A Report to

Citi

On the Progress of Citi's Efforts to Address the Racial Wealth Gap Through Its Action for Racial Equity

December 19, 2022

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I. Executive Summary

In September 2020, Citigroup Inc. ("Citi") announced its Action for Racial Equity ("ARE"), a three-year, $1 billion commitment to help address the racial wealth gap in the United States. Citi had previously undertaken programmatic and philanthropic efforts to address aspects of the racial wealth gap, but the unprecedented public attention following the murder of George Floyd galvanized leaders within Citi to organize a broader approach, leveraging key components of Citi's business to support its efforts to promote racial equity. Citi's development of ARE recognized the role that it and other financial institutions could play in addressing the present-day effects of historical racial inequality in the United States. In addition to a $100 million commitment from Citi Foundation to support community organizations working to promote racial equality, Citi organized ARE to accomplish four key goals: (i) expand banking and access to credit in communities of color; (ii) invest in Black entrepreneurship; (iii) invest in affordable housing and promote the growth of Black homeownership; and (iv) strengthen Citi's policies and practices to become an antiracist institution.

As one component of its efforts to address the racial wealth gap, Citi engaged Covington & Burling LLP ("Covington") to assess Citi's "design and implementation of ARE," and to offer recommendations for additional steps Citi could take to accomplish the objectives underlying ARE and integrate them into Citi's core business operations. Over the course of several months, Covington worked closely with a team at Citi to understand the key elements and status of Citi's efforts to address the racial wealth gap and to identify potential opportunities for improvement.

Based on this work, Covington concluded that ARE's design effectively leveraged Citi's expertise, network of business partners, and resources to address some of the key factors contributing to the racial wealth gap in the United States. Covington also concluded that while Citi has not yet accomplished every objective or commitment announced in September 2020, it has made progress toward many of them two years into its initial three-year commitment. Citi has also developed and deployed additional initiatives to address the racial wealth gap since launching ARE in September 2020, an important signal about the sustainability of this work, and the commitment of Citi's leadership to it. Covington's assessment also identified opportunities for Citi to supplement or strengthen some of its efforts to accomplish the goals included in ARE, as well as key components of Citi's work that should continue in the years to come. Several of Covington's recommendations regarding ARE as a whole, and with respect to each component of ARE, are summarized below.[i]

Overall Recommendations. Recognizing the role that Citi could play in addressing the racial wealth gap was an important first step. To sustain the progress achieved since launching ARE, it will be important for Citi to institutionalize its efforts to promote racial equity and integrate the objectives underlying ARE into its core business. To that end, Citi could designate a senior executive or function to oversee these efforts on a permanent basis. Part of this work could include development of key performance indicators that would allow Citi to evaluate whether particular initiatives were generating Citi's intended impacts. As Citi looks to continue its efforts to help address the racial wealth gap, there are opportunities for Citi to play a larger role in helping consumers of color build and maintain financially healthy credit scores in order to mitigate disparities that contribute to the racial wealth gap.

[i] Covington's full observations and recommendations regarding ARE overall, and regarding each of its components, can be found on pages: 11-17, 29-30, 39-40, 48-49, 56-57, and 62.

Goal 1—Expanding Banking and Access to Credit. Citi's partnership with Minority Depository Institutions ("MDIs") is a key component of its efforts to expand banking and access to credit in communities of color. Through ARE, Citi worked with MDI partners to provide growth capital, technical assistance, and revenue generation opportunities. By creating the Diverse Financial Institutions Group ("DFIG"), Citi has taken an important step to institutionalize support for MDIs. It will be important for Citi to sustain its investment in DFIG to ensure that this work continues. There may also be opportunities for Citi to help consumers build and maintain healthy credit scores, and for Citi to continue working with regulators to provide access to credit based on factors other than a traditional credit score where appropriate.

Goal 2—Investing in Black Entrepreneurship. Citi's key initiatives with respect to this goal include targeted investments in Black-owned businesses whose work aligns with the mission of the Citi Impact Fund, as well as a commitment to increase Citi's procurement spending with minority-owned suppliers and vendors. With respect to the Citi Impact Fund, it will be important for Citi to fully implement the recently developed inclusive investing strategy, which has the potential to embed Citi's focus on supporting a diverse range of startup founders into Citi's standard investment process. With respect to Citi's supplier diversity initiatives, there are opportunities for Citi to broaden the community of preapproved diverse suppliers who are eligible to compete for Citi's business, although Citi has already exceeded its spending target for Black-owned businesses. In addition, there are opportunities to establish business unit specific spending targets aligned with Citi's supplier diversity goals.

Goal 3—Promoting Affordable Housing and Homeownership. Having met the goal it announced at ARE's launch of investing $200 million to preserve affordable housing, there are opportunities for Citi to consider refining its approach. This could include investing directly in the Black-owned investment managers who supported Citi's work through ARE, or incorporating investment criteria to focus Citi's work to preserve affordable housing on particular communities or census tracts. With respect to its efforts to promote Black homeownership, Citi pursued targeted opportunities in the markets where it had a footprint, and also in other markets, by expanding two products through a special purpose credit program. It will be important for Citi to assess the impact of this expansion (which was finalized in August 2022) and, if successful, consider whether to expand further.

Goal 4—Becoming an Antiracist Institution. Since launching ARE, Citi has taken several steps toward its goal of becoming an antiracist institution, potentially the most impactful component of ARE, and the most difficult to assess. Citi has established two teams focused on promoting financial inclusion and supporting diverse financial institutions, respectively. For their work to be sustainable and fully integrated into Citi's business, it will be important for Citi to continue investing in these teams and supporting their work. Citi has also updated its Environmental and Social Risk Management policy to strengthen due diligence for financing projects that could potentially generate environmental justice or social risks for communities of color. It will be important for Citi to define how it will evaluate its progress toward becoming an antiracist institution and periodically report that progress to the council of senior leaders that oversees Citi's ESG work.

Citi Foundation. Because Citi Foundation's programmatic objectives include both developing a more inclusive financial system and working to address the challenges facing vulnerable communities, there is an established infrastructure to support Citi Foundation's continued focus on racial equity beyond 2023, the end of the initial three-year commitment Citi made through ARE. As Citi does so, it should continue working to ensure that its grant selection processes are as inclusive and equitable as possible, and apply the holistic process used to select the 2022 class of Community Progress Makers to other grant programs going forward.

II. Introduction

"I can't breathe. I can't breathe. I can't breathe. . . ." These were the opening words of a blog post published on Citigroup Inc.'s ("Citi's") website by its Chief Financial Officer, Mark Mason, as he reflected on the brutal murder of George Floyd and the persistent denial of basic civil and human rights experienced by too many people of color in the United States.[1] The blog post served as a rallying point for many across Citi who were already considering steps the bank could take to focus and strengthen its efforts to promote financial inclusion and equity for the communities and customers that the institution served. In the following weeks, a working group at Citi began discussions about the role Citi and other financial institutions might play in addressing the present-day effects of historic racial inequities, culminating in the September 2020 launch of Citi's Action for Racial Equity ("ARE"), a three-year, $1 billion commitment to help address the racial wealth gap in the United States.[2]

More than a year later, Citi and SOC Investment Group ("SOC") agreed that Citi would undertake a third-party assessment of ARE "to objectively assess Citi's efforts to help address the racial wealth gap in the United States through the design and implementation of [Citi's ARE] initiative." The letter memorializing Citi's agreement with SOC is included in the Appendix to this report. Citi and SOC agreed that the assessment team would "engage with stakeholders during the audit, including employees involved in implementing ARE across various business[] units and functions, and civil rights advocacy organizations," and that the assessment would not include "a review of Citi's historical compliance with regulatory obligations or other pre-ARE activities, nor focus on diversity, equity and inclusion efforts with respect to [Citi's] workforce," the latter of which Citi separately summarized for SOC in an appendix to the letter agreement.[3] Citi engaged a team from Covington & Burling LLP ("Covington") to conduct the assessment.

This report contains Covington's assessment of Citi's design and implementation of ARE, including key observations regarding ARE and its goals and commitments, as well as recommendations for additional steps that Citi could take, given the dimensions of its business, to "help close the racial wealth gap and increase economic mobility in the United States."[4] In launching ARE, Citi acknowledged one of the key points underlying Mason's blog post: "systemic problems will not go away until we confront them head on."[5] This recognition, and Citi's accompanying commitment to play a continuing role in helping to address the racial wealth gap, may prove to be the most important aspects of ARE.

This report begins with a description of the methodology the Covington team used to conduct the assessment, and then provides background on the racial wealth gap in the United States to provide context for the challenges ARE was intended to help address. Next, the report provides an overview of Citi's history and the development of ARE, followed by observations and recommendations with respect to ARE as a whole. The report then describes in greater detail each of ARE's goals and related initiatives, offering observations and recommendations specific to each goal.

III. Methodology

In preparing this report, the assessment team's goal was to provide an objective assessment of Citi's efforts to help address the racial wealth gap in the United States through ARE and to develop, as warranted, recommendations to further Citi's efforts. Consistent with Citi's agreement with SOC, the assessment team focused on "the design and implementation of [ARE]," and also sought to understand how Citi might further embed its efforts to help address the racial wealth gap into its core business operations. Specifically, the assessment sought to answer three questions:

i. With respect to design, is ARE an appropriate effort to help close the racial wealth gap in the United States in light of Citi's business?

ii. With respect to implementation, what steps has Citi taken to implement ARE and what barriers, if any, have impeded Citi's efforts to address the racial wealth gap?

iii. With respect to integration, what steps has Citi taken to institutionalize the objectives underlying ARE in its business?

As described below, the assessment team worked to understand the extent to which Citi has made progress against the goals and commitments it set for itself in connection with ARE, and to identify any barriers to implementation for initiatives that are not on track for completion in 2023, the end of the three-year period initially envisioned for ARE. The assessment team also sought the perspectives of external business partners, such as Minority Depository Institutions ("MDIs"), that Citi worked with to implement components of ARE to obtain their feedback about how Citi's work has affected their ability to serve their communities. Finally, the assessment team considered steps that Citi might take to further integrate Citi's efforts to help address the racial wealth gap into its core business, or to accomplish particular goals or initiatives included in ARE. The assessment did not attempt to quantify the economic impacts of ARE because the causal relationship between any ARE initiative (or all of them) and changes in the observable dimensions of the racial wealth gap in the United States would be difficult to measure and therefore uncertain at best. This is particularly so because several ARE initiatives began relatively recently.

To answer the questions above, the assessment team:

i. Reviewed documents related to ARE that the assessment team received from Citi and external business partners, including policies, trainings, market analyses, customer metrics, investment details, and materials reporting Citi's progress related to the goals and commitments that comprise ARE.

ii. Conducted interviews with more than 70 individuals responsible for implementing ARE or otherwise involved in related efforts. The assessment team spoke with senior executives, individuals who helped design ARE, employees charged with implementing specific ARE initiatives, leadership of the Institutional Clients Group ("ICG") and Personal Banking & Wealth Management ("PBWM"), and employees responsible for integrating racial equity efforts into Citi's business moving forward, among others. These discussions provided insight into ARE's progress, successes, and challenges.

iii. Conducted interviews with more than 45 external stakeholders who are partnering with Citi to implement aspects of ARE or are receiving investments, training, or other benefits through ARE. The assessment team spoke with representatives of MDIs, Black-owned housing developers and investment managers, minority-owned businesses, and civil rights and nonprofit organizations, among others. These discussions provided perspectives into the needs of several organizations working directly with Black and other minority communities and allowed the assessment to identify areas where ARE was working effectively and where there was room for further development.

iv. Engaged the Financial Health Network ("FHN"), a nonprofit financial services consultancy that seeks to improve consumer financial health, to provide its expert perspective on financial health and inclusion, the racial wealth gap, and ARE.

v. Organized a listening session with grassroots advocacy and civil rights organizations identified by Citi and SOC to obtain their perspectives on ARE and potential suggestions regarding Citi's work to address the racial wealth gap.

Although Citi plans for ARE to continue through the end of 2023, this report describes Citi's progress toward its ARE goals and commitments through October 31, 2022.

IV. Understanding the Racial Wealth Gap

In the United States, Black and Hispanic[6] families hold less wealth on average than white families.[7] In 2019, the median white family owned about eight times as much wealth as the median Black family and about five times as much wealth as the median Hispanic family.[8] This financial disparity, "the absolute difference in wealth holdings between the median household among populations grouped by race or ethnicity," is known as the racial wealth gap.[9] This disparity exists at almost every income level and is an accumulation of differences in income, job benefits, banking access, and inherited wealth, among other factors.[10] The racial wealth gap for Black and Hispanic Americans stems from historic discriminatory policies and practices by government institutions and businesses, including those in the financial services sector.[11]

The 1934 National Housing Act, for example, led to the practice of redlining, or marking neighborhoods with larger populations of Black and Hispanic residents as undesirable—a practice that resulted in home mortgages being disproportionately withheld from Black and Hispanic families who were deemed a financial risk.[12] Between 1934 and 1962, more than 98 percent of the $120 billion in federally backed mortgages went to white homebuyers.[13] Redlining resulted in a sizable gap in homeownership for Black and Hispanic populations in the United States.[14] Because homeownership is an important means of building wealth across generations, redlining continues to have an effect on the total wealth that members of these racial groups have accumulated.[15]

The wealth disparity for Black families in particular also originates from more than two centuries of enslavement, followed by decades of segregation and Jim Crow laws. After the end of the Civil War, Black Americans initially made progress toward closing the racial wealth gap. The ratio of white to Black wealth fell by half, to 23 to 1, by the end of the five years following the passage of the 13th Amendment—the result of Black Americans being able to earn incomes, invest, and buy land.[16] Black Americans continued to make progress until the 1950s, but since then little progress has been made in closing the gap.[17] Research attributes this lack of progress to Black Americans earning lower incomes and being less likely to hold stocks.[18] Jim Crow laws, segregation, and other discriminatory practices ensured that Black Americans did not have equal access to the same financial institutions, products, and services as their white counterparts, which inhibited their ability to generate and pass on wealth to future generations.

Despite the end of overtly racist practices like redlining and the passage of the Civil Rights Act in 1964, Black and Hispanic Americans still face persistent barriers to wealth building as a result of historical discrimination. According to FHN, the expert on financial inclusion that Covington engaged to support this assessment, these barriers include:

- Low rates of banking access;
- Low credit scores;
- Challenges accessing small business financing;
- Low rates of homeownership; and
- Low rates of long-term savings.[19]

As a result, only 15 percent of Black households and 23 percent of Latinx households are financially healthy, according to the 2022 Financial Health Pulse survey, compared to 35 percent of white households.[20]

A. Low Rates of Banking Access

Approximately 36 percent of all Black households and 33 percent of Hispanic households in the United States are considered unbanked or underbanked, compared to approximately 11 percent of white households.[21] Black and Hispanic families reported several reasons for being unbanked, including inability to meet minimum balance requirements, distrust of banks, and difficulty accessing traditional financial products or affording bank account fees.[22]

Unbanked Black and Hispanic households are more likely to rely on alternative financial services, such as pawn, payday, and title loans.[23] Alternative financial services generally cost more, and it is estimated that Black households spend more than twice what white households spend on interest and fees for financial products and services as a percentage of their incomes, while Latinx households spend 1.4 times more.[24] FHN estimated that in 2021 Black and Latinx households accounted for over half of interest payments and fees on payday loans (22 percent and 29 percent respectively), despite comprising less than a third of the population (12 percent and 17 percent, respectively).[25] The use of alternative financial services inhibits the ability to accumulate savings. A study by McKinsey & Company estimated that "the average person could save as much as $40,000 over a career by switching from check cashing places [an alternative financial service] to a traditional bank account."[26]

B. Low Credit Scores

Black and Hispanic Americans often face barriers to maintaining prime credit scores and accessing affordable credit, compounding the difficulties of engaging with the traditional financial system. Only 46 percent of Black Americans and 66 percent of Hispanic Americans have a prime credit score, compared to 75 percent of white Americans,[27] which is in part the result of a long history of discrimination that underpins the data that credit models use today.[28] Most credit-scoring models consider a mix of payment history, debt, and credit history, but this data—even today—is influenced by persistent racial disparities in wealth resulting from intentional, historical discrimination against Black and Hispanic Americans.[29] Indeed, Black and Hispanic Americans are more likely to experience adverse credit outcomes and are more likely to lack confidence that an application for credit would be approved.[30] A lack of confidence or negative perception with respect to credit applications can cause some prospective borrowers to choose not to apply for credit in the first place due to a fear of rejection.[31] A report prepared by Citi Global Perspectives & Solutions emphasized the connection between relatively lower credit scores and reduced eligibility for mortgages and other loans, explaining that Black families were "the most likely racial group to be denied a conventional or nonconventional mortgage for home purchase or refinance," which was reflective of "poor credit histories."[32]

