of surplus income used monthly income of $2,800 and expenses of $8,638.93, resulting in surplus income of $(5,838.93). The borrower-supplied pay stubs supported monthly net income of $6,492. We were able to verify monthly expenses of $3,386 using the credit report. Using income supported by pay stubs and borrower-stated expenses adjusted for overstated credit report items ($679 for credit cards and installment loans) resulted in residual income of $408.

Finally, the borrowers’ bank statement showed a balance of $13,695 in April 2010. Borrowers with assets are not eligible for a preforeclosure sale.

Sample 50
Claim amount: $108,764
Oldest unpaid installment: 09/01/2010
Closing date of preforeclosure sale: 10/22/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The loan file did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower’s stated hardship was that she and her fiancé “separated. He no longer lives in the property and as a result no longer pays 50% of the mortgage and the bills anymore;” however, Neighborhood Watch and all documentation provided by Citi indicated that there was only one borrower on the loan. Thus, the fiancé’s income and financial situation would not affect the analysis.

Additionally, using the financial information provided by the borrower, Citi calculated that the borrower had positive monthly residual income. Finally, Citi did not document independent verification of the borrower's fixed monthly expenses.

Sample 51
Claim amount: $72,671
Oldest unpaid installment: 09/01/2010
Closing date of preforeclosure sale: 11/18/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. Citi stated that the hardship reason was "Unemployment." "Remarks - As of July 23rd I do not have employment." The borrower said, "In May of 2010 I made the decision to move out of the United States and relocate to Abu Dhabi for a much needed educational program. As of July 23rd I do not have employment in the United States as my employment with Dekalb County school systems was terminated. I financially cannot afford to maintain my home in the United States and maintain my basic living expenses in Abu Dhabi. Dekalb County Georgia has a tremendous crime rate so the negative home market value has become even more severe in this county in the last 3 years than the nationwide average. I do not want to leave my home vacant and risk the possibility of vandalism as is common in this area." Neither Citi nor the borrower stated that the termination of employment was involuntary; moreover, the borrower's letter seemed to imply that her employment with Dekalb County was terminated after she decided to move out of the country.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $4,810 and monthly expenses of $4,651.66, resulting in monthly surplus income of $158.34. The borrower-provided earnings statement documented monthly net income of $3,380.94; $4,814 was the amount shown as "base pay" (gross) on the borrower's pay stub. Using this figure to compute surplus income yielded $(1,343.06) monthly when including all borrower-claimed expenses. We were able to verify monthly expenses for the borrower of $1,920 using the borrower's credit report. Independent verification of the remaining $2,804 in monthly expenses claimed by the borrower was not documented by Citi. Citi did not document an estimate of income or expenses after the borrower's claimed relocation to Abu Dhabi.

As of July 31, 2010, the borrower had $7,986 in her bank accounts, which would disqualify the borrower from the Program.

Sample 52
Claim amount: $58,576
Oldest unpaid installment: 09/01/2010
Closing date of preforeclosure sale: 11/19/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason was "Income Curtail," although the borrower did not claim loss of income, only increased expenses. The borrower claimed, "My debt and financial obligations have significantly increased since the initial purchase of my home. The additional cost of child-care and living expenses that are required to raise my child have created financial strain as well as the increased price of gas for home and auto...I have also acquired more health/life insurance obligation since the initial purchase of my home and birth of my child."

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The borrower claimed net monthly income of $2,510.30 and monthly expenses of $4,759, resulting in monthly surplus income of $(2,248.70). The borrower-provided earnings statements documented net monthly income of $2,717.53 per month. We were able to verify monthly expenses for the borrower of $2,168 using the borrower's credit report. Independent verification of the remaining $2,591 in monthly expenses was not documented by Citi.

