

## BANKING & FINANCIAL INSTITUTIONS ALERT

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### **Citigroup, Inc. to Pay \$7 Billion in a Global Settlement with the Department of Justice for the Company's Role in the Financial Crisis**

By **Nicole Hughes Waid**

The Justice Department, along with federal and state partners, today announced a \$7 billion settlement with Citigroup Inc. to resolve federal and state civil claims related to Citigroup's conduct in the packaging, securitization, marketing, sale and issuance of residential mortgage-backed securities (RMBS) prior to Jan. 1, 2009. The resolution includes a \$4 billion civil penalty, the largest penalty to date under the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). As part of the settlement, Citigroup acknowledged it made serious misrepresentations to the public, including the investing public, about the mortgage loans it securitized in RMBS. The settlement includes an agreed upon statement of facts that describes how Citigroup made representations to RMBS investors about the quality of the mortgage loans it securitized and sold to investors. Contrary to those representations, Citigroup securitized and sold RMBS with underlying mortgage loans that it knew had material defects. As the statement of facts explains, on a number of occasions, Citigroup employees learned that significant percentages of the mortgage loans reviewed in due diligence had material defects.

The resolution also requires Citigroup to provide relief to underwater homeowners, distressed borrowers and affected communities through a variety of means including financing affordable rental housing developments for low-income families in high-cost areas. The settlement does not absolve Citigroup or its employees from facing any possible criminal charges.

This settlement is proof that the federal government continues to aggressively pursue those financial institutions that violated banking regulations, ignored due diligence responsibilities, and misrepresented facts to the public that led to the financial crisis. In fact, in a press conference earlier today, U.S. Associate Attorney General Tony West said that more American banks could be taken to task for their handling of mortgage-backed securities in the "very near future."

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