C. Challenges Accessing Small Business Financing

Minority-owned firms often face increased difficulty accessing financing in comparison to non-minority-owned firms.[33] Not only do minority-owned firms receive lower loan amounts than non-minority-owned firms, minority-owned firms are also more likely to be denied loans.[34] Black and Hispanic entrepreneurs, who are underrepresented in business ownership in the United States,[35] often struggle to secure startup capital from banks.[36] According to data from the Census Bureau's 2016 Annual Entrepreneur Survey, nearly 17.2 percent of white business owners started their businesses with a loan from a bank or other financial institution compared to only 12.6 percent of Black business owners and 10.7 percent of Hispanic business owners.[37] Black and Hispanic business owners were also more likely to rely on personal credit cards carrying balances (approximately 14.7 percent of Black business owners and 11.5 percent of Hispanic business owners compared to 9.2 percent of white business owners).[38]

Supporting minority-owned businesses helps the U.S. economy. Research shows that Latino-owned businesses contributed $470 billion to the U.S. economy in 2020.[39] Research similarly estimates that if Black-owned businesses had the same average revenue as white-owned firms (excluding publicly held companies), it would add $200 billion to the economy.[40]

D. Low Rates of Homeownership

Black and Hispanic Americans also face obstacles to homeownership. Only 43 percent of Black Americans and 48 percent of Hispanic Americans own their homes, compared with 74 percent of white Americans.[41] Homeownership rates today among Black and Hispanic Americans remain low compared to rates of homeownership among white Americans—a disparity that commentators have suggested is due to continued discrimination, even following the passage of the Fair Housing Act ("FHA") in 1968.[42]

Obtaining mortgages and down payments are the two main barriers renters of all races and ethnicities cite to achieving homeownership. More than six in ten renters say they rent because they lack a down payment, and four in ten attribute renting to an inability to get a mortgage.[43] According to the most recent Consumer Financial Protection Bureau ("CFPB") Home Mortgage Disclosure Act ("HMDA") data, 8.3 percent of all mortgage applications in 2021 were denied.[44] Of those denials, Black borrowers had the highest denial rate (15.3 percent) and Hispanic borrowers had the second highest (10.6 percent), whereas white borrowers had the lowest (6.3 percent).[45] HMDA data from 2020 shows similar disparities: 18.1 percent of mortgage applications submitted by Black borrowers and 12.5 percent of mortgage applications submitted by Hispanic borrowers were denied, compared to just 6.9 percent of white borrowers.[46] One study found that successfully eliminating racial disparities in homeownership rates would shrink the wealth gap between Black and white households by 31 percent and shrink the wealth gap between Latino and white households by 28 percent.[47]

E. Low Rates of Long-Term Savings

In addition to homeownership, long-term savings and retirement plans are primary tools that Americans use to build wealth.[48] In 2019, only 44 percent of Black families and 28 percent of Hispanic families had retirement savings accounts, compared to 65 percent of white families.[49] There is also a disparity among the average balances in retirement accounts. The average balance for Black and Hispanic Americans is around $20,000, compared to an average balance of $50,000 for white Americans.[50] Lower participation rates and balances are driven in part by lack of access to employer-sponsored retirement plans, lower family incomes, and gaps in financial literacy.[51]

* * *

There are economic benefits to addressing racial inequity. According to Citi's 2020 report, *Closing the Racial Inequality Gaps*, closing inequality gaps for Black Americans alone could have added $5 trillion to the U.S. economy by 2025.[52] A study by McKinsey & Company found that parity for Latino Americans would similarly benefit the economy: "If Latinos' share of employer business ownership reached parity with their share of the population, some 735,000 new enterprises could be added to the US economy, supporting 6.6 million new jobs."[53] Citi and other financial institutions that serve Black and Hispanic borrowers particularly stand to benefit from full parity. According to one study, if Black Americans alone reached full wealth parity with white Americans, financial services companies could realize up to $60 billion in additional revenue from Black customers each year.[54] In addition to the moral imperative, there is a clear business case for closing the racial wealth gap.

V. About Citi and ARE

Citi was founded in 1812 as the "City Bank of New York" to help New York City compete with rival merchant hubs in Philadelphia, Boston, and Baltimore.[55] Today, Citi is the third-largest banking institution in the United States by assets,[56] doing business with approximately 200 million customers in 160 countries and jurisdictions.[57] It employs more than 223,000 people across the globe, with more than 76,000 in North America.[58]

As of 2022, Citi's business is organized into three primary segments: ICG, PBWM, and Legacy Franchises.[59] ICG provides banking products and services to corporate, institutional, public-sector, and high-net-worth clients, including fixed income and equity sales and trading, foreign exchange, prime brokerage, derivative services, equity and fixed-income research, corporate lending, investment banking and advisory services, cash management, trade finance, and securities services.[60] PBWM includes Global Wealth Management and U.S. Personal Banking. It provides traditional banking services to customers in the United States through retail banking, credit cards, and the consumer wealth businesses.[61] The Legacy Franchises segment is composed of the business lines that Citi intends to exit.[62]

Citi's Retail Banking business, which sits within U.S. Personal Banking, a part of PBWM, uses a "digital-first" model with a "light physical footprint in leading urban markets."[63] Citi operates approximately 650 retail branches in North America[64] concentrated in New York, Washington, D.C., Miami, Chicago, San Francisco, and Los Angeles—a smaller geographic footprint than many other major U.S. banks. Citi operates more than 62,000 ATMs throughout the United States.[65]

Before ARE, Citi and Citi Foundation were engaged in several efforts that addressed aspects of the racial wealth gap. For more than 50 years, Citi and Citi Foundation have provided financial and institutional support to HBCUs and their professors and students, partnering in initiatives like the National Urban League Summer Fellowship Program[66] and Citi's HBCU Innovation & Leadership Symposium.[67] More recently, Citi engaged in multiple efforts that focused on financial inclusion, and which directly or indirectly addressed aspects of the racial wealth gap, including Citi ATM Community Network program, the Citi Access Account Package, and participation in the Office of Comptroller of Currency's ("OCC") Project REACh at its commencement.[68] In September 2020, Citi Global Perspectives & Solutions, which produces thought leadership for Citi's clients,[69] published a paper focused on the economic costs of Black inequality in the United States; key racial disparities affecting Black Americans, including with respect to wages, education, housing, and investment; and what companies, governments, and individuals could do to address racial inequality.[70]

As the assessment team evaluated Citi's design and implementation of ARE, it kept in mind the regulatory constraints in which the bank operates. As a regulated financial institution, Citi is subject to a host of laws and regulations[71] that affect its ability to undertake some potential efforts to help address the racial wealth gap. For instance, some of the laws and regulations to which Citi is subject implicate the circumstances in which Citi can collect protected class information, like race, even when that information might advance Citi's goal of helping to close the racial wealth gap. Both the Equal Credit Opportunity Act ("ECOA") and FHA prohibit discrimination in any aspect of a credit transaction and in housing, and regulated financial institutions can be subject to regulatory enforcement and sanctions in the event that the collection and use of such information violates these laws or others.[72] HMDA, on the other hand, requires banks making mortgage loans to collect and report publicly information regarding race or ethnicity.[73]

Although the ECOA prohibits creditors from discriminating against applicants on a prohibited basis, including race, it provides an exemption for credit offered pursuant to a Special Purpose Credit Program ("SPCP") that meets the standards set out in the OCC's Regulation B.[74] An SPCP is defined as a program that "is established and administered to extend credit to a class of persons who, under the organization's customary standards of creditworthiness, probably would not receive such credit or would receive it on less favorable terms than are ordinarily available to other applicants applying to the organization for a similar type and amount of credit."[75] A regulated financial institution, through an SPCP, may offer credit initiatives for low-income minority borrowers without violating the ECOA prohibitions against discrimination.[76]

Citi also must comply with the Community Reinvestment Act of 1977 ("CRA"), which requires regulators to periodically evaluate how regulated financial institutions are helping to meet the credit needs of the communities in which they are chartered, including low- to moderate-income neighborhoods, consistent with safe and sound banking operations.[77] As part of its CRA compliance, Citi undergoes CRA evaluations by the OCC. While the CRA requires public disclosures about loans made to low- to moderate-income borrowers in assessment areas, it does not require reporting of loans based on race or ethnicity.[78]

Citi, including its banking subsidiaries, is also subject to regulatory requirements, including requirements as to liquidity, risk-based capital, and leverage; restrictions on the types and amounts of loans Citi can make and the interest it can charge; and limitations on investments that can be made and services that can be offered.[79] These regulatory requirements inform diligence Citi must conduct in connection with new products, customers, and transactions, including assessments of creditworthiness, assessments of the effect of transactions on risk-based capital levels, and Know Your Customer diligence to comply with anti-money laundering compliance requirements under the U.S. Bank Secrecy Act.[80] While the requirements and limitations placed on regulated financial institutions do not prevent Citi or its peers in the financial services sector from undertaking efforts to address the racial wealth gap, they provide important context for the approach Citi followed with respect to ARE.

Creation of Citi's ARE Plan

On June 10, 2020, at an all-employee town hall, Citi announced the creation of a task force led by the Community Investing & Development Team ("CID") that would evaluate how Citi could help address the racial wealth gap.[81] The task force, which had support from Citi's Chief Financial Officer and Head of Global Public Affairs, consisted of individuals from a number of groups across Citi including Sustainability & Environmental, Social, Governance, Citi Ventures, Retail Banking Compliance, Public Sector Group, Markets, U.S. Retail Banking, CID, and others. The task force presented its ideas and proposed initiatives to several members of the executive management team on July 31, 2020. These executives considered and approved the idea of organizing under one umbrella efforts to test several ideas and initiatives to help address the racial wealth gap, with a focus on longevity and developing ideas that could be integrated into the business.

On September 23, 2020, Citi publicly announced ARE, an "effort to leverage Citi's core business capabilities and Citi Foundation philanthropy to help address racial equity and justice in the [United States]."[82]

ARE is organized around four overarching goals and a philanthropic commitment from Citi Foundation:[83]

- **Goal 1:** Expand Banking and Access to Credit in Communities of Color
- **Goal 2:** Invest in Black Entrepreneurship
- **Goal 3:** Invest in Affordable Housing and Promote the Growth of Black Homeownership
- **Goal 4:** Strengthen Citi's Policies and Practices in Order to Become an Antiracist Institution
- **Citi Foundation Commitment:** $100 Million to Support Community Change Agents Addressing Racial Equity

Each ARE goal is supported by a number of strategic investments and programmatic initiatives, which Citi has continued to evolve since its announcement of ARE. In total, Citi committed to invest more than $1 billion through its ARE efforts by the end of 2023.[84]

ARE Financial Commitments

- $550 million to support homeownership by people of color and affordable housing by minority developers.
- $350 million in procurement opportunities for Black-owned businesses.
- $100 million supporting MDI growth and revenue generation.
- $50 million in additional impact investing capital for Black entrepreneurs.
- $100 million from Citi Foundation to support community change agents addressing racial equity.

VI. Observations and Recommendations Regarding ARE as a Whole

This section reports the assessment team's observations and recommendations regarding ARE as a whole. With respect to the consideration of ARE's design, the assessment team kept in mind the key drivers of the racial wealth gap in the United States identified by FHN, the reactions to ARE shared by the subject-matter experts the team met with during the listening session, and the perspectives of business partners and community organizations that Citi worked with during ARE. In addition, the assessment team considered whether Citi had, in fact, made progress against the goals it set when it announced ARE and whether it was fulfilling the business and philanthropic commitments it made. The assessment team has proposed several recommendations intended to help Citi accomplish its stated objective for ARE as it continues this work in the years to come. The sections that follow discuss each ARE goal in turn, describing Citi's initiatives and efforts to implement them, followed by observations and recommendations specific to each goal.

Observations

- As initially announced in September 2020, Citi's ARE was a well-designed and credible effort to help address the racial wealth gap in the United States, given the dimensions of Citi's business. At its launch, ARE included goals directly targeting three of the key drivers of the racial wealth gap in the United States: (i) low rates of banking access; (ii) challenges accessing small business financing; and (iii) low rates of homeownership. Through ARE, Citi broadened its efforts to promote racial equity beyond philanthropic engagements and Citi's CID function. Several of Citi's business units contributed to the development of the goals and initiatives that compose ARE and continue to measure and report Citi's progress toward completing them. By working with business partners such as MDIs, Citi was able to extend its work and impact beyond the communities where it has a physical presence.

- Citi has made significant progress toward many of the expressly defined goals and commitments it set out in September 2020, as set forth in **Table 1** at the end of this section.

- ARE's initial formulation leveraged and built upon initiatives that were already under way, in addition to incorporating several new efforts. Citi also has announced additional initiatives as ARE has progressed. These include initiatives to address banking practices that some researchers argue disrupt the accumulation of wealth and inhibit wealth creation in minority communities. For example, as ARE progressed, Citi eliminated overdraft fees and used an SPCP to expand eligibility for Home Run and Lender Paid Assistance mortgage products in certain majority-Black and majority-Hispanic census tracks.

- Because ARE was developed in part through an open call for ideas, the goals that make up ARE include many different initiatives proposed by a number of different business units, and they contain varying levels of specificity and ambition. Most of ARE's goals tie to milestones (e.g., achieving a certain investment value or hiring for a new position) rather than measurable outcomes assessing impact on Black and other underrepresented communities. Recognizing the difficulty of evaluating the direct impact of any particular Citi initiative on the racial wealth gap overall, there likely are key metrics that Citi could measure over time that would allow it to assess more precisely whether its initiatives were generating Citi's intended effects, and whether Citi should consider scaling particular initiatives.

- Initially, ARE did not include a robust infrastructure for embedding the objectives underlying ARE into Citi's core business. Aside from its efforts to promote workforce diversity, which as noted above were separate from ARE, many of Citi's initiatives targeting the racial wealth gap were driven by its CID function and a handful of other specialized teams. These efforts relied on specific leaders in different business units and functions to carry them forward as part of special initiatives, rather than as part of Citi's standard business practices. Citi has used ARE to broaden the number of people responsible for its efforts to help address the racial wealth gap beyond the CID function and this relatively small group of leaders.

- As ARE has evolved, Citi has taken steps to integrate efforts to help close the racial wealth gap into its business, including through the creation of the Financial Inclusion & Racial Equity ("FI&RE") team in PBWM and the Diverse Financial Institutions Group ("DFIG") in ICG. There is an opportunity, however, for Citi to take additional steps to embed the objectives underlying ARE into Citi's core business.

- Although Citi has certain initiatives focused on the credit scores of minority businesses, these initiatives are progressing slowly and there are presently no ARE initiatives targeting consumer credit scores. Given that lower credit scores in Black and other minority communities are a critical driver of the racial wealth gap, Citi could focus more on initiatives related to credit scores and consider additional efforts to promote credit building, credit score improvement, and alternative credit assessments. This is consistent with feedback provided during the listening session with civil rights and advocacy organizations. Citi's participation in an OCC Project REACh initiative to expand credit access is an important step in this regard.[85]

Recommendations

As Citi has acknowledged, there are opportunities to further integrate the objectives underlying ARE into Citi's core business. The assessment team recommends the following steps to help Citi accomplish this goal:

- Consider designating a senior executive or function to oversee on a permanent basis Citi's ongoing efforts to help close the racial wealth gap. Consistent with applicable legal requirements, consider opportunities to integrate the objectives underlying ARE into Citi's core business, including potentially in its investment decision making, its development of new products, and its process for establishing strategic goals for different business units. Continue to invest in and empower DFIG, FI&RE, and other specialized teams that are working to integrate racial equity considerations into aspects of Citi's core business.

- Consistent with applicable legal requirements, develop key performance indicators to assess the impact of Citi's efforts to address the racial wealth gap, which will help Citi evaluate whether an initiative is having the intended impact. According to FHN, this may require Citi to develop a "theory of change" for each of its key initiatives, to set out how and why Citi expects a particular program to generate an impact. It may also require Citi to define a measurable baseline for key initiatives, which will allow Citi to observe changes in the metric over time. Collecting and analyzing this data can help Citi evaluate the effectiveness of its initiatives over time and help Citi make performance-based decisions about which initiatives are most impactful, ready to be scaled, or worthy of increased investment and which initiatives are underperforming or need to be redesigned to generate Citi's intended impact.

