

Eric Eve
Senior Vice President
212.559.1578

Natalie Abatemarco
Vice President & Director
Global Community Programs
212.559.6960

Heidi Coppola
Vice President & Director
Public Policy &
Issue Management
212.559.6859

Shamina Singh
Vice President & Director
Strategic Planning &
Communications
212.559.6859

Terri Thomson
Vice President & Director
212.559.5256

You may contact us
via e-mail at:
communityrelations
@citigroup.com

2016080315 CCG Communication Services, CBLIC/19



Dear Community Leader:

Below is a recent article published in USA Today. The article focused on the need for homeowners facing possible foreclosure to contact their lenders for help, something they traditionally may not think to do. As you know, our Community Relations Officers continue to work with community partners on critical issues such as foreclosure prevention. Heidi Coppola, Director of Public Policy & Issue Management, Community Relations, who has been quoted in the article, has taken a leadership role in this arena.

The prevention NGOs mentioned are also Citigroup community partners. In fact, NeighborWorks America recently recognized Citigroup's efforts around developing a national foreclosure prevention infrastructure which stems from the work started in Chicago in early 2004 and expanded to Ohio last April. We hope to implement this successful effort in four more states in 2006.

I hope you enjoy the article.

Eric Eve
Senior Vice President
Global Consumer Group Community Relations

Can't pay? Talk to mortgage lender

Almost 280,000 Americans lost their homes through foreclosure last year. But that's not the surprising part. This is: Half of them never even talked to their lenders.

While the number of homeowners with past-due loans is still low by historical standards at 4.4%, it's expected to rise this year and next because almost 5 million American families will see their adjustable-rate mortgages reset to higher interest rates. Families that are already turning their pockets inside out to pay more than \$3 a gallon for gas and higher health care costs may have to make painful choices in order to keep their homes.

Lenders are particularly concerned about borrowers in the priciest markets - such as California, Las Vegas, Phoenix, Boston and South Florida - who took out loans that allowed them to pay only the interest portion, or even less, each month. Some of these borrowers could see their payments more than double.

"I don't think anybody understands what the consequences are going to be," says Heidi Coppola, Citigroup's director of public policy for community relations.

Now is the time to dig out your mortgage documents and figure out when, by how much, and how often your payments can rise. If you see trouble ahead, now is the time to consider refinancing, or reaching out to a financial counselor who can help you evaluate your options. Most important, call your lender, right now, if you're about to miss a payment.

"Let the bank know as soon as you know your payment will be late. They adopt a very different attitude if they know the facts and (know) that the owner is not trying to skip out," says Colleen Hernandez, executive director for the Homeownership Preservation Foundation, which provides free financial counseling. "But if the owner dodges them and won't take their calls, (the bank) adopts a hard-core attitude. They want their money."

Calls to her foundation's 24-hour hotline (1-888-995-HOPE) have shot up 61% to about 140 a day since January. About 40% of all callers are having trouble with their ARM loans, she said.

The most difficult cases are referred to credit counselors affiliated with NeighborWorks America, a non-profit organization that provides financial support, technical assistance and training for community-based revitalization efforts.

NeighborWorks works with counselors in all 50 states (www.nw.org). Normally, these organizations do not hand out money, but they can help you work with your lender.

People in financial jeopardy are often embarrassed to talk about their problems. They don't think their lender will help them, and some are even afraid the lender will use any information against them to foreclose faster.

"There is a huge myth out there that financial institutions want to take the property back, that that is their real intention," says Marietta Rodriguez, interim director of the NeighborWorks Center for Foreclosure Solutions.

In fact, foreclosing on a home, then reselling it, costs a lender almost \$59,000 on average, according to Freddie Mac.

"There are spiraling consequences to foreclosure. It brings down values in the neighborhood, and we don't just lend to one borrower; we lend to neighborhoods," Citigroup's Coppola says. "If we end up acquiring a piece of real estate, we have to maintain it until it's sold. So there's a cost."

Instead of foreclosure, a lender might agree to:

- Refinance. Allow the homeowner to refinance the current loan into a new loan. For example, you could refinance from an ARM into a fixed-rate loan.
- Repayment plans. Long-term "catch up" plans that allow homeowners who have fallen behind to pay more per month on their mortgage, gradually bringing their loan up to date.
- Loan modification/restructure. Agreement to change the interest rate or other terms of the loan.
- Forbearance. To postpone the interest or payments on the loan for a fixed period of time.
- Quick sale. Allows the borrower to sell the property for less than the loan, and consider the loan paid in full.

It wasn't higher mortgage payments, but unexpected car repairs and a new air conditioner that made Kimberly Kozak fall behind on her loan this spring. By July, she was four months behind. She says she didn't contact her lender because, "at the time, I thought I was going to be able to pull myself out without going to them."

Finally, her lender, Homecomings Financial, contacted her and referred her to a local credit counselor, who "helped me look at every possible expense that I have in my life all the way down to getting a haircut," says Kozak, 40, who trains new employees at a payment processing company.

This week, Kozak made a \$6,000 payment toward the amount past due, and Homecomings agreed to stop the foreclosure and forbear the rest for six months. Kozak has cut back on her phone and cable TV usage, and now has a financial plan that enables her to put money into a savings account each month - money that will let her bring her loan up to date and that will be a cushion for future unexpected expenses.

A mother of three, Kozak said she felt "horrible" about her delinquent loan. "The frustrating part is that I'm good at putting other people's finances in order. I work (for a tax preparer) during tax time. I know how important it is to put money away. For some reason, for my own personal stuff, I didn't make it a priority."

To anyone who is falling behind on their mortgage, her advice: "Keep the lines of communication open with the bank. The more I communicated that I was on top of what was going on, the more positive reinforcement that gave them that I was willing to do what it takes."

*By Noelle Knox, USA TODAY
Reprinted from the August 24, 2006 edition of USA Today.*