Sample 53
Claim amount: $110,333
Oldest unpaid installment: 09/01/2010
Closing date of preforeclosure sale: 11/19/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower claimed that she was unable to continue to live in the property and explained the circumstances that led her to seek the subject FHA loan, adding that her son had experienced health and legal issues that added to her financial burden. Citi did not document verification of these expenses. The borrower did not claim that she was unable to pay her mortgage, rather that "if anything else happens, I honest don't know what I'll do." She stated, "I do make regular payments, above the minimum." Citi classified the hardship reason as "Income Curtail" but did not document verification of a reduction in income.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, including $747 for insurance and $481 for medical expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $5,758 and monthly expenses of $4,908.78, resulting in monthly surplus income of $849.22. The borrower-provided pay stubs documented average net monthly income of $5,987.05. In the hardship letter, the borrower stated that she was self-employed, making salary and earnings draws somewhat variable. Citi did not document income information, such as profit and loss statements, for the business. We were able to verify monthly expenses for the borrower of $2,795 using the borrower's credit report; independent verification of the remaining

$2,113 in monthly expenses was not documented by Citi. The pay stubs provided by the borrower documented net income greater than expenses claimed by the borrower.

Sample 54
Claim amount: $107,406
Oldest unpaid installment: 10/01/2010
Closing date of preforeclosure sale: 11/24/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrower suffered an adverse and unavoidable financial situation due to the following circumstances: "In July 2008 we experienced a job loss since then I have secured employment but I had to accept a much lower paying position to provide for my family with cost of living of expenses and a new baby we are no longer able to keep sustaining this style of living." The borrower-supplied Federal tax returns documented adjusted gross income of $79,846 and $98,031 for 2009 and 2008, respectively. These amount indicated an $18,185 decrease in total income from 2008 to 2009.

Citi did not maintain supporting documentation to demonstrate independent verification of the borrower-supplied financial records, thus it did not complete the required comprehensive review of the borrower's income and expenses. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $3,850 and monthly expenses of $5,531.37, resulting in monthly surplus income of $(1,681.37). The borrower-provided earnings statements documented net monthly income of $5,512.52. We were able to verify monthly expenses for the borrower of $2,928 using the borrower's credit report. Independent verification of the remaining $2,603 in monthly expenses, including $1,190 in child care expenses and $236 for "other," was not documented by Citi. The borrower had negative residual income of $18.85 when calculated using the borrowers' stated expenses and income supported by the pay stubs.

The borrower's most recent bank statements for period ending March 15, 2010, indicated that the borrower had cash assets totaling $8,056.19, which would disqualify the borrower from the Program.

Sample 55
Claim amount: $77,218
Oldest unpaid installment: 11/01/2010
Closing date of preforeclosure sale: 12/02/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It stated that the hardship reason was "Income Curtail." The borrower claimed, "Dennis has been told that once the job he is on currently finishes, they do not have anywhere to put him. They have no work. The current job should finish sometime in July; Dennis will then be out of work...Mary Jo works in radiology...Her position has been transferred to Ft. Myers. We were hoping to sell the house and move to Ft. Myers." Citi did not document independent verification of a reduction in income or the transfer.

In addition, because Citi did not maintain supporting documentation to demonstrate independent verification of the borrower's reported expenses, it did not satisfy the requirement of a comprehensive review of the borrower's finances. The borrower claimed net monthly income of $7,306 and monthly expenses of $8,541, resulting in monthly surplus income of $(1,235). The borrower-provided earnings statements documented net monthly income of $7,921.77 per month. We were able to verify monthly expenses for the borrower of $2,136 using the borrower's credit report. Independent verification of the remaining $6,405 in monthly expenses, including $1,600 per month claimed for rent and $581 per month in auto loans not shown on the credit report, was not documented by Citi.

Sample 56
Claim amount: $92,315
Oldest unpaid installment: 11/01/2010
Closing date of preforeclosure sale: 12/03/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower claimed inability to meet the loan obligation on a long-term basis for the following reasons: "I relocated to Cleveland OH in March 2010 for employment reasons and have taken on additional expenses including new rent payment and unemployed spouse's living expenses ..." Citi listed as the hardship reason, "Other," and added the following remarks: "moved for work, cannot afford mortgage and rent." Citi did not document verification that this was an involuntary change of employment.

In addition, Citi did not maintain supporting documentation to demonstrate independent verification of the borrower-supplied financial records, thus it did not complete the required comprehensive review of the borrower's finances. The calculation of surplus income provided by Citi indicated that the borrower had monthly income of $6,600 and monthly expenses of $8,483.70, resulting in monthly surplus income of $(1,883.70). The borrower-provided pay stubs documented net monthly income of $6,828.15. We were able to verify monthly expenses for the borrower of $3,256 using the borrower's credit report. Independent verification of the remaining $5,228 in monthly expenses was not documented by Citi.