- Continue to develop initiatives to help consumers of color build and maintain financially healthy credit scores, and continue exploring opportunities to work with regulators, such as the OCC, to develop industry standards for underwriting criteria focused on alternative credit models. This work is particularly important given the broad impact that credit scores have on many of the goals that Citi aims to address, including the ability to receive loans, start businesses, and obtain mortgages.

Table 1: Progress Against ARE Commitments Announced in September 2020 as of October 31, 2022

FINANCIAL COMMITMENTS	
$550 million to support homeownership for people of color and affordable housing by minority developers.	**Progressing** – Invested $200 million with minority developers to preserve affordable housing (as noted in Goal 3 below); the remaining $350 million is progressing after Citi established infrastructure through mortgage product expansion and hired community lending officers.
$350 million in procurement opportunities for Black-owned business suppliers.	**On track** – Surpassed by spending more than $432 million with Black-owned suppliers in 2021 and $479.6 million with Black-owned businesses in 2022 as of October (as noted in Goal 2 below).
$50 million in additional impact investing capital for Black entrepreneurs.	**On track** – Invested $36.1 million through Citi Impact Fund in businesses with at least one Black founder as of October 2022 (as noted in Goal 2 below).
$100 million to support MDIs' growth and revenue generation.	**On track** – Invested $44 million in growth capital and closed $43 million in loan participations (as noted in Goal 1 below).
$100 million in Citi Foundation grants to support community change agents addressing racial equity.	**On track** – Granted $88 million to more than 140 organizations as part of its ARE commitment as of September 30, 2022 (as noted in Citi Foundation below).

GOAL 1: EXPAND BANKING AND ACCESS TO CREDIT IN COMMUNITIES OF COLOR

Provide MDIs with up to $50 million in growth capital to strengthen their ability to serve racially diverse households and entrepreneurs.	**On track** – Invested $44 million in 11 MDIs as of September 2022.
Generate revenue for MDIs by inviting them into up to $50 million in loan participation opportunities between the Citi Community Capital division in ICG and its clients to finance affordable multi-family rental housing.	**On track** – Closed $43 million in loan participations with five MDIs as of September 2022.
Provide pro-bono technical assistance and training to MDIs to help MDIs navigate the changing economy, improve operational efficiencies and support talent development.	**On track** – Implemented multiple initiatives to provide MDIs with technical assistance and training, including a secondment/rotational program.
Partner with community organizations serving racially diverse households to expand access to the Citi Access Account Package, which includes low-cost checking and savings products and new digital financial education.	**On track** – Launched partnerships with five community organizations as of September 2022.
Expand the Citi ATM Community Network program that removes out-of-network fees at Citibank ATMs for customers of participating minority-owned banks and community development credit unions.	**On track** – Added seven institutions to the Citi ATM Community Network since the launch of ARE, bringing the total to 32.
Put one million youth on the path to higher education by expanding the Citi Start Saving platform—which initially was developed to power the City and County of San Francisco's children's savings program.	**Progressing** – Onboarded six school systems and municipal clients to the platform.

GOAL 2: INVEST IN BLACK ENTREPRENEURSHIP

Allocate an additional $50 million to the Citi Impact Fund exclusively to support businesses owned by Black entrepreneurs.	**On track** – Invested $36.1 million in businesses with at least one Black founder as of October 2022.
Increase Citi business procurement spend with certified diverse suppliers from $700 million to $1 billion annually, including $250 million with Black-owned firms.	**On track** – Spent more than $1.2 billion with diverse suppliers in 2021 (including more than $432 million with Black-owned businesses); $1.1 billion in 2022 as of October 2022 (including $479.6 million with Black-owned businesses).
Launch a new program called Citi Start Credit, which will work with Community Development Financial Institutions to help underserved entrepreneurs increase their credit scores and access more affordable credit.	**Progressing** – Launched educational program and piloted outreach to more than 150 entrepreneurs from one Community Development Financial Institution as of September 2022.

GOAL 3: INVEST IN AFFORDABLE HOUSING AND PROMOTE THE GROWTH OF BLACK HOMEOWNERSHIP

Expand the U.S. Personal Bank's community lending team and its network of correspondent lenders to increase access to Citi's mortgage products and services among minority borrowers in low- and moderate-income neighborhoods.	**On track** – Filled 73 percent of new community loan officer positions as of October 2022; added four MDIs as correspondent lenders.
Provide $200 million of equity and preferential financing through Citi Community Capital to affordable and workforce housing projects by minority developers who either are the sole equity owners or are in a joint venture with meaningful equity participation. Some of this funding also will be invested in minority developers to build their capacity and allow them to compete for larger affordable housing projects.	**On track** – Invested $200 million with the joint ventures, which have deployed approximately one-third of Citi's $200 million into projects as of October 2022.

GOAL 4: STRENGTHEN CITI'S POLICIES AND PRACTICES IN ORDER TO BECOME AN ANTIRACIST INSTITUTION	
Strengthen due diligence processes for project-related financing to address environmental justice and social impacts on communities of color.	**On track** – Updated Environmental and Social Risk Management policy.
Develop standards for inclusive software design that eliminate bias and help deliver equitable outcomes to the communities Citi serves.	**On track** – Established the Racial Equity Design and Data Initiative to work with teams across Citi to consider opportunities to integrate considerations related to racial equity into design, strategy, and data protocols.
Expand Citi's capital market activities with minority-owned broker-dealers, assisting with their business and franchise development.	**On track** – Issued $65 billion in debt and capital and included Black-owned broker-dealers in about 90 percent of transactions between January 2020 and October 2022.
Work with marketing, communications, and legal partners to establish guidelines that increase representation of people of color on Citi accounts and within their leadership teams.	**On track** – Added five new diverse marketing partners since launch of ARE; established representation targets for agency teams servicing Citi accounts, in agency leadership and in casting; and requested diversity data from U.S. law firm partners.
Establish a council of senior leaders from across the company to develop additional product innovations, assess performance gaps and hold businesses accountable for ARE commitments.	**On track** – Embedded responsibility for oversight of ARE in the ESG Council.

CITI FOUNDATION	
Three-year commitment to $100 million in grants to support community change agents addressing racial equity.	**On track** – Granted $88 million to more than 140 organizations as part of its ARE commitment as of September 30, 2022.

VII. Engagement with Civil Rights and Advocacy Organizations

In May 2022, Covington and Citi met with a number of civil rights and advocacy organizations at Covington's offices in Washington, D.C. There were three objectives for the listening session: (i) educating participants about Citi's efforts to help address the racial wealth gap through ARE; (ii) obtaining their perspectives as subject-matter experts regarding Citi's design and implementation of ARE; and (iii) discussing potential suggestions that participants had for additional steps Citi might take to achieve the goals underlying ARE. Among other questions, the assessment team asked participants for their views about which aspects of ARE had the most potential to help close the racial wealth gap, and for any additional initiatives or commitments that they would have liked Citi to have included in ARE. The assessment team also asked participants for their thoughts about additional goals that Citi could set for itself beyond the anticipated conclusion of ARE at the end of 2023, and for suggestions regarding additional steps Citi could take to help address the racial wealth gap.

Feedback from the stakeholders coalesced around four primary themes:

- Citi should integrate racial equity considerations into its business as a whole, including its investment decisions and risk policies.
- Citi should serve as a leader in promoting racial equity and related data reporting in the financial services sector.
- Citi should continue to partner with other organizations, including local community groups, civil society thought leaders, and other large financial services companies, to promote racial equity.
- Citi should complement its ARE efforts by advocating for public policies that reduce the racial wealth gap.

Participants praised Citi's decision to include a commitment to becoming an antiracist institution in ARE. Several noted that this goal had the most potential to help address the racial wealth gap over time because becoming an antiracist institution would require Citi to evaluate whether its investments, products, services, and business practices advanced racial equity. Some participants expressed a view that initiatives focused on promoting homeownership and access to credit held the greatest potential to reduce the racial wealth gap. And some participants emphasized the importance of partnering with relevant stakeholders located in or serving underserved communities to ensure that Citi's efforts were informed by their views and benefitted from them.

VIII. Goal 1: Expand Banking and Access to Credit in Communities of Color

The first goal Citi included in ARE focused on addressing two aspects of the racial wealth gap—traditional banking[86] and credit. When announcing ARE, Citi explained that "[m]any communities of color lack access to traditional banking services that are the foundation of financial stability and thriving communities. Economic security is also hampered by insufficient access to credit, which makes it hard to qualify for affordable mortgages and small business loans."[87]

As described above, many people of color are unbanked or underbanked at rates that are substantially higher than the national average and face greater barriers to entry with respect to traditional banking.[88] Limited access to traditional banking negatively impacts financial stability because individuals without access to traditional banking services lack a mechanism to accumulate savings or turn to alternative financial services that charge higher interest rates and fees.[89] As with traditional banking, Black and Hispanic households lack access to credit at greater rates than white households,[90] which limits eligibility for loans and mortgages, which are themselves important building blocks of wealth.[91]

Goal 1 ARE Initiatives

Citi's strategy for expanding access to traditional banking and credit focuses on: (i) collaborating with MDIs and (ii) expanding access to Citi products and services within communities of color. Between September 2020 and October 2022, Citi publicly announced the following Goal 1 initiatives:[92]

Collaborating with MDIs

- "Provide MDIs with up to $50 million in growth capital to strengthen their ability to serve racially diverse households and entrepreneurs."
- "Generate revenue for MDIs by inviting them into up to $50 million in loan participation opportunities between the Citi Community Capital division in ICG and its clients to finance affordable multi-family rental housing."
- Launch a new lending platform that helps small and medium-sized businesses connect with various regional, local, and community banks online for loans up to $10 million.
- "Pilot[ ] an effort that will bring MDIs to participate as investors in Citi's Supply Chain Finance offering."
- "Provide pro-bono technical assistance and training to MDIs—through a collaboration with [external organizations]—to help MDIs navigate the changing economy, improve operational efficiencies and support talent development."
- Debut the MDI Rotational Program, "which embeds Citi executives with MDIs for up to a year to share expertise and help grow the MDI's business."
- Launch DFIG, "a dedicated team within Citi that will serve as a hub to lead and expand engagement with MDIs, driving investment and revenue generating opportunities."

Expanding Access to Citi Products and Services

- "[E]xpand[] the Citi ATM Community Network program that removes out-of-network fees at Citibank ATMs for customers of participating minority-owned banks and community development credit unions."
- Eliminate overdraft fees, returned item fees, and overdraft protection fees for all U.S. Citi Retail Banking consumer deposit account holders.
- "Partner with community organizations serving racially diverse households . . . to expand access to the Citi Access Account Package, which includes low-cost checking and savings products and new digital financial education."
- Expand "the Citi Start Saving platform—which was initially developed to power the City and County of San Francisco's children's savings program."

A. Collaborating with MDIs

Citi's collaboration with MDIs is a key component of Citi's efforts to expand banking and access to credit in communities of color. MDIs are traditional banking institutions that are majority owned or directed by individuals who are racial or ethnic minorities.[93] MDIs play an important role in the financial services sector. They provide financial products and services to communities that have been historically underserved by traditional financial institutions, including minority and low- to moderate-income communities.[94] MDIs serve communities of color at significantly higher rates than non-MDI banks, including by originating more mortgages and more small business loans than non-MDI banks.[95] This is true for MDIs that serve Black communities as well as for MDIs that serve Hispanic and Asian American communities.[96] A 2019 study by the Federal Deposit Insurance Corporation ("FDIC") concluded that "MDIs have had a substantial impact on the communities they serve" and have "played an important role in providing mortgage credit, small business lending, and other banking services to minority and low- to moderate-income communities."[97]

Despite the critical role MDIs play within minority and low- to moderate-income communities, many MDIs have struggled to remain in business since the 2008 Recession. The total number of MDIs has declined from 215 in 2008 to 143 in 2021.[98] Black-owned or directed MDIs have also been affected by this trend, declining from 41 in 2008 to 19 in 2021.[99] As of June 2021, Black-owned MDIs had a total of $6 billion in total combined assets, which was only 27 thousandths of one percent of the more than $22 trillion in total combined assets of the U.S. banking system as a whole.[100]

1. Citi's History with MDIs

Citi began building relationships with MDIs several years before ARE. In 2016, Citi partnered with a number of MDIs and credit unions to pilot the Citi ATM Community Network, a program that enabled clients of participating institutions to access Citibank ATMs free of charge.[101] In 2017, Citi deepened its relationship with MDIs through the U.S. Department of Treasury's Mentor-Protégé Program. This program paired large financial institutions with MDIs to help MDIs secure opportunities to "perform Department of the Treasury contracts and subcontracts and foster the long-term business relationships between these entities and Treasury prime contractors."[102] Citi sought to provide additional benefits to its MDI partners in the Mentor-Protégé Program, including "potential access to strategic advice, a network of partners, technology guidance and support, as well as potential distribution of consumer products like mortgages, credit cards, and digital bank accounts[.]"[103] Multiple MDI representatives who spoke to the assessment team identified the Mentor-Protégé Program as the beginning of their institutions' relationships with Citi. The MDI representatives explained that the government subcontracts obtained through the program provided important revenue streams to their banks. Citi expanded its relationships with MDIs in 2020 when it offered to purchase PPP loans from MDIs that needed help freeing up capital and room on their balance sheets for further investments in their communities.[104] Some MDIs that declined Citi's offer to purchase PPP loans noted that Citi had asked for their feedback on support that would have been more helpful than the opportunity to purchase PPP loans, and cited this as an example of Citi's genuine interest in offering MDIs the kinds of support that they considered most helpful.[105]

2. MDIs and ARE

As part of ARE, Citi has provided MDIs with growth capital investments, revenue generation opportunities, and technical assistance and training.

a. Growth Capital Investments

In its September 2020 announcement of ARE, Citi committed to providing MDIs with up to $50 million in growth capital over three years. As of September 2022, Citi has invested $44 million in growth capital in 11 MDIs, all of which are Black-owned.

MDI representatives who spoke to the assessment team identified growth capital—specifically Tier 1 capital[106]—as a high priority for MDIs. One MDI representative explained that MDIs struggle with obtaining capital in comparison to other non-MDI banks because there is less money in the communities that MDIs serve. A 2019 FDIC report showed that as of December 31, 2018, MDIs had approximately one-eighth of the equity capital possessed by non-MDI community banks and one-fifty-eighth of the equity capital possessed by non-MDI non-community banks.[107] An MDI representative noted that growth capital was an important measure of the health of a bank because of its use by regulators to measure a bank's ability to absorb financial losses. Representatives from one MDI attributed the steep decline in the number of Black-owned MDIs to a lack of access to capital that has resulted in Black-owned MDIs exhausting their capital reserves and ultimately failing.[108]

MDI representatives told the assessment team that investments from Citi and other banks have helped them maintain their regulatory capital ratios (e.g., the leverage ratio—equal to the ratio of Tier 1 capital to total consolidated assets) and therefore comply with regulatory capital expectations of regulators. Many MDIs told the assessment team that they needed infusions of Tier 1 capital specifically—in the form of either common or preferred stock—to maintain their leverage ratios. But there are regulatory hurdles to the capital that corporations, as well as Citi as a banking organization, can provide to MDIs. The Bank Holding Company Act ("BHCA") limits the amount of common stock that a company can purchase from a bank before the company is considered a bank holding company of the bank in which it is investing and therefore subject to Federal Reserve oversight and various activities restrictions.[109] One MDI representative explained that, as a result of the BHCA, companies were reluctant to make growth capital investments large enough to meaningfully help MDIs. However, the same MDI representative also noted that companies could make larger investments by purchasing some preferred stock in addition to common stock because preferred stock with limited voting rights can count as Tier 1 capital without counting toward the BHCA restrictions. Such preferred stock provides the same regulatory benefits to MDIs as common stock but does not risk subjecting the investing company to the BHCA.

As part of ARE, Citi provided MDIs with investments that consisted of both common and preferred stock. Representatives from MDIs that received growth capital from Citi consistently praised the structure of Citi's investments, with some calling them "fantastic" and "extremely favorable."

MDI representatives also reported other benefits due to capital they received from Citi and other financial institutions. Most notably, multiple MDI representatives said that this capital had allowed MDIs to increase the size and number of loans they offered. One MDI representative expressed the view that larger and more numerous loans were beneficial to MDIs because they helped MDIs generate more income from interest on the loans. Capital could also help MDIs expand their physical footprint; one MDI representative stated that capital received from Citi and other banks was integral to the MDI's ability to open a new branch. Indeed, infusions of growth capital were so beneficial to MDIs that many MDI representatives expressed an interest in receiving additional capital from Citi and other large banks.[110]

b. Revenue Generation Opportunities

As part of ARE, Citi also implemented multiple initiatives to help MDIs generate revenue. Revenue generation opportunities pair with Citi's growth capital investments because as MDIs obtain more capital, they seek to issue or purchase more loans. The interest paid on loans issued or owned by an MDI is a source of revenue for the institution. Citi has offered MDIs multiple mechanisms to issue or purchase additional loans.

Loan Participation. In its September 2020 ARE announcement, Citi committed to inviting MDIs into up to $50 million in loan participation opportunities between Citi Community Capital ("CCC") and its clients to finance affordable multi-family rental housing.[111] To date, Citi has closed $43 million in affordable housing loan participation opportunities with five MDIs.

Individuals from Citi and the MDIs that the assessment team spoke with explained that participating in a loan with Citi provides several potential benefits to MDIs: (i) income from the interest paid by the borrower on the loan; (ii) CRA credit for loans that finance affordable housing; and (iii) training for any MDIs that want to learn from Citi in order to issue affordable housing loans on their own. MDIs that participated in loans with Citi were enthusiastic about the initiative, with representatives from some of those MDIs explaining that loan participation was a good opportunity to put earning assets on their books and to grow their balance sheets. However, other MDIs told the assessment team that they declined Citi's invitations to participate in loans, often because the margins on the loans offered by Citi were too small to be beneficial to those MDIs. Some MDIs expressed interest in participating in loans with higher margins.

Citi representatives told the assessment team that closing affordable housing loan participation opportunities with MDIs was labor intensive for Citi because MDIs typically seek to participate in loans at smaller amounts than other financial institutions to which Citi typically sells loan participations, but it takes Citi the same amount of work to close the smaller loan participations. Nonetheless, CCC employees expressed a commitment to continuing loan participation efforts with MDIs even after CCC reaches its $50 million goal.

Other Revenue Generation Opportunities. Citi has implemented other initiatives to help MDIs generate revenue, including through loan participation opportunities offered by departments other than CCC. For example, Citi announced in July 2022 that three MDIs—Industrial Bank, First Independence Bank, and Mechanics and Farmers Bank—would participate in a $1.23 billion syndicated corporate loan to Science Applications Industrial Corporation at a level of $10.5 million.[112] In addition, Citi announced in its Year One ARE Progress Report that it had piloted an effort that would bring MDIs to participate as investors in Citi's Supply Chain Finance offering.[113] As of October 2022, one MDI has successfully joined and funded a participation in a sizable program with a major U.S.-based retailer.[114]

Bridge Built by Citi. In August 2021, Citi announced the launch of Bridge Built by Citi, a lending platform that helps small and medium-sized businesses connect with regional, local, and community banks, including MDIs.[115] The platform helps connect lenders with small and medium-sized businesses seeking loans up to $10 million.[116] Specifically, the platform is designed to connect small and medium-sized businesses with MDIs and other regional, local, and community banks that have the ability to offer loans at lower interest rates than online lenders, and that are invested in the communities they serve. Citi's goal is to provide small and medium-sized businesses and regional, local, and community banks with easier access to each other by leveraging technology.

Through the platform, businesses can submit loan requests that banks can review and, if interested, respond to with proposed loan terms. Businesses can then decide whether to borrow from any of the banks that responded. Following a connection on the platform, a business and the bank with which it connected continue the process of closing a deal off-platform, including underwriting and legal work. In response to feedback from MDIs, Citi added a due diligence portal to the Bridge platform in July 2022 to allow small businesses and banks to transfer documentation to one another.

Citi launched the Bridge platform as a pilot in seven states: Georgia, South Carolina, Louisiana, North Carolina, Tennessee, Colorado, and Utah. As of October 2022, Bridge had added banks to the platform to provide coverage to all 50 states and the District of Columbia, and the Bridge team was in the process of obtaining internal approvals to market the platform nationally.

As of October 2022, 49 banks and Community Development Financial Institutions ("CDFIs") were participating in the Bridge platform, including 12 MDIs, 11 of which were Black-owned.[117] Citi reported that the platform had received more than $700 million in loan requests from small and medium-sized businesses as of that date. Citi is working to increase the number of small and medium-sized businesses that are aware of the platform, including by working with strategic partners that will direct small and medium-sized businesses to the Bridge platform.

The assessment team spoke with representatives of some of the MDIs participating in the Bridge platform during the summer of 2022. These representatives generally acknowledged the potential of the Bridge platform, although, at the time of these conversations—which occurred before the end of the Bridge platform's first full year in operation—those MDIs had not yet closed many loans as a result of connections made through the platform. MDI representatives noted several reasons they had not yet issued loans at the time of their conversations with the assessment team, including no potential borrowers within the bank's service area, requests from borrowers for loans the MDI thought were too large, or borrower reluctance to provide guarantees. Some MDI representatives recommended that Citi more broadly advertise the platform to potential borrowers. Since the assessment team's conversations with MDIs, Citi has added more MDIs to the platform, expanded its service area, and made other enhancements to the platform based on feedback from MDIs.

Citi told the assessment team that it measures the success of the platform by the number of connections between businesses and banks, as the purpose of Bridge is to increase the amount of access small and medium-sized businesses have to loans from regional, local, and community banks. The process of closing a deal takes place outside of the platform and the assessment team understands from Citi that it can take multiple months for a bank to close a loan after making a connection on Bridge. Citi personnel told the assessment team that they continue to work on additional improvements to the platform.

c. Technical Assistance and Training

Through ARE, Citi provided MDIs with different forms of technical assistance and training. Many of the MDIs who spoke with the assessment team welcomed such assistance because it provided personnel, expertise, and technology necessary to grow their businesses.

MDI Rotational Program. In July 2021, Citi announced that it would loan senior executives to MDIs to help them "shore up operations or establish new lines of business."[118] As of October 2022, Citi had initiated four secondments as part of the MDI Rotational program.[119]

Unity National Bank

A former senior leader in Global Spread Products worked at Unity National Bank in Houston, Texas. The secondee helped Unity National Bank apply for the New Market Tax Credit, a federal tax credit for investing in commercial development and real estate in low-income areas, among other projects.

Industrial Bank

A senior leader within Citi's Mortgage Group was seconded to Industrial Bank in Washington, D.C., in May 2022. The secondee is assisting Industrial Bank with mortgage originations.

Optus Bank

A senior leader in FinTech Open Banking and Application Services was seconded to Optus Bank in South Carolina, as a Chief Technology Officer in May 2022. The secondee is assisting Optus Bank with implementing an information technology strategic plan.

Mechanics and Farmers Bank

A senior leader in Citi Retail Services was seconded to Mechanics and Farmers Bank in Durham, North Carolina, as a Chief Technology Officer in May 2022. The secondee is providing advisory services focused on digital changes to the Loan Operations and Credit Administration Departments.

Many MDI representatives who spoke to the assessment team, including from some MDIs that had not yet been assigned a secondee, expressed a strong desire for loaned executives. One MDI representative explained that loaned executives were helpful because they filled a gap in personnel needed to implement MDI growth efforts. Another MDI representative said that it valued loaned executives because the MDI was not able to recruit candidates with similar expertise on its own.

MDIs participating in the MDI Rotational Program reported positive experiences. One MDI expressed that the MDI was able to interview candidates for the secondment and pick the candidate that best suited its needs. Another praised the program because Citi's loaned executive provided the MDI not just technical expertise but a business network stemming from the executive's extensive contacts within the financial industry.

Pro Bono Technical Assistance. As part of ARE, Citi established a technical assistance program through a collaboration with the National Bankers Association and a major consulting firm. The program aims to support MDIs' talent development, enhance their technology, and expand their business networks. As part of this initiative, Citi collaborated with the consulting firm to launch the Board Effectiveness Program in Fall 2021, which focused on supporting MDI executives interested in securing corporate board seats. MDI executives who participated in the Board Effectiveness program consistently told the assessment team that it was a positive experience.

d. Diverse Financial Institutions Group

In February 2022, Citi launched the Diverse Financial Institutions Group as a dedicated team to lead and expand its work with MDIs, diverse broker-dealers, and diverse asset managers.[120] DFIG's work to increase Citi's engagement with minority broker-dealers and minority asset managers supplements and aligns with the existing initiatives with these partners that the assessment team describes in its discussion of Goal 4 below.

MDI representatives told the assessment team that they viewed DFIG as a particular strength of Citi's racial equity initiatives. MDI executives praised the team's advocacy and thought leadership with respect to the broader financial industry's efforts to support MDIs. MDI representatives noted that DFIG reflected a willingness on Citi's part to adjust its approach after offering initiatives that were less uniformly helpful to some MDIs (e.g., the PPP loan purchase program), and to work collaboratively with MDIs to identify the areas in which they needed help. Overall, MDI representatives expressed the view that Citi's efforts to support MDIs reflected a genuine commitment.

B. Expanding Access to Citi Products and Services

As part of its efforts to expand access to traditional banking and credit, Citi implemented initiatives to expand access to its products and services.

1. Eliminating Overdraft Fees

On February 24, 2022, Citi announced plans to eliminate overdraft fees, returned items fees, and overdraft protection fees, effective June 19, 2022.[121] By eliminating these fees, Citi addressed a practice that commentators have asserted disproportionately affects people of color.[122] In 2021, Black households with bank accounts were 1.8 times as likely as white households to report having paid at least one overdraft fee, while Latinx households were 1.4 times more likely.[123] Overdraft fees also impact financially vulnerable households—those that struggle to spend, save, borrow, and plan—nearly ten times more often than financially healthy households.[124] Thus, much of the burden of overdraft fees falls on consumers who are already facing financial difficulties.

2. Expansion of Citi ATM Community Network

The Citi ATM Community Network program eliminated out-of-network fees at Citibank ATMs for customers of participating minority-owned banks and community development credit unions. As of October 2022, the Citi ATM Community Network has removed fees for 622,200 customers at 32 institutions across eight states.[125] While the program predates ARE, Citi has added seven institutions to the Citi ATM Community Network since the launch of ARE.

The Citi ATM Community Network addresses the rising cost of accessing cash. Since 2018, the average fee charged to customers withdrawing money from an ATM outside their bank's network has increased by 33 percent.[126] By removing an ATM fee for customers of partner institutions, Citi reduced the financial burden of accessing cash in areas that are far from where customers live, work, and bank.[127] The initiative has the potential to benefit the Black community, given that 27 percent of Black households report ATMs as the most common way they access their bank accounts, compared to only 18 percent of white households.[128]

The assessment team met with representatives from some of the MDIs participating in the Citi ATM Community Network, and they reported positive impacts of the program. One MDI representative explained that the increase in no-fee ATMs "change[d] the whole dynamic" of the MDI's business because it resulted in more individuals banking with the MDI.

3. Affordable Access Banking Initiative

Through the Affordable Access Banking Initiative, Citi partnered with community organizations serving racially diverse households to expand access to the Citi Access Account Package. While the Access Account—"a checkless and safe transaction account with low or avoidable monthly charges and no overdraft fees" (prior to Citi's broader elimination of overdraft fees)—predates ARE, the Affordable Access Banking Initiative offers additional features for individuals who sign up for an Access Account through Citi's community partners.[129] Those features are targeted toward individuals who are unbanked or underbanked, and include no monthly fee and no minimum balance.[130] Customers who open an Access Account through an Affordable Access Banking Initiative partner also may take three months to fund their accounts, meaning that Citi will not close the account so long as the account holder puts any money in the account within 90 days. Participants in the Affordable Access Banking Initiative can apply for the Access Account through three channels: online, at a physical Citibank branch, or through a Citi community partner.

As of October 2022, Citi has partnered with several organizations that serve as community partners, including the National Urban League, Local Initiatives Support Coalition ("LISC"), UnidosUS, Mission Asset Fund, and Juma Ventures. Citi is working to finalize partnerships with additional community organizations. Citi has hosted trainings for program managers, administrators, and coaches at its community partners so that they can effectively assist individuals in applying for an Access Account. Each community partner has a custom Citi site through which participating individuals can apply for an Access Account, some of which are available in multiple languages to meet the needs of relevant communities.

National Urban League

Citi's partnership with the National Urban League began in February 2020 with four affiliates in locations without Citibank branches (in Hampton Roads, St. Louis, Seattle, and Philadelphia), and is expected to continue with four additional affiliates in locations with Citibank branches (in Chicago, Broward, San Diego, and Palm Beach).

Local Initiatives Support Coalition

Citi began its collaboration with LISC in September 2021. LISC planned to implement the Affordable Access Banking Initiative through community partners in five markets: Chicago, Detroit, Toledo, Providence, and Houston.

UnidosUS

Citi began its partnership with UnidosUS in November 2021. UnidosUS will implement the Affordable Access Banking Initiative in Chicago and San Diego.

Mission Asset Fund

Citi began its partnership with Mission Asset Fund in June 2022. Mission Asset Fund will implement the Affordable Access Banking Initiative through affiliates located in California.

Juma Ventures

Citi began its partnership with Juma Ventures in August 2022. Juma Ventures will implement the Affordable Access Banking Initiative with affiliates in California and Washington.

The assessment team met with some of Citi's partners in this initiative, who expressed positive views of the Citi Access Account Package and explained that the no-overdraft and no-minimum balance features of the account were advantageous to unbanked and underbanked populations. One partner noted that while they typically did not recommend products to their clients, they viewed the Access Account as a "wonderful" product that added value to their often unbanked or underbanked customer base.

Reaching populations that would benefit from the Affordable Access Banking Initiative is critical to the success of this program. One community partner noted that the Access Account's primary competitors were products offered by alternative financial institutions that did not offer features beneficial to those populations but that appealed to them directly through targeted marketing. Some community partners praised Citi's efforts to market the Access Account initiative. One partner noted that Citi was working directly with them to develop flyers in multiple languages that were tailored to different community affiliates. Another partner said the application website for the Access Account Package was easy to use, and noted that Citi offered translated Access Account application guides in multiple languages and developed YouTube application tutorials that could be watched in many languages.

Partners also told the assessment team that Citi had addressed certain barriers that arose during implementation of the Affordable Access Banking Initiative. For example, Citi created a customer service line dedicated to the Access Account and distributed the number through its community partners after individuals encountered challenges calling the Citi customer service number when trying to sign up for an Access Account through the Affordable Access Banking Initiative. Citi and its partners are tracking metrics, which differ based on community partner, in order to gauge the success of their efforts. Citi representatives told the assessment team that the success of the initiative will be demonstrated by the number of individuals who open an Access Account.

4. Citi Start Saving

Citi Start Saving is a youth savings account program, which aims to build college savings, especially among low-income households and minority households.[131] Even small amounts of educational savings (less than $500) make it three times more likely that a child from a low- to moderate-income household will attend college and 4.5 times more likely that the child will graduate.[132] Additionally, a liquid emergency savings cushion of $250–$749 can reduce the likelihood of hardships, such as missing a housing or utility payment, being evicted, or needing public benefits, when income disruptions occur.[133] Black young adults have, on average, less liquid savings than their white peers: more than half of Black young adults (56 percent) report that they do not have enough savings to cover at least three months of living expenses, compared with 48 percent of white young adults.[134] Savings programs like Citi Start Saving are intended to help bridge these gaps by encouraging college savings and savings behavior more generally.

As part of ARE, Citi committed to expanding the Citi Start Saving platform, stating that it would "[p]ut 1 million youth on the path to higher education."[135] Since the launch of the platform in 2009, 115,000 children have been enrolled in Citi Start Saving (approximately 60,000 since the launch of ARE) through Citi's partnerships with the cities of Los Angeles, San Jose, San Francisco, Atlanta, New York City, and Washington, D.C. Citi does not enroll children in the program directly; rather, Citi partners with school systems and municipal clients, which are then responsible for enrolling children. While it is unlikely that one million children will be enrolled in the program during the three-year term of ARE, the six school systems and municipal clients participating in the program as of October 2022 serve 667,000 youth, and Citi reports that it expects to add another seven school systems and municipal clients by the end of 2023 that serve an additional 2.9 million youth. As a result of these existing and expected partnerships, Citi projects that approximately 500,000 students will be enrolled in a youth savings account through Citi Start Saving by 2023.

C. Goal 1 Observations and Recommendations

As shown in **Table 1** above, Citi is on track to complete most of the Goal 1 initiatives it announced at the outset of ARE. Citi elected to expand access to banking and credit through partnerships with MDIs and community organizations that are more deeply embedded within unbanked and underbanked communities. By focusing on a partnership model, Citi empowered entities that had engendered trust within unbanked and underbanked communities. Given Citi's geographic footprint, support for MDIs and community organizations allowed Citi to reach communities of color outside of the markets where Citi operates physical branches.