Sample 57
Claim amount: $25,057
Oldest unpaid installment: 01/01/2010
Closing date of preforeclosure sale: 03/01/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrowers qualified for the Program due to divorce according to their hardship letter, substantiated by a New Hampshire notice of domestic relations structuring conference found in the file. The borrowers were presumably facing "imminent default" following the divorce.

Citi did not document a full financial analysis of each borrower individually to determine whether either could keep the home after divorcing. According to the file, the borrowers had combined residual monthly income of $728. Additionally, Citi did not document an analysis of the utility, medical, insurance, car, or groceries and toiletries expenses totaling $2,651 submitted by the borrowers.

Sample 58
Claim amount: $41,554
Oldest unpaid installment: 12/1/2009
Closing date of preforeclosure sale: 2/11/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower claimed inability to keep up with payments due to a change in jobs and having to move across the State; however, there was no documentation indicating that the separation from her employment was involuntary. Therefore, it was not established that this was an unavoidable financial situation.

In addition, Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrower's financial records was completed. According to the borrower-supplied income and expenses information, she earned $3,500 monthly and had $5,145 in expenses. The borrower's pay stubs supported net income of $3,891 per month. However, Citi did not document an analysis of $395 in car expenses, $104 in lawn care, $397 in utilities, $69 in life insurance, $130 in entertainment, $100 in pet care, $900 in a tithe, $100 in clothing, $50 in gifts, or $500 in groceries and toiletries claimed by the borrower. Citi did not document verification of the $500 per month in rent claimed by the borrower. It did not include a proper, fully documented analysis of net surplus income.

Additionally, while not listed on the loan, the borrower's husband was an account holder on the bank statements indicating that the borrower's monthly expenses may have included his expenses while his income was not considered.

Sample 59
Claim amount: $17,730
Oldest unpaid installment: 4/1/2010
Closing date of preforeclosure sale: 5/20/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. It was stated in the workout solutions worksheet included in the file that the borrower's reason for hardship was excessive obligations, and in a request for variance from HUD, Citi stated that the borrower had a reduction in income. This information was not verified in the file.

In addition, Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrower's financial records was completed. It used borrower income of $0 and expenses of $3,690 in its analysis. The borrower's pay stubs supported net income of $3,095 for the month. However, Citi did not document an analysis of $3,690 in monthly expenses reported. The credit report supported monthly expenses of $1,560. Citi did not include a proper, fully documented analysis of net surplus income.

Sample 60
Claim amount: $68,476
Oldest unpaid installment: 03/01/2010
Closing date of preforeclosure sale: 04/9/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrower claimed that she experienced an unavoidable and adverse financial situation due to "the decline of my husband's revenue in a commission only sales position"; the birth of a child, resulting in the need for child care; and a reduction in her income. The borrower claimed that as a result of the financial situation, the family relocated. A decline in the household's income was not substantiated as the husband's current income was not documented.

Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrower's financial records was completed. The borrower-supplied monthly income and expense worksheet listed income of $3,276 and monthly expenses totaling $4,157 including the monthly mortgage payment. The wife's pay stubs supported net income of $2,186 for the month at her Idaho employment. The hardship letter stated that the wife received a job offer in Sacramento, CA, requiring the family to relocate; no income information for the new employer was provided. The hardship letter also stated that the husband was working, but Citi did not obtain pay stubs for him. Further, Citi did not document verification of the expenses listed by the borrower. While our review of the credit report and bank statements in the file showed $1,674 of the expenses to be supported, we were unable to verify the remaining $2,483.

Finally, the borrower was not eligible for participation in the Program as the borrower had liquid assets of $13,701, almost 12 monthly mortgage payments, according to bank statements included in the file.

Sample 61
Claim amount: $25,532
Oldest unpaid installment: 10/1/2010
Closing date of preforeclosure sale: 11/29/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrower claimed an adverse financial event that qualified for the Program. The borrower claimed that she was told "I would have to transfer to another area or lose my job with the State of Michigan." A bank statement and Internal Revenue Service Forms W-2 indicated that the borrower moved from Ithaca, MI, to Gaylord, MI, a distance of approximately 130 miles, while maintaining employment with the State of Michigan. The borrower stated, "We were not prepared to take on two house payments."

Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrower's financial records was completed. According to the borrower-supplied income and expenses information, the borrower earned $4,662 monthly and had $4,979 in expenses. The borrower's bank statement supported net income of $4,982 for the month. Although our analysis of the borrower's credit report and bank statement supports monthly expenses of $3,355, Citi did not include a proper, fully documented analysis of the remaining $1,627 in expenses to determine whether the borrower had net surplus income.

Sample 62
Claim amount: 15,023
Oldest unpaid installment: 7/1/2010
Closing date of preforeclosure sale: 8/31/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrowers. Therefore, it should not have made the Program available to these borrowers.

In addition, Citi did not properly verify the expenses on the financial analysis and did not disqualify the borrowers from the Program when the financial analysis showed surplus income and assets. The borrowers claimed that they were not able to continue to make two mortgage payments. A second mortgage payment was not listed on the borrowers' credit report and did not appear to be otherwise verified. Also, Citi did not document an analysis of the borrowers' other expenses not included on the credit report totaling $2,125. The financial analysis included with the file indicated that the borrowers had surplus income even when including both mortgages and the other unverified expenses. Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrowers' financial records was completed.

Sample 63
Claim amount: $26,621
Oldest unpaid installment: 03/01/2010
Closing date of preforeclosure sale: 04/23/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrowers. The Citi workout solutions worksheet claimed a hardship of unemployment. Employment information was not provided for the borrower, and the coborrowers had not had a change in employment status.

Also, Citi's documentation did not indicate the total investments held by the coborrowers; however, significant dividend and interest income was included on their 2007 and 2008 tax returns. According to tax returns in 2008, $10,373 was earned as wages with the balance of the income in 2007 and 2008 being generated by investments; no documentation related to the investment income or assets was included in the file.

In addition, Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrower's financial records was completed. According to the coborrower-supplied income and expenses information, the borrower had $0 income, and the coborrowers earned $625 monthly and had $5,919 in expenses. Pay stubs or tax returns were not included for the borrower. The coborrowers' tax returns documented average adjusted gross income of $75,764 per year for 2007 and 2008. Further, Citi did not document an analysis of $525 in maintenance and homeowner association fees, $360 in utilities expenses, $40 in telephone expenses, $1,927 in insurance expenses, $60 in medical expenses, $160 in car expenses, or $500 in groceries and toiletries expenses claimed by the coborrowers.

Finally, one coborrower made a payment for March 2010, but Citi informed her that the loan must be 31 days delinquent before the preforeclosure sale could close and that Citi could not stop the payment but that it would be much easier for the borrower to stop payment through her bank. The borrower then stopped payment on the check so the payment was missed, and the loan was delinquent so the sale could close.

Sample 64
Claim amount: $27,269
Oldest unpaid installment: 5/1/2010
Closing date of preforeclosure sale: 6/1/2010

The borrower claimed an adverse financial event that qualified for the Program. The stated hardship was the death of her husband. The hardship was verified by the payment of Social Security dependent benefits to the borrower and a note on the property's title stating "Termination of Decedent's Property Interest Dated 06/17/2008."

Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrower's financial records was completed. According to the borrower-supplied income and expenses information, she had income of $1,690 monthly and $1,991 in expenses. The borrower's bank statement and a letter from the Social Security Administration indicated monthly income of $1,049. Our analysis of the borrower's credit report and bank statement supported monthly expenses of $1,277. This total did not include monthly auto expenses, groceries, toiletries, and most household utilities including water, gas, electricity, sewer, and trash. Based on this analysis, there was sufficient evidence that the borrower's expenses exceeded her income, verifying that this borrower qualified for the Program.

Sample 65
Claim amount: $20,498
Oldest unpaid installment: 8/1/2010
Closing date of preforeclosure sale: 10/27/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

Citi did not document an adverse and unavoidable financial situation suffered by the borrower. The borrower chose to move from the property. The borrower claimed that his job "was not bringing in enough income to make the ends meet. I was forced to find work in the Dallas market in order to increase my income, but because the commute did not make sense, I was then forced to move to the Dallas area." However, there was no documentation showing that he lost his job or his income declined. Based on the tax returns and pay stubs provided, the borrower maintained a consistent income after he chose to move from the mortgaged property, which was located approximately 70 miles from the Dallas area.