Observations

- Support for MDIs is an important component of ARE, including Citi's efforts to expand access to traditional banking within communities of color, given the role MDIs play in providing safe, affordable financial services to communities that are often underserved by financial institutions. Citi's support is directed at strengthening these institutions on the expectation that MDIs will help address the racial wealth gap by expanding banking access within the communities of color that they serve.

- Among Citi's efforts to support MDIs, MDIs particularly praised Citi's growth capital investments and the MDI Rotational Program.

- The revenue generation opportunities offered to MDIs by Citi, including loan participation opportunities, could be refined to respond to feedback from MDIs, some of which expressed a preference for loan participation opportunities with higher margins. MDIs have also encouraged Citi to make a sustained commitment to expanding awareness of the Bridge Built by Citi platform by those seeking small business loans.

- The creation of DFIG is a significant effort to institutionalize Citi's efforts to promote diversity in the financial services sector, and is important as Citi continues to integrate its work to help close the racial wealth gap into its core business after the conclusion of ARE. Many of the MDIs who spoke with the assessment team identified DFIG as a unique strength of Citi's racial equity efforts.

- While the role that MDIs play in underserved communities is an important one with respect to financial inclusion, there may be other ways Citi can directly expand access to banking and credit in communities of color, including through its own digital channels. The Citi ATM Community Network is one way Citi has endeavored as part of ARE to directly expand access to traditional banking within communities of color, which are more likely to access their bank accounts through an ATM.

- As noted previously, Citi's efforts to expand access to banking and credit through ARE do not currently include products or services to help minority consumers build their credit scores.

Recommendations

The assessment team recommends the following steps to help Citi accomplish the objectives it set forth in Goal 1.

- Make a sustained commitment to and investment in DFIG to allow DFIG to assess the best mechanisms by which to continue strengthening MDIs, which could include one or more of the following:
    - Periodic infusions of growth capital to the MDIs with which Citi has already partnered and investments in MDIs not yet reached through ARE.
    - Additional, refined revenue generation opportunities for MDIs.
    - A continuation of the MDI Rotational Program, including by taking steps to make the MDI Rotational Program a career-enhancing move for seconded employees who return to Citi.
    - Requests for more outcome data from MDI partners that could help Citi assess where to target its future investments.
- Alongside the Citi Access Account Package, Citi could consider working with MDIs and other institutions to offer credit-building products to help minority consumers who need assistance building and maintaining a healthy credit score.
- Continue Citi's support and participation in the OCC Project REACh effort to make credit cards available to people without credit scores by evaluating bank account data.
- Use existing channels (e.g., mobile banking) or new products or platforms to reach and serve additional populations of minority customers directly, supplementing Citi's ongoing work to reach and serve minority customers indirectly through methods like its partnerships and investments in MDIs.

IX. Goal 2: Invest in Black Entrepreneurship

The second goal Citi included in ARE was a commitment to invest in Black entrepreneurship. As commentators have noted, supporting Black business ownership is important to bridging the racial wealth gap between white and Black Americans.[136] Research suggests that increased investment in businesses started by Black entrepreneurs is likely to generate positive economic and social returns by creating millions of jobs and strengthening the communities where they operate.[137]

Black-owned businesses sometimes face obstacles that impede their ability to raise capital or obtain loans. Black entrepreneurs who submit applications for bank financing are turned down at twice the rate of white entrepreneurs.[138] Research indicates that even after controlling for a business's characteristics, Black entrepreneurs are less likely than their white counterparts to receive approval for small business loans at banks.[139] According to a 2020 report from the Federal Reserve Bank of New York, only 33 percent of healthy or stable Black-owned firms had an existing banking relationship, compared to 54 percent of comparable white-owned firms.[140] As a result, Black entrepreneurs were more likely to rely on more expensive means of securing startup capital, such as personal credit cards, which typically carry higher interest rates than bank loans.[141]

The financial gap between Black and white entrepreneurs is even more pronounced for startup businesses.[142] While Black Americans make up approximately 13 percent of the population of the United States[143] and about 10 percent of U.S. companies are Black-owned,[144] studies have shown that Black entrepreneurs receive only a tiny fraction—between 1 and 3 percent—of venture capital funds invested in U.S. startups.[145] This funding disparity is even more pronounced for Black women,[146] who represent 42 percent of businesses founded by women—more than three times their share of the population.[147] This disparity can impede the survival and growth of Black-owned businesses. Only 4 percent of Black-owned businesses survive past the startup stage.[148]

Goal 2 ARE Initiatives

To accomplish its goal of investing in Black entrepreneurship, Citi deployed several initiatives intended to help Black-owned businesses scale and thrive. Between September 2020 and October 2022, Citi publicly announced the following initiatives related to Goal 2:[149]

Investing in Black Entrepreneurs

- "Allocate an additional $50 million to the Citi Impact Fund exclusively to support businesses owned by Black entrepreneurs."
- "Increase Citi business procurement spend with certified diverse suppliers from $700 million to $1 billion annually, including $250 million with Black-owned firms."
- Launch Citi Start Credit, "which will work with [CDFIs] to help underserved entrepreneurs increase their credit scores and access more affordable credit."

A. Citi Impact Fund Investments

1. Black Entrepreneurs Investment Initiative

In January 2020, Citi established the Citi Impact Fund to make equity investments in "double bottom line" companies whose work has the potential to generate positive social impact in four key areas that Citi refers to as "verticals": workforce development, sustainability, physical and social infrastructure, and financial capability.[150] Citi has said that it also intends its Impact Fund investments to help scale earlier-stage companies owned by women and minority founders in order to drive both financial and social returns and to help reduce gender and racial funding gaps in the VC-funded startup ecosystem.[151] Citi initially committed $150 million to the Impact Fund in January 2020, and allocated an additional $50 million in September 2020 as part of ARE to support businesses owned by Black entrepreneurs through the Impact Fund's Black Entrepreneurs Investment Initiative ("BEII").[152] In September 2022, Citi announced an expansion of the Impact Fund to $500 million.[153]

Through the Impact Fund, entrepreneurs have access to equity capital investments ranging from $250,000 to $10 million across the seed to pre-IPO stages.[154] Citi primarily makes Impact Fund investments in companies that have demonstrated proof of concept, secured prior rounds of funding, and exhibited the potential for scale.[155] Citi allocates early-stage seed investments primarily to companies that are led or owned by women or minorities, including Black founders.[156] Citi told the assessment team that its long-term vision is that Impact Fund investments will help the entrepreneurs who receive them more easily access other sources of capital.

As part of the BEII, Citi launched a pilot initiative—the Impact Fund's Limited Partner Investment Program—to provide funding (as a limited partner) to investment funds founded and managed by minorities and women (who act as general partners) whose investments align with the Impact Fund's four verticals. As part of its ARE commitments, Citi has focused in particular on identifying opportunities with Black general partner candidates. The Impact Fund made an initial commitment to invest $20 million with Black general partners (10 percent of the Impact Fund's initial $200 million), with four goals: (i) enhancing the Impact Fund's long-term financial returns; (ii) increasing the amount of capital available to experienced fund managers of color; (iii) reducing bias in the investment process by increasing the representation of underrepresented minorities in investing roles; and (iv) creating additional investment opportunities for Black-owned investment firms.

The Limited Partner Investment Program enables Citi to leverage the expertise and relationships of existing minority-owned investment managers to identify and provide capital to more Black-owned companies at the pre-seed and seed stages than Citi could directly. Some research suggests that investment firms owned by racial minorities are more likely to provide funding to entrepreneurs who are racial minorities.[157] There is also anecdotal support for this view. A minority-owned investment firm that participated in the Impact Fund investment process similarly told the assessment team that a large proportion of the companies it invested in were led by women and people of color.

As of October 2022, Citi had allocated $120 million of the Impact Fund's $200 million commitment from September 2020, with $77 million, or close to 65 percent of the funds, going to companies with women, racially diverse, or ethnically diverse founders. The percentage of Impact Fund portfolio companies founded or co-founded by people of color and women was 71 percent in September 2022; more than 40 percent of the Impact Fund's portfolio companies were founded or co-founded by Black entrepreneurs, representing more than 20 times the number of companies with Black founders funded in the broader VC sector.[158]

As of October 2022, Citi had committed a total of $36.1 million of Impact Fund equity and capital investments to 13 companies with at least one Black founder and three Black-led, seed-stage VC firms working to close racial gaps with respect to wealth, education, health, and connectivity in the United States.

Altro (formerly Perch)

Altro is a Black-founded Los Angeles-based financial services developer focused on credit building and credit management by converting common recurring payments into credit-reporting events.

Cayaba Care

Cayaba Care is a Black- and woman-founded Philadelphia-based startup that provides community-based maternity support services to underserved populations to improve health outcomes for mothers and babies.

Cityblock Health

Cityblock Health is a Black-founded New York-based provider of preventive healthcare services designed exclusively for low-income and elderly Americans.

Clerkie

Clerkie is a Black-founded San Francisco-based financial services company offering personalized, data-driven budgeting, and debt management solutions to underserved communities.

Collide Capital

Collide Capital is a Black-led seed-stage enterprise and consumer services fund.

Concrete Rose

Concrete Rose is a minority-founded firm that invests financial and social capital into ventures led by founders of color, founders addressing the needs of consumers of color, and founders with a commitment to creating inclusive cultures.

Flume

New York-based Flume is a minority-founded telecommunications company that enables high-speed, low-cost internet access by leasing unused network capacity from cities and utilities.

Greenwood

Greenwood is a Black-founded tech-enabled banking platform built for Black and Latino communities.

MedHaul	MoCaFi
MedHaul is a Black- and woman-founded Memphis-based platform that connects hospitals and clinics to patient transportation providers, improving patient outcomes and increasing healthcare equity.	*MoCaFi is a Black-owned New York-based digital banking platform that offers financial services, including affordable, credit-building financial products, to underserved communities.*

Moving Analytics	Precursor Ventures
Moving Analytics is a Black-founded telehealth company that has developed an app-based, virtual program to help patients access cardiac rehab after they have experienced a heart attack or cardiovascular complication.	*Precursor Ventures is a San Francisco-based, Black-led classic seed stage venture capital firm, with a portfolio of over 200 companies, that invests exclusively with early stage founders.*

Rheaply	Stackshare
Rheaply is a Black-led Chicago-based software company helping large organizations operationalize within the circular economy.	*Stackshare is a minority-founded San Francisco-based enterprise software-as-a-service company that allows developers to trace and collaborate on technology stack decisions.*

Sweeten	Wonderschool
Sweeten is a New York-based Black woman-founded digital marketplace connecting general contractors to competitive residential and commercial renovation projects, while offering guidance and financial protection.	*Wonderschool is a San Francisco-based, Black entrepreneur-led company that connects parents of young children with local, credentialed in-home childcare providers on a secure platform.*

2. Other Citi Impact Fund Initiatives

Citi recently worked with an external consultant to assist the Citi Impact Fund in creating two new tools to guide its process: (i) an impact investment framework and (ii) an inclusive investing strategy. Citi intends for the impact investment framework to enable more consistent investment decisions, informed by a clear understanding of the intended impact and beneficiaries the Impact Fund is seeking to serve. The strategy is a multi-year plan to implement a system of continuous learning, evaluation, and refinement into the Impact Fund's operations and processes in order to understand and break down traditional barriers to venture capital access and better support diverse founders. Citi intends for the first phase to bring consistency and transparency to the investment evaluation process, improve data and metric tracking, and help to identify and eliminate potential for bias. While the new approach was in the final stages of being launched as of October 2022, Citi told the assessment team that the framework would allow Citi to continue focusing on diverse founders as part of its standard investment process across all four Impact Fund verticals, rather than through separate initiatives like the BEII. The approach is also designed to facilitate the collection of metrics to assess the progress and impact of the Impact Fund's commitments. If Citi fully implements the strategy, it will be an important step toward integrating the goals underlying ARE across the Impact Fund.

Citi told the assessment team that the Impact Fund has been focused on building a diverse internal team to support the Impact Fund's work and on developing networks within racially diverse founder communities, because the earliest stages of the venture investment process are often among the most significant barriers faced by diverse founders. With respect to its internal team, as of September 2022, eight of the thirteen Impact Fund team members were women or people of color, including two Black women. The Managing Directors, Risk Review Forum, and Investment Committee that play a role in the review and approval process[159] for Impact Fund investments also include women and people of color, although none of their voting members were Black as of September 2022.

With respect to its relationships with communities of diverse founders, Citi told the assessment team that the Impact Fund works with HBCUvc, a nonprofit organization which is focused on building a pipeline of the next generation of Black and Hispanic startup founders and investors through HBCU students and alumni.[160] Through HBCUvc, the Impact Fund interfaced with HBCU student communities, hosted interns from HBCUs, and contributed toward HBCUvc's Venture Capital Lab Fund, which supports minority tech-enabled founders.[161] Citi Impact Fund has also sponsored and attended the Black Venture Summit, hosted a diverse founders in tech event with TechNYC, and participated in or attended various events related to Black representation in VC.

3. Feedback From Companies and Investment Firms

The assessment team met with a number of minority-founded companies and general partners—not all of whom ultimately secured a Citi Impact Fund equity investment—about their experiences with the Impact Fund's investment process. Several of the entrepreneurs that received an investment reported that Citi's equity investments helped their businesses scale, increased their workforces, and expanded their reach and impact in the communities they served. Beyond the capital they received, these entrepreneurs stated that Citi provided helpful resources, such as assisting them with building a revenue model and connecting them with other relevant departments within Citi that could help support their businesses' growth. Several entrepreneurs also reported that Citi's investments had a broader positive impact on their businesses, explaining that receiving funding from an established institution like Citi helped improve their credibility and created new opportunities with other well-established institutions.

The assessment team heard mixed feedback about the Impact Fund's diligence process. Some entrepreneurs reported that Citi's diligence process was relatively difficult to navigate compared to those employed by other sources of capital, such as traditional VC firms. These entrepreneurs provided several examples, including that Citi's approval process sometimes took up to six months, whereas securing approval from non-bank sources could sometimes take as little as a few weeks, and that Citi required more documentation than some other potential sources of funding. One firm noted, however, that, Citi, as a large, regulated financial institution, might not be as well positioned as other sources of capital to be a pre-seed funding "first check" investment for entrepreneurs. This firm expressed the view that Citi's diligence process was appropriate for a traditional bank and that with respect to its own experience, Citi had decided to invest quickly, which allowed the firm to put pressure on other sources of funding to expedite their processes.

Citi acknowledged that its diligence process sometimes took longer than that of VC firms but noted that its process was within the norm for regulated financial institutions. Citi explained that equity investing requires more oversight and a more robust approval process from bank holding companies due to volatility and risk. As noted previously, bank holding companies, their national bank subsidiaries, and their non-bank subsidiaries are subject to greater regulatory expectations regarding due diligence as part of their enterprise risk management, third-party risk management, and compliance risk management programs. Regulators expect Citi and the Impact Fund to conduct more exacting due diligence than non-bank financial institutions, and they can penalize Citi and the Impact Fund through examination criticism, informal enforcement actions, or formal enforcement actions if ineffective due diligence leads to an investment that creates risk to the bank. Because earlier-stage and more resource-constrained companies may find it difficult to navigate the rigorous administrative process required as a result of the environment in which Citi and similarly situated regulated financial institutions operate, Citi has generally preferred to focus on Series A to Series C stage companies, where Citi may add value beyond the investment through its network and resources.

Several of the entrepreneurs and general partners who spoke with the assessment team believed that ARE was addressing a need and helping to bridge the wealth gap. One noted that Citi had taken steps to fulfill its public commitments, and that Citi's work with respect to the Impact Fund could serve as an example for other large financial institutions. Other firms saw an opportunity for Citi to strengthen its commitment to impact investing, particularly given the amount of capital committed to the Impact Fund compared to Citi's investments in other spaces. Since the assessment team's discussions with these firms, Citi announced in September 2022 an expansion of the Impact Fund to $500 million.[162]

B. Increased Spending with Certified Diverse Suppliers

1. ARE's Supplier Diversity Goals

In its September 2020 announcement of ARE, Citi committed to increase its annual spending with certified diverse suppliers[163] from $700 million to $1 billion, including $250 million with Black-owned firms.[164] In 2022, Citi increased its spending target for Black-owned suppliers to $350 million. Citi views its diverse supplier initiative as an important component of its efforts to help address the racial wealth gap because Citi believes that growing diverse suppliers will create more opportunities for Black entrepreneurs and, in turn, create additional employment opportunities and spending in the communities they serve.

Research supports this theory. A 2021 report published by the National Minority Supplier Development Council ("NMSDC") stated that increased spending with minority-owned suppliers generated a positive multiplier because it resulted in additional revenue for lower-tier suppliers, income for employees, and sales in communities where employees live and work.[165] A study published by McKinsey in 2022 concluded that doubling spending with women- and minority-owned businesses would generate more than $250 billion in additional income and millions of jobs for minority and women employees.[166]

Citi's efforts to increase diversity among its suppliers predate ARE. Citi reported that its direct annual spending with diverse suppliers more than quadrupled in the last decade, from $248 million in 2010 to $1.2 billion in 2021. Since the launch of ARE, Citi has continued to increase its spending with diverse suppliers. Citi spent $875 million with diverse suppliers in 2020, including more than $354 million with Black-owned suppliers.[167] In 2021, Citi spent more than $1.2 billion with diverse suppliers, including more than $432 million with Black-owned businesses, exceeding its ARE goal. As of October 2022, Citi's spending with diverse suppliers was $1.1 billion for the year, including $479.6 million with nine Black-owned businesses.

Although spending with Black-owned suppliers has increased annually for the last several years, much of this increase resulted from increased spending with existing suppliers, rather than spending with new Black-owned suppliers. For example, from 2019 to 2020, Citi increased spending with one Black supplier by 84 percent. From 2020 to 2021, Citi increased spending with a different Black supplier by 116 percent. At the same time, Citi has seen a small increase in its total number of onboarded Black-owned suppliers since it launched ARE, expanding from ten onboarded Black-owned suppliers in October 2020 to 13 in October 2022. Not all onboarded suppliers will have active contracts at any given time, and the number of Black-owned suppliers who are actively working with Citi fluctuates from year to year because some contracts do not involve recurring work or transactions.

2. Efforts to Engage Diverse Suppliers

Citi's Resource Management Organization oversees its Supplier Diversity, Sourcing, and Procurement teams. Citi identifies potential candidates for its diverse supplier program in several ways. First, Citi is a member of several organizations, including the NMSDC, that connect corporations to potential minority- and women-owned suppliers. Members of Citi's Supplier Diversity team also learn about potential candidates through conferences and other events focused on supplier diversity. In some instances, Citi learns about potential candidates from the sourcing and procurement organizations of its largest suppliers, or from similar teams at other companies with well-developed supplier diversity programs. As of October 2022, the Supplier Diversity team had conducted more than 200 introductory meetings with diverse suppliers.

The process of engaging suppliers begins with the business identifying a need for services. Business leads then work with the Sourcing team to identify, vet, and select relevant potential suppliers from a pool of previously onboarded businesses through a request for proposals ("RFP") process. The Supplier Diversity team collaborates with the Sourcing team to identify opportunities for Citi to work with new and existing diverse suppliers and to meet Citi's commitments regarding spending with diverse suppliers. Both the Sourcing and Supplier Diversity teams have specific goals tied to supplier diversity spending; business leads do not.

Citi encourages its prime suppliers (First Tier Suppliers) to develop and hire diverse suppliers as subcontractors (Second Tier Suppliers) through its Diverse Supplier Subcontracting Program in an effort to further increase overall supplier diversity and its own pipeline of diverse suppliers.[168] Citi told the assessment team that in the long-term it will seek out opportunities to directly engage these Second Tier Suppliers as prime suppliers.

Although the Supplier Diversity and Sourcing teams each play a role in helping Citi accomplish its supplier diversity goals, neither team operates in a vacuum or has the ability to compel the selection of particular suppliers. Rather, a variety of internal teams score and provide input on potential suppliers, and in the event of a tie between two or more suppliers, the business makes the final decision about which supplier to choose, irrespective of whether one of the candidates is a minority- or woman-owned supplier.

In 2022, the Resource Management Organization formed an advisory group that includes the Supplier Diversity team, the Sourcing team, and several business leaders from across the company. The advisory group meets regularly to better understand the sourcing needs of business leaders, drive awareness of the Supplier Diversity team's programs, and explore ways to increase spending with diverse suppliers.

C. Citi Start Credit

Citi's commitment to invest in Black entrepreneurship through ARE also included an initiative designed to help diverse and low- to moderate-income entrepreneurs build and maintain competitive credit profiles. Contemporary racial disparities in credit scores reflect historical inequities in access to credit products like mortgages and credit cards, which in turn underpin the data that credit-scoring models use to determine creditworthiness today.[169]

As part of ARE, Citi created the Citi Start Credit program, a 12-month, digital financial education program given to CDFIs to use as part of their technical assistance programs.[170] Specifically, Citi is working with CDFIs to provide their Black and other underserved entrepreneur clients with a 12-month subscription to a no-fee platform developed in conjunction with Experian. The platform allows entrepreneurs to view their credit report and provides financial education and information to help them raise their FICO Credit Score. The program currently targets Black entrepreneurs. Citi intends to expand it in the future to include other minority and low- to moderate-income entrepreneurs.

Citi launched the Citi Start Credit program in June 2022 and partnered with Justine Petersen[171] to help administer it. Citi had previously partnered with Justine Petersen and another organization on a pre-ARE credit-focused pilot program that the assessment team understands resulted in a significant number of participants increasing their credit scores and moving from sub-prime to prime lending. Justine Petersen and Citi worked together to develop selection criteria for program participants, which are focused on vulnerable populations and not tied to the locations of Citibank branches. Justine Petersen selects the CDFIs to participate and began by engaging its CDFI affiliate, Great Rivers Community Capital ("GRCC"), to work with program participants. In June 2022, GRCC invited 50 members to enroll in the program, with 30 actually subscribing. In July, GRCC invited a second cohort of 100 participants, and in August, GRCC invited 721 additional members. Because of unexpected technical difficulties, the potential participants invited in August were unable to subscribe to the platform until November. As a result, few additional subscribers had enrolled in the program as of October 2022.

Experian tracks and reports participants' progress through the program to Justine Petersen each month. Justine Petersen reports several key metrics to Citi after anonymizing the data (meaning no personally identifiable information is shared), including participants' individual and aggregate credit score improvements, as well as portal utilization, program participation, and retention rates.

Initially, Citi planned to launch the program in two phases: a first phase providing participants with financial education programming, and a second phase offering participants a Citi credit solution. Ultimately, Citi did not implement the second phase of the program, opting instead for its CID and FI&RE teams to evaluate the progress and impact of the financial education program so that the business could consider how best to refine this initiative.

D. Goal 2 Observations and Recommendations

As shown in **Table 1** above, Citi is on track to complete the Goal 2 initiatives it announced at the outset of ARE with the exception of its Citi Start Credit goal.

Observations

- Citi Impact Fund's BEII addresses key barriers to business formation and early-stage development faced by Black entrepreneurs. As with other aspects of ARE, components of the BEII, most notably the Limited Partner Investment Program, leverage the strengths of Citi's business partners to broaden Citi's impact beyond the businesses Citi invests in directly. Participants viewed the initiative favorably and reported that Citi's investments had helped them scale their businesses and secure additional investments from other sources. While appropriate for a regulated financial institution, Citi's diligence process, and its preference for investing in businesses that have demonstrated proof of concept and secured prior rounds of funding, may result in missed opportunities to provide pre-seed "first check" or seed-stage funding to some promising Black entrepreneurs. Because participants in the Limited Partner Investment Program more frequently invest in pre-seed and seed-stage businesses, the BEII provides an indirect source of support for these businesses.

- Citi Impact Fund's impact investment framework and inclusive investment strategy are important opportunities for Citi to institutionalize the objectives underlying the BEII into its standard Impact Fund investment process. Similarly, Citi's efforts to build a diverse internal team to support the Impact Fund's work and to develop and nurture relationships within communities of racially diverse founders have the potential to further integrate Citi's work to address the racial wealth gap across the Impact Fund.

- Citi is on track to meet its goal with respect to spending with diverse suppliers and has exceeded its goal for spending with Black-owned businesses. Citi met its goal with respect to Black-owned businesses largely by increasing spending with its existing suppliers, rather than by expanding the number of Black-owned suppliers who work with Citi. While Citi has established specific goals related to its supplier diversity program for both the Sourcing and Supplier Diversity teams, there is room for additional integration of supplier diversity goals for business units and their leaders.

- The length of time to complete the onboarding process can limit Citi's ability to engage new diverse suppliers when unanticipated opportunities emerge, particularly for procurement categories where Citi does not currently have a roster of onboarded diverse suppliers.

- The Citi Start Credit program is intended to promote Black entrepreneurship by helping Black and other minority entrepreneurs increase their credit scores, a key factor in the ability to secure small business loans. The number of initial participants in the program was relatively small and the program faced unexpected technical difficulties that limited its ability to invite approximately 700 additional potential participants to join the program in August 2022. As a result, it is too early to determine whether the program will help participants improve their credit scores.

Recommendations

The assessment team recommends the following steps to help Citi accomplish the objectives it set forth in Goal 2.

- As the Citi Impact Fund implements the impact investment framework and inclusive investing strategy, assess whether it in fact increases transparency and accountability and results in continued investments in Black and other diverse founders.

- Consider continuing the Citi Impact Fund's Limited Partner Investment Program to sustain and potentially expand Citi's investment in funds that target investments to Black- and minority-owned businesses, particularly pre-seed and seed-stage businesses that Citi might not otherwise reach.

- Consider taking several steps related to Citi's supplier diversity goals. First, because of the important role business leads play in the ultimate selection of suppliers, Citi could establish spending goals or targets for key business units that present the greatest potential for impact, based on their anticipated procurement spending. Citi could, for example, develop performance indicators that could be considered in connection with compensation for key business units and leads that incorporate supplier diversity goals. Citi could also consider establishing a more formalized process for the Supplier Diversity team to meet with key business units at the beginning of each budget cycle to identify upcoming potential opportunities to engage new diverse suppliers. This could give the Supplier Diversity team additional visibility into potentially significant procurements that might provide opportunities for Citi to advance its supplier diversity goals, and into smaller procurements that the Supplier Diversity team might not have been aware of otherwise.

- Continue efforts to identify and onboard new diverse suppliers, particularly for procurement categories where Citi does not currently have an onboarded diverse supplier because the length of time to complete the onboarding process can limit Citi's ability to engage new diverse suppliers when unanticipated opportunities emerge.

X. Goal 3: Invest in Affordable Housing and Promote the Growth of Black Homeownership

The third goal Citi included in ARE was to "invest in affordable housing and promote the growth of Black homeownership."[172] As Citi explained in the ARE launch announcement, "Homeownership is a key way to build wealth and equity, and safe, affordable housing is an important platform for financial stability."[173]

As of the fourth quarter of 2021, 43 percent of Black Americans owned a home, compared to 74 percent of white Americans.[174] Black households are "more likely than the population overall to rent their homes" and more than twice as likely to rent as white households.[175] And renting, as opposed to homeownership, can have a significant economic burden. In 2020, 46 percent of renters were "cost burdened," meaning that the household paid more than 30 percent of its income in rent, including 23 percent of renters who spent at least half of their income on rent.[176]

Low rates of homeownership are compounded by the scarcity and high cost of rental housing, including a 14 percent increase in rents between 2021 and 2022.[177] In its 2017 report on Worst Case Housing Needs, the U.S. Department of Housing and Urban Development ("HUD") concluded that "severe housing problems have expanded dramatically during the past decade and were exacerbated by the economic recession and associated collapse of the housing market, which reduced homeownership through foreclosures and tight lending and increased demand for renting."[178] HUD found that six of ten extremely low-income renters and four of ten very low-income renters lacked access to affordable and available housing units, even with rental assistance.[179] In 2018, HUD reported that a family with one full-time worker earning the minimum wage could not afford the fair-market rent for a two-bedroom apartment anywhere in the United States.[180]

Goal 3 ARE Initiatives

To achieve its goal of investing in affordable housing and promoting Black homeownership, Citi publicly announced the following Goal 3 initiatives between September 2020 and October 2022[181]:

Investing in Affordable Housing

- "Provide $200 million of equity and preferential financing through [CCC] to affordable and workforce housing projects by minority developers and investment managers who either are the sole equity owners or are in a joint venture with meaningful equity participation."
- Issue a $2.5 billion bond to finance the "construction, rehabilitation and preservation of quality affordable housing."

Promoting Black Homeownership

- "Expand the [U.S. Personal Banking] community lending team and its network of correspondent lenders to increase access to Citi's mortgage products and services among minority borrowers in low- and moderate-income neighborhoods."
- Work "toward expanding the eligibility criteria for [Citi's] Community Lending products and program, while leveraging its mortgage portfolio and capital to further enable homeownership."
- "[C]ontinue[] to invest in [] digital mortgage capabilities to better reach all communities, including underserved markets."
- Strengthen relationships with homeownership counseling groups "to promote financial inclusion through greater access to credit and capital."

A. Investing in Affordable Housing

1. Investment in Joint Ventures with Black-Owned Investment Managers and Developers

As the largest affordable housing lender in the United States for the last twelve years, Citi's efforts played a role in developing and preserving affordable housing before ARE.[182] Over that time, Citi partnered with developers, nonprofits, and local governments to create or preserve nearly 488,000 affordable housing units.[183] CCC (described above in connection with Goal 1) is a specialized unit within ICG, Markets & Securities Services that provides "financial products to help affordable housing developers construct, rehabilitate, refinance, and acquire affordable multifamily housing across the country."[184] CCC reported approximately $5.64 billion in lending and investing to finance affordable housing projects in 2021.[185] Citi also supported public and private housing developments with a variety of products such as project finance debt, tax credit equity, and municipal financing.[186] Citi has additionally provided affordable housing developers with financing solutions, including construction and permanent lending, and Fannie Mae and Freddie Mac mortgage banking.[187]

In October 2020, as part of ARE, CCC announced the issuance of a $2.5 billion Affordable Housing Bond, which it described as the largest social bond from a private-sector issuer at the time of issuance.[188] The proceeds of the bond, issued under Citi's Social Bond Framework for Affordable Housing, will finance the "construction, rehabilitation, and preservation of quality affordable housing for low- to moderate-income populations in the United States."[189] At the end of 2020, the Affordable Housing Bond Asset Portfolio included 252 active construction loans,[190] which have financed the development or preservation of more than 42,000 affordable housing units in 32 states, territories, and the District of Columbia.[191] These projects are distributed throughout the United States and include 151 new construction projects, 90 renovation projects, and four adaptive reuse projects.[192] Forty-six projects have supportive housing.[193] The Affordable Housing Bond has also financed units tailored to the needs of protected and vulnerable populations, including 1,119 units for formerly unhoused individuals.[194]

When Citi launched ARE, it also announced a $200 million investment to preserve affordable housing.[195] CCC initially planned to partner with a leading New York-based fund manager ("Affordable Housing Fund Manager") with which Citi had worked in the past; that entity would manage Citi's investment and allocate the funds to minority-owned developers and property-level investment managers. After obtaining feedback from members of the Black developer and investment manager communities, CCC restructured the investment as joint ventures between the Affordable Housing Fund Manager and minority-owned developers and investment managers, each acting as a co-fund manager in addition to their roles as developers and property-level investment managers. Citi committed to providing each joint venture with $40 million to direct toward affordable housing preservation.[196]

CCC began soliciting applications for diverse fund managers (firms that were at least 50 percent owned by a racial minority) in December 2020.[197] Citi applied four eligibility criteria: (i) a minimum of five years of housing experience; (ii) previous management of fund investments of more than $50 million of equity capital including property-level investments; (iii) an acquisition or development and management of more than 500 units of multifamily housing with an emphasis on affordable or workforce housing; and (iv) the absence of any prior negative relationship with Citi, HUD, FHA, municipal housing agencies, or government-sponsored enterprises.[198] Citi based its selection on the candidate's relevant experience, knowledge of the affordable housing industry, ability to evaluate project-level equity investments, comprehensive plan of finance, geographic focus, and ability to deploy capital in a risk-adjusted, responsible manner.

CCC held discussions with more than 100 individuals and organizations who were potential candidates and received 67 applications. CCC worked with an independent advisory council made up of diverse industry leaders from real estate investment firms and nonprofits[199] to select five minority-owned investment managers through an RFP process.[200]

Dantes Community Partners

Dantes Community Partners ("DCP") is an investment management firm based in Washington, D.C., focused on acquiring existing cash-flowing assets with an emphasis on preserving workforce and affordable housing assets across the Mid-Atlantic region.