In addition, Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrower's financial records was completed. According to the borrower-supplied income and expenses information, he earned $2,000 monthly and had $3,879 in expenses. The borrower's pay stubs supported net income of $2,058 per month. However, Citi did not document an analysis of $600 in car expenses or $400 in groceries and toiletries claimed by the borrower. Citi did not document verification of the $750 rent claimed by the borrower. In addition, the borrower's spouse's income was not reported since she was not a coborrower, but her expenses were included in the analysis. The expenses includes two car payments totaling $745 and car insurance totaling $189 for both spouses. Citi did not include a proper, fully documented analysis of net surplus income.

Sample 66
Claim amount: $74,392
Oldest unpaid installment: 3/1/2010
Closing date of preforeclosure sale: 4/2/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The Citi workout solutions worksheet claimed a hardship of relocation for work. Employment information included in the file indicated that one borrower did have a change in employment and worked in Duluth, MN, while the other one worked in St. Paul, MN. It could not be determined from the information provided whether this was a voluntary move and, therefore, avoidable.

In addition, Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrowers' financial records was completed. According to the borrower-supplied income and expenses information, they had $3,178 in expenses. The Citi workout solution worksheet listed expenses of $4,605 and income of $4,246. The borrowers' pay stubs supported monthly net income of $3,950. Although our analysis of the borrowers' credit report supported monthly expenses of $2,492, Citi did not include a proper, fully documented analysis of the remaining $2,113 in expenses to determine whether the borrowers had net surplus income.

Additionally, the bank statement showed a balance of nearly $5,400. Borrowers with assets are not eligible for the preforeclosure sale option.

Sample 67
Claim amount: $53,964
Oldest unpaid installment: 02/01/2010
Closing date of preforeclosure sale: 03/26/2010

Citi did not properly determine that these borrowers were eligible to participate in the program.

The borrowers got divorced, which qualified as an adverse and unavoidable financial situation.

Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrowers' financial records was completed. The borrowers' reported net income was $4,814 monthly, while the recent pay stubs provided showed net income of $5,169. The borrowers reported monthly expenses of $4,872. However, Citi did not document an analysis of $314 in utilities expenses, $120 in medical expenses, $510 in car expenses, or $508 in groceries and toiletries expenses claimed by the borrowers. Additionally, there were significant discrepancies between amounts claimed and justified by the credit report and bank statements for other loans, credit cards, telephone, and insurance. Because there was a third account holder listed on the bank statements, charges found on the bank statement were not necessarily indicative of only the borrowers' expenses. Even including all claimed but unverified expenses, the borrowers would have had surplus income. Citi's analysis also showed that the borrowers had surplus income. Citi should have analyzed the income and expenses of the borrowers individually to determine whether they each had negative surplus income after the divorce.

Sample 68
Claim amount: $50,266
Oldest unpaid installment: 03/01/2010
Closing date of preforeclosure sale: 04/20/2010

Citi did not properly determine that this borrower was eligible to participate in the program.

The borrower did not qualify for the Program. Citi did not document an adverse and unavoidable financial situation suffered by the borrower; the borrower stated, "I am not behind in my payments they are current and have always been good. I am going to have a baby in August and I am in need of additional space. There is no equity in the home to allow a build out, thus I must sell...The circumstances surrounding the loss of value of my home are not my fault. Thus it has put me in a situation that has disabled my ability to expand within this current home."

In addition, Citi did not maintain supporting documentation to demonstrate that a comprehensive review of the borrower's financial records was completed. According to the borrower-supplied income and expenses information, she earned $2,468 monthly (net) plus $350 in other income and had $3,643 in expenses. The borrower's pay stubs supported net income of $2,694 for the month. Citi did not verify the $350 in other income, which would have potentially brought her monthly income to $3,044. Further, Citi did not document an analysis of $150 in medical expenses, $300 in child and dependent care expenses, $100 in car expenses, $500 in groceries and toiletries expenses, or $150 in "childs lessons/home warranty" expenses claimed by the borrower.