Ginosko Development Company

Ginosko Development Company is a multi-state affordable housing development company based in Novi, Michigan, focused on multi-family residential housing development, construction, ownership, and management.

Laurel Street

Laurel Street is a multifamily residential development company headquartered in Charlotte, North Carolina, and experienced in developing and preserving high-quality, mixed-income communities for working families and seniors, principally in the Southeast.

RailField Partners

RailField Partners is a real estate investment firm based in Bethesda, Maryland, specializing in the acquisition of multifamily assets in the Mid-Atlantic, Southeast, and Texas.

SG|T2

SG|T2 is a joint venture between SG Companies ("SG"), a Black-owned real estate investment firm based in Southfield, Michigan, and T2 Capital Management ("T2"), a real estate investment firm based in Wheaton, Illinois. The joint venture is focused on preserving affordable workforce housing, principally in the Midwest.

As part of this initiative, each of the investment managers and developers entered into a joint venture with the Affordable Housing Fund Manager, with each joint venture forming a fund of $40 million from Citi's investment.[201] Within each joint venture, the investment manager or developer serves as the Managing Member, with responsibility for "investment sourcing, fundraising, property financing, analysis, execution and property asset management" of the fund. As a condition of Citi's investment in each fund, the joint ventures were required to pursue deals focused on the acquisition of affordable and workforce housing, of which at least 50 percent of residential units for any investment must be at rents affordable at or below 80 percent of the relevant area median income ("AMI"). The joint ventures may not invest more than $10 million in any single project without approval from Citi to exceed this limit.

Between May 2021 and October 2022, the five joint ventures closed ten investments involving a total of more than 2,200 units of affordable housing in four states.[202] Two additional projects in the pipeline involve more than 1,000 additional units. While Goal 3 of ARE is generally focused on promoting affordable housing, this particular initiative also advances Citi's efforts to support Black entrepreneurship through its support for the five joint venture partners, each of which is a Black-owned business.[203]

2. Feedback from Black-Owned Investment Managers and Developers

The assessment team spoke with representatives from the five investment managers and developers who received investments from Citi. Several commended Citi's decision to partner with minority-owned developers and investment managers—a step that they characterized as unique among financial institutions seeking to promote affordable housing.

Several firms reported that the investment from Citi, an established institutional investor, provided a reputational benefit and that they have found it easier to raise and leverage capital and to bid successfully on properties since Citi's investment. Similarly, one firm reported that Citi's commitment, combined with the structure of the fund, allowed its fund to acquire properties in more expensive areas, where it was typically more difficult to preserve affordable housing. Another firm said that the $40 million investment changed its trajectory in terms of the vendors it was able to hire, as well as the ways it could improve the quality of its units and, consequently, the residents' quality of life. This firm said that the management fees it earned for its work in the joint venture allowed it to stabilize its business, hire the team it needed, and pay market-rate salaries to Black and Brown individuals.

At the same time, several of the property-level investment managers and developers commented on the structure and size of Citi's investment. One firm explained that the size of the investment in the joint venture and $10 million acquisition cap discouraged that firm from competing for large deals, even with the possibility of a waiver from Citi on the cap, while another firm said the structure pushed it to find partners for larger deals. Additionally, a few firms told the assessment team that the investment, while helpful to the preservation of affordable housing, did not specifically create a path to expand access to new affordable housing. One firm said that increasing access to affordable housing (such as by financing new construction) would be a "challenge of another order of magnitude" requiring institutional investors to take more risks and accept lower returns.

The assessment team also received mixed feedback about the structure of Citi's investment, in which each firm entered a joint venture with the Affordable Housing Fund Manager. Some of the property-level investment managers and developers described benefits associated with partnering with a larger real estate development entity with experience, resources, and a pre-existing relationship with Citi. The assessment team heard specifically about the value of the technical expertise and regular counsel provided to certain firms as the developers and investment managers worked to target certain properties or structure acquisitions of those properties.

The investment managers and developers also provided feedback on how Citi could improve this initiative. The assessment team obtained consistent feedback during discussions that took place during the summer of 2022 that the investment managers and developers did not have a direct relationship with Citi after the conclusion of the RFP process. Most firms expressed a desire for a direct, more formalized relationship with Citi and hoped to continue working with Citi in the future. Many expressed a hope that Citi would consider partnering with their firms directly in the future rather than providing capital through a partnership with the Affordable Housing Fund Manager.

B. Promoting Black Homeownership

Citi's second area of focus in Goal 3 is promoting Black homeownership. Homeownership is a primary means by which Americans build wealth. Nonetheless, while white families have used homeownership to transfer wealth intergenerationally, laws and policies throughout American history excluded Black families from doing the same.[204] In the fourth quarter of 2021, only 43 percent of Black Americans owned their homes, compared to 74 percent of white Americans.[205] Between 2000 and 2017, rates of Black homeownership dropped 4.8 percent while rates of white homeownership dropped only 0.5 percent and rates of homeownership among other racial and ethnic groups increased.[206] Moreover, "parental homeownership and wealth influence homeownership outcomes for children, and differences in parental wealth and homeownership can explain 12 to 13 percent of the homeownership gap between Black and white young adults."[207]

Obtaining mortgages and down payments are two main barriers renters cite to achieving homeownership.[208] Six in ten renters say they rent because they lack funds for a down payment, and four in ten say they cannot get a mortgage.[209] Historical barriers to accessing credit play an important role. A 2019 study by the Urban Institute concluded that "[t]he share of [B]lack households with a mortgage would increase 10.6 percentage points if their credit score distribution was the same as the distribution for white households."[210]

1. Citi's Mortgage Footprint and ARE Strategy

Citi is not one of the largest mortgage lenders in the United States, even though it is one of the country's largest financial institutions in terms of total assets. In 2020 and 2021, Citi was not among the top 25 mortgage lenders by originations and had a market share of less than 1 percent.[211] Citi's mortgage business has also changed in the last half decade; in early 2017, Citi announced its exit from mortgage servicing operations by the end of 2018.[212] Citi's Mortgage team noted that its strategy for supporting Citi's ARE goals focused both on expanding the availability of products that address the lending needs of those in historically underserved communities, as well as expanding community-focused hiring to earn and establish trust in communities of color.

2. Expansion of Home Run and Lender Paid Assistance Programs

Before launching ARE, Citi established two products, Home Run and Lender Paid Assistance ("LPA"), to help make homeownership accessible to a larger portion of the bank's customers—and to low- to moderate-income borrowers in particular. Home Run allows homebuyers purchasing a home in a Citibank CRA assessment area with an income less than 80 percent of the relevant AMI or within a specific census tract to make a down payment of as little as 3 percent on a variety of properties, including single-family homes, condos, co-ops, and two-unit homes.[213] The program also removes mortgage insurance requirements, provides homeowners with education and counseling services, and offers flexible credit guidelines.[214]

Citi's LPA program provides eligible homebuyers with a non-repayable lender credit that may be applied toward eligible closing costs, including points to buy down the mortgage rate.[215] Through LPA, Citi provided closing cost assistance to 1,502 clients in 2020 and 2021 that totaled $7.3 million in non-repayable grant funding.

In connection with ARE, Citi established an SPCP in August 2022 to expand eligibility for both Home Run and LPA, after consultation with regulators. An SPCP is a program that "is established and administered to extend credit to a class of persons who, under the organization's customary standards of creditworthiness, probably would not receive such credit or would receive it on less favorable terms than are ordinarily available to other applicants applying to the organization for a similar type and amount of credit."[216] Although the ECOA prohibits creditors from discriminating against applicants on a prohibited basis, including race, it provides an exemption for credit offered pursuant to an SPCP that meets standards set out in the OCC's Regulation B.[217] For instance, an SPCP may include initiatives for low-income minority borrowers.[218]

Establishing an SPCP allowed Citi to expand the geographic reach of the existing Home Run and LPA products into majority-Black and majority-Hispanic census tracks outside of assessment areas where it has a physical presence, including majority-Black and majority-Hispanic census tracts in Atlanta, Austin, Cambridge, Dallas, Denver, Houston, and Philadelphia.[219] Citi also used the SPCP to expand the income eligibility threshold for the Home Run program from 80 percent of AMI to 120 percent of AMI in order to capture not only low- to moderate-income borrowers, but also the bank's median income customers. In addition, the LPA program now covers $7,500, up from $5,000, in closing costs for qualifying homebuyers.

3. Expansion of Community Lending Teams

In addition to expanding its Home Run and LPA programs, Citi established a team of Community Loan Officers ("CLOs") to help more customers navigate the home-buying process and enter into mortgages. CLOs are specialized Home Loan Officers ("HLOs") who facilitate mortgage sales and client relationships through engagement with the community, diverse real estate agents, and affordable housing nonprofit partners. CLOs work with community clients by, for example, providing assistance filling out mortgage applications, offering advice on products that fit a client's needs, and communicating about the status of a loan as it progresses through the stages of the mortgage process. Citi's goal is to fill 26 CLO positions in 16 markets. As of October 2022, Citi reported that it had hired 19 CLOs and was actively interviewing to fill the remaining seven positions by the end of 2022. These 19 CLOs represent 6 percent of the population of Citi's HLOs. Citi reported seeing early signs of success when its mortgage penetration rate rose in 2022 (compared to 2021) in majority-minority census tracts within a particular city where it had hired CLOs.

In addition to CLOs, Citi also employs Business Development Officers ("BDOs") to facilitate new customer relationships by providing information about Citi's products and services to community members and interfacing with diverse realtor groups and nonprofits. When ARE launched, Citi planned to hire four BDOs and filled one position in June 2022.

4. Partnership with MDIs

Citi surveyed more than 130 MDIs to gauge their interest in partnering with Citi to make the transition into mortgage lending. Citi followed up with emails to all MDIs and called 95 percent of them; 14.8 percent of institutions responded. This outreach focused on three potential relationships with Citi: (i) selling loans as a correspondent lender; (ii) buying assets or CRA credits to help the MDIs meet regulatory obligations; and (iii) receiving general guidance or assistance in the field of mortgage lending. Although Citi intended to purchase mortgages from MDIs, Citi learned that fewer than one-quarter of the MDIs were originating mortgages, and the majority of MDIs did not have traditional mortgage-banking platforms and did not offer traditional mortgages that could be sold to the secondary market or aggregators. Citi onboarded four MDIs as correspondent lenders from which to purchase loans in 2021 and 2022, and purchased $64 million in loans from those MDIs in 2021. As noted above, Citi has also seconded a veteran employee of Citi Mortgage to a Black-owned MDI as part of the MDI Rotational Program to help originate mortgage loans.

In response to information provided during the survey, Citi began to focus on selling mortgages to MDIs. By September 2022, Citi had onboarded eight MDIs to which it could sell loans to help the MDIs meet their CRA regulatory obligations or balance their portfolios to meet allocation limits. Citi sold $26 million in loans to MDIs in 2021 and $15 million between January and September 2022.

5. Additional Steps to Promote Black Homeownership

As part of ARE, Citi also set out to increase the number of community events it participates in with affordable housing nonprofits and diverse realtor organizations.[220] These events facilitate connections between diverse realtors and diverse customers and provide opportunities for CLOs to familiarize clients with Citi's loan products. Citi also sponsored diverse real estate associations, such as the Asian Real Estate Association of America, National Association of Real Estate Brokers, and National Association of Hispanic Real Estate Professionals—three organizations that provide business development opportunities between CLOs and diverse realtors.

Citi also launched a digital, self-serve mortgage functionality, that enables potential customers to start the mortgage application process from a smartphone. It includes the ability to e-sign documents, see upfront fees and loan status, and upload documents. As of October 2022, Citi was in the process of launching a separate digital application to allow customers to review mortgage options they discussed with their loan officer and complete the application digitally, as well as to exchange messages with a loan officer or support team. One objective for these efforts was to make lending more accessible to those in historically underbanked areas with low or no branch presence.

C. Goal 3 Observations and Recommendations

As shown in **Table 1** above, Citi has made progress on many Goal 3 initiatives, including by expanding its community lending team and its network of correspondent lenders to increase access to Citi's mortgage products and services among minority borrowers in low- to moderate-income neighborhoods, and by providing $200 million of equity and preferential financing to affordable workforce housing projects by minority developers. Through ARE, Citi built upon its existing affordable housing work to provide equity investments to Black-owned developers and investment managers. Citi also issued a $2.5 billion Affordable Housing Bond for the construction, rehabilitation, and preservation of affordable housing.

As of October 2022, Citi had not reached the financial goal it announced when it launched ARE: deploying $550 million to support homeownership for people of color and the preservation of affordable housing by minority developers. As noted above, Citi invested $200 million in affordable housing projects. Likewise, Citi has developed an infrastructure to make progress toward ARE's homeownership goal through the expansion of its Home Run and LPA products and the hiring of several community lending officers. Citi noted, however, that recent increases in interest rates and their effect on the mortgage market could present challenges to Citi's ability to meet this goal by the end of 2023.

Observations

- Providing institutional equity to Black-owned real estate developers and investment managers helped the firms expand into new areas, acquire property more quickly, and obtain more favorable loan terms. Several firms told the assessment team that the investment from Citi, an established institutional investor, made it easier to raise and leverage capital and bid on properties, enabling them to invest in and preserve affordable housing.

- While the investment in Black-owned real estate developers and investment managers both supports the Black-owned firms and helps preserve affordable housing, it does not specifically focus on the development of affordable housing in communities where many of the beneficiaries will be Black or other underrepresented minorities. Several firms, however, told the assessment team that the properties they had acquired so far were in predominantly Black neighborhoods.

- While some Black developers and investment managers saw benefits in the structure of the initiative, i.e., a joint venture with a firm that had an established relationship with Citi, others would have preferred a direct investment from Citi. Some also indicated a desire for technical assistance and a more direct, longer-term relationship with Citi.

- Although Citi does not have a significant mortgage footprint compared to many of its peers, it has nonetheless pursued targeted opportunities to foster Black homeownership in the markets where it has a footprint and in select new markets. Citi recently expanded two products—Home Run and LPA—through an SPCP. The increase in Citi's mortgage penetration rates in majority-minority census tracts in one city where Citi hired CLOs is an early signal that hiring additional CLOs could increase loan penetration in other communities of color.

Recommendations

The assessment team recommends the following steps to help Citi accomplish the objectives it set forth in Goal 3.

- Evaluate additional opportunities to invest directly with Black developers, including the five investment managers and developers involved with the $200 million affordable housing initiative. In addition, when considering future investments and financing, Citi could also consider whether to include criteria around building and preserving affordable housing in targeted census tracts.

- Beyond the affordable housing investments, consider ways to provide post-investment support to the minority developers and investment managers, such as assistance related to marketing and building relationships.

- Assess the impact of the SPCP, which expanded eligibility for Citi's Home Run and LPA products (finalized in August 2022), and consider whether to expand further or develop additional SPCPs.

- Citi Mortgage should consider exploring additional digital mortgage capabilities that could make them more accessible for the bank's low- to moderate-income clients. Citi could, for example, encourage the Mortgage team to work with the FI&RE team, including its experts on racial equity in design and data (discussed in more detail below).

- Look for opportunities to work with regulators to continue developing and applying underwriting criteria focused on alternative credit models and other efforts to address potential racial bias in credit scores impacting mortgages.[221]

XI. Goal 4: Strengthen Citi's Policies and Practices in Order to become an Antiracist Institution

The fourth goal Citi included in ARE was to "[s]trengthen Citi's policies and practices in order to become an antiracist institution."[222] In Citi's words, "[a]dvancing racial equity requires a more intentional focus on the challenges faced by communities of color and a commitment to becoming an antiracist institution."[223] As part of this goal, Citi reported that it was "closely examining [its] own policies and practices to actively identify potential bias—including unintentional blind spots or overlooked opportunities—to help advance equity for communities of color."[224] In a blog post regarding ARE, Citi CEO Jane Fraser acknowledged that "there's a lot more work to do to advance anti-racist practices within [Citi's] own walls and in the industry overall."[225]

Citi has not adopted a specific definition of antiracism. Ibram Kendi, the author of *How to be an Antiracist*, defines antiracism as a "powerful collection of antiracist policies that lead to racial equity and are substantiated by antiracist ideas."[226] He defines an antiracist policy as "any measure that produces or sustains racial equity between racial groups" and an antiracist idea as "any idea that suggests the racial groups are equals in all their apparent differences—that there is nothing right or wrong with any racial group."[227] Others have defined antiracism similarly, as "a system in which we create policies, practices, and procedures to promote racial equity."[228] For the purpose of this assessment, the assessment team relied on these general definitions. Given the potential breadth of the work that could be undertaken in connection with Goal 4, Citi's commitment to work toward becoming an antiracist institution is in some ways the most ambitious component of ARE, the hardest to measure, and the goal that could carry the greatest potential for addressing the racial wealth gap in the long-term.

Goal 4 ARE Initiatives

Citi implemented multiple initiatives related to its goal of becoming an antiracist institution. The assessment team grouped them into three broad categories: (i) defining leadership and accountability; (ii) integrating racial equity considerations into Citi policies, practices, and tools; and (iii) expanding Citi's work with diverse partners. Between September 2020 and October 2022, Citi announced the following Goal 4 initiatives:[229]

Defining Leadership and Accountability

- "Establish a council of senior leaders from across the company to develop additional product innovations, assess performance gaps, and hold businesses accountable for [ARE] commitments."
- "[C]reate[] a centralized FI&RE team" within U.S. Personal Banking to develop "targeted and integrated segment strategies, driv[e] seamless customer-centric execution, and champion[] greater financial inclusion, racial equity, and customer protection."
- "Announce[] participation in [the Management Leadership For Tomorrow] Black Equity at Work Certification."
- "Announce a third-party racial equity audit of ARE initiatives underway across the company to address the racial wealth gap in the United States."

Integrating Racial Equity Considerations into Citi Policies, Practices, and Tools
• Update the Citi Environmental and Social Risk Management policy for project-related financing to "[s]trengthen due diligence processes for project-related financing to address environmental justice and social impacts on communities of color." • "Establish a new Citi Ventures team that will help digital and inclusion units across the bank develop financial technology solutions that center racial equity in design strategy and data protocols."

Expanding Citi's Work with Diverse Partners
• "Work with marketing, communications, and legal partners to establish guidelines that increase representation of people of color on Citi accounts and within their leadership teams." • "Announce[] a collaboration with Getty Images to roll out Citi Diversity, Equity, & Inclusion Imagery Toolkit that aims to provide marketers and communicators with training around authentically showing underrepresented communities in visuals to accelerate more inclusive marketing and advertising campaigns." • "Expand Citi's capital market activities with minority-owned broker-dealers, including by assisting with their business and franchise development." • "Pilot[] a municipal finance modeling training program, in collaboration with minority-owned, municipal broker-dealers and advisors, to support talent development, promote networking, and deliver access to industry-leading bankers in the field." • "Announce Citi Global Wealth Investments' steps to help embed racial equity in asset management, including a goal to onboard 5–15 diverse-owned or managed fund managers to Citi's platform."

A. Defining Leadership and Accountability

The first component of Citi's work toward becoming an antiracist institution focused on establishing a governance structure for Citi's efforts to help address the racial wealth gap, and transparency regarding those efforts.

1. ESG Council

In July 2021, Citi established a council of senior leaders from across business units, known as the ESG Council, to provide a forum for senior management visibility into Citi's ESG initiatives, including Citi's ARE commitments.[230] Citi's CEO serves as the Chair of the ESG Council, which meets on a near-monthly basis and includes members of Citi's Executive Management Team, as well as internal subject-matter experts. Citi's CID team reports to the ESG Council monthly on Citi's progress toward its ARE targets.

2. Financial Inclusion and Racial Equity Team

Citi created the FI&RE team within U.S. Personal Banking in 2022 to integrate Citi's racial equity initiatives more fully into the U.S. consumer business.[231] The FI&RE team works in partnership with senior leadership and stakeholders across various product and functional groups to explore opportunities to promote financial inclusion, racial equity, and customer protection within U.S. Personal Banking and across the firm.[232] To help FI&RE achieve these objectives, Citi established an advisory forum that includes leaders of various initiatives, as well as a steering forum that includes leaders of most business groups within U.S. Personal Banking, to provide an opportunity for idea generation around financial inclusion and addressing the racial wealth gap, in addition to the ESG Council. The FI&RE team uses a dashboard it developed to track and report Citi's progress against its financial inclusion and racial equity commitments and initiatives, such as the Affordable Access Banking Initiative, mortgages, affordable housing, Citi Start Credit, elimination of overdraft or insufficient fund fees, and small business lending.

3. MLT Black Equity at Work Certification

As part of its efforts to become an antiracist institution, Citi agreed to pursue the MLT Black Equity at Work Certification. Through the certification process, MLT evaluates organizations against a set of standard criteria it developed that review a company's efforts to promote racial equity both among members of its workforce and externally in communities the business serves. To be MLT certified, an employer must develop a strategic plan to address its efforts as outlined by the MLT program's criteria and achieve a minimum qualifying threshold. Citi's work toward its MLT certification is ongoing. As of October 2022, Citi had undergone a baseline review conducted by MLT and was developing a plan to meet MLT's certification criteria.

B. Integrating Racial Equity Considerations into Citi Policies, Practices, and Tools

As part of its efforts to become an antiracist institution, Citi has worked to enhance its policies, practices, and tools to help to identify and remedy potential biases, advance equity for communities of color, and hold itself accountable as an antiracist institution.

1. Environmental and Social Risk Management Policy Changes

As part of ARE, Citi formally updated its Environmental and Social Risk Management ("ESRM") policy to strengthen due diligence and screening processes for project-related financing to address environmental justice and social risks impacting communities of color. The ESRM unit at Citi is a team of specialists who examine the environmental and social impact risks of Citi's financing decisions. As part of its mandate, the ESRM team examines whether Citi financing for certain projects[233] might impact a surrounding community, including by considering whether a given project involves "Elevated Human Rights Risks" based on factors such as geographic location, presence of vulnerable groups, reliance on migrant labor, or the relevant sector's history with labor concerns. As part of ARE, Citi supplemented the types of projects with "Elevated Human Rights Risks" to include "[p]rojects with environmental justice concerns due to disproportionate or adverse environmental and health impacts on racial or ethnic minority communities." Although Citi undertook reviews of this type informally before ARE, Citi formalized its process for evaluating this category of risk through ARE.

As part of the enhanced screening process, the ESRM team developed a library of resources describing environmental and demographic indicators that team members can reference to evaluate environmental justice concerns based on project location, patterns of environmental violations, and anticipated cumulative impacts to the community. To guide its due diligence process, ESRM uses a questionnaire to screen for project location, community impact, regulatory compliance, and litigation risks, and provides topics for discussion such as:

"Will the project traverse areas of cultural or historical significance to marginalized groups?" and "Is there organized community opposition to the project?" ESRM review also evaluates a project's public consultation process, such as whether there are mechanisms for collecting feedback and complaints from the community and how any such concerns have been addressed in the design phase of a project. If the ESRM team identifies a project with elevated human rights risks, it will engage with Citi's client to conduct further due diligence on how it mitigates the potentially disproportionate or adverse impacts of its project, how the project aligns with industry best practices, and whether additional actions would be needed to address identified risks. When warranted, the ESRM team can escalate the issue for further senior review and consideration.

Because of the continuing effects of historical segregation in housing policies in the United States, communities of color are more likely to be near higher concentrations of pollution, suffer from higher rates of air pollution, and be more affected by natural disasters and extreme weather events.[234] By formalizing the due diligence processes that examine the environmental and social risks associated with Citi's project-related financing, the ESRM review process has the potential to help Citi mitigate potentially disproportionate impacts of pollution and climate change on some underserved communities and communities of color.

2. Racial Equity Design and Data Initiative

As part of ARE, Citi established the Racial Equity Design and Data Initiative ("REDDI") to work with teams across Citi to consider opportunities to integrate considerations related to racial equity into design, strategy, and protocols related to digital products and services. In October 2022, Citi moved the REDDI team from Citi Ventures, its corporate venture finance group, to the FI&RE organization in U.S. Personal Banking. The REDDI team's expertise includes data science, user experience research, design strategy, and technology policy with a focus on racial equity in each respective discipline.

REDDI has launched several different workstreams focused on enhancing different elements of the bank's products and practices, including:

- *Centering Racial Equity in Design.* REDDI is developing a set of design principles to help consumer-facing product and banking-service delivery teams identify and prioritize the needs of underserved racial and ethnic groups in how they design, market, and communicate about these communities.

- *Third-Party Data Checklist.* REDDI is developing a checklist to help Citi teams evaluate third-party data vendors, to assess what potential biases or data-input gaps might exist in their data products and how those gaps can be addressed.

- *Community-Focused Research.* The REDDI team is conducting research to better understand the products, enhancements to existing products, or channels that could reach underbanked and unbanked communities more effectively.

Most of the projects described above are in the early stages. According to FHN, REDDI's work to develop racially equitable digital solutions could help address gaps in a two key areas: (i) enhancing Citi's efforts to develop banking products and tools that address the financial health needs of Black and Hispanic consumers and (ii) reducing or eliminating racial bias in digital risk assessment processes and algorithms.

C. Increasing Citi's Work with Diverse Partners

Citi has also focused on increasing partnerships with minority-owned businesses and encouraging the professional services firms and other business partners it works with to promote diversity, equity, and inclusion, and to advance racial equity in their business operations.

1. Marketing Partners

Citi worked with marketing and communications partners to increase the representation of people of color on Citi accounts and within their leadership teams and to help ensure diversity in Citi marketing materials. Citi reported that its agency partners that make up the largest portion of Citi's marketing spend have exceeded the representation targets that Citi set in senior leadership and for casting.[235] Citi also planned to continue working with marketing firms owned by members of underrepresented groups, including women, minorities, and members of the LGBTQ community. Citi has begun working with five new diverse partners since the launch of ARE.

Citi collaborated with Getty Images and a consulting firm to develop Citi Diversity, Equity & Inclusion Imagery Toolkits—a set of market-specific resources that provide marketing and communications professionals with recommendations for appropriately depicting underrepresented communities in visuals. The project's objective was to promote more inclusive and authentic marketing and advertising.[236] Citi launched this initiative in October 2021,[237] and the toolkits are now available.[238]

2. Legal Partners

Citi has worked with the law firms it engages to increase representation of people of color on Citi matters and within the firms' leadership teams. Citi intends for this initiative to: (i) bolster Citi's relationships with its outside counsel firms and provide substantive feedback to them on their diversity initiatives; (ii) encourage firms to build diverse matter teams within certain legal practice areas; (iii) build tools for tracking and reporting the utilization of diverse lawyers on Citi matters through tools like e-billing platform analytics; (iv) encourage Citi's in-house legal team to focus on the diversity of the teams working on their matters; and (v) create incentives for firms to continue investing in their diversity efforts by recognizing and rewarding firms that show significant progress through diversity awards and other recognition.

As part of this effort, more than two-thirds of the U.S. law firms Citi has retained have committed to provide Citi with data regarding their diversity efforts,[239] which will allow Citi to identify opportunities to increase representation of diverse attorneys on Citi legal matters. Citi asked for data at the timekeeper and aggregate firm level regarding several demographic categories, including race and ethnicity, gender, veteran status, sexual orientation, and disability.

3. Minority-Owned Broker-Dealers

Citi also committed to expanding its capital market partnerships with minority-owned broker-dealers. In its November 2021 Year One ARE progress report, Citi noted that it had issued $40 billion in debt and capital and included Black-owned broker-dealers in 85 percent of all transactions since January 2020. Citi told the assessment team this had increased to $65 billion in debt and capital and about 90 percent of transactions by October 2022. Each of these transactions included at least one minority-, woman-, or disabled veteran-owned firm.[240]

In 2022, to commemorate Dr. Martin Luther King Jr. Day, Citi worked with Black-owned minority broker-dealer firms to syndicate a $2.5 billion affordable housing bond (described in the section of the report regarding Goal 3).

Citi separately developed a pilot municipal finance modeling training program, in collaboration with minority-owned, municipal broker-dealers and advisors. Citi received positive feedback from the initial participants in the training and intends to continue the program. Citi's goal is to provide substantive training related to financial skills, as well as "cross pollination" and networking opportunities for minority bankers. Citi held a three-week training program in the summer of 2022 with 11 individual participants from five minority-owned municipal broker-dealers and advisors.[241] Participants were expected to graduate from the program in November 2022.

4. Citi Global Wealth Investments

As part of ARE, Citi is working to "embed racial equity in asset management" through its newly formed Citi Global Wealth Investments ("CGWI") team, which manages the Citi Global Wealth platform.[242] As part of ARE, CGWI committed to: (i) increasing the number of diverse-owned and -managed third-party asset managers with which Citi partners and (ii) promoting greater inclusion within the asset management industry.[243] CGWI also committed to onboarding five to 15 additional[244] diverse-owned or -managed[245] fund managers to Citi's platform, with the expectation that more than $200 million of client capital would be invested into these funds by the end of 2023.[246] As of October 2022, CGWI had onboarded two diverse asset managers and raised approximately $10 million in client capital.

D. Goal 4 Observations and Recommendations

As shown in **Table 1** above, Citi has made progress toward the Goal 4 initiatives it announced when it launched ARE. Perhaps more important, it has continued to develop and deploy initiatives related to its efforts to become an antiracist institution. During the listening session with civil rights groups and advocacy organizations, several participants expressed the view that Citi's commitment to becoming an antiracist organization was the most ambitious component of ARE, and that it had the greatest potential to address the racial wealth gap in the long-term, though participants noted that this promise had not yet been fulfilled.

Observations

- Citi's senior leaders are committed to sustaining Citi's efforts to address the racial wealth gap beyond ARE. They recognize that there is more work to do and expressed their commitment to doing that work.

- Citi can do more to embed consideration of the potential impacts of its normal business operations and practices on the racial wealth gap in the United States, as it acknowledges. The status of efforts to do so varies among Citi's business units.

- The creation of the DFIG and FI&RE teams are significant steps in institutionalizing Citi's racial equity commitments. These teams are relatively new and will need support from Citi's leadership to ensure their long-term sustainability and full integration into Citi's business.

- Citi has revised the policy that governs its process for due diligence related to project financing to incorporate consideration of potential environmental justice or social risks on communities of color.

- Although this initiative is still in its early stages, REDDI's work has the potential to help address the racial wealth gap in a few key areas, including by enhancing Citi's efforts to develop banking products and tools that address the financial health needs of underrepresented minority consumers and reduce bias in digital risk assessment processes and algorithms across the financial services industry. The recent integration of REDDI into the FI&RE team consolidates two teams with complementary expertise and presents an additional opportunity for Citi to integrate its work to address the racial wealth gap into Citi's business beyond ARE.

Recommendations

The assessment team recommends the following steps to help Citi accomplish the objectives it set forth in Goal 4.

- Consider additional steps to achieve Citi's goal of becoming an antiracist institution, including by: (i) incorporating efforts to address the racial wealth gap into performance reviews, which carry the potential to affect compensation, and (ii) incorporating consideration for potential impacts regarding the racial wealth gap into Citi business decisions, for example, in the procedures by which Citi makes investment decisions and considers new products, as well as the goals it sets for different business units.

- Consider ways to formalize the ability of DFIG and FI&RE to work operationally across their respective businesses and participate in discussions about investments, products, and other aspects of Citi's business. For instance, Citi could consider requiring business units in U.S. Personal Banking to appoint dedicated liaisons to the FI&RE team, or could require product teams to meet with FI&RE as part of their processes for creating or launching a new product.

- Determine how Citi will evaluate its progress toward becoming an antiracist institution and periodically report on that progress to the ESG Council.

- Consider including a specific sub-goal focused on underrepresented minorities within the broader goals of increasing the number of diverse third-party asset managers and broker-dealers.

XII. Citi Foundation Commitment: Provide $100 Million in Grants to Support Community Change Agents Addressing Issues of Racial Equity

Citi Foundation was established in 1994 with the aim of "promot[ing] economic progress and improv[ing] the lives of people in low-income communities around the world."[247] Since that time, Citi Foundation has expanded its operations globally and now works with more than 250 organizations in more than 80 countries and territories.[248] Citi Foundation's programming is focused on three areas: (i) providing economic opportunities to low-income youth; (ii) developing a more inclusive financial system; and (iii) collaborating with stakeholders to address pressing challenges confronting disenfranchised communities.[249]

As part of ARE, Citi Foundation announced a commitment to "provid[e] $100 million in grants to support community change agents[250] addressing issues of racial equity" by 2023.[251] This commitment is consistent with Citi Foundation's record of investing in organizations promoting financial inclusion, and gave the Foundation a milestone to work toward—applying a racial equity focus to at least $100 million in grant making. Citi Foundation intends to continue applying a focus on racial equity across its work after the conclusion of the three-year ARE commitment announced in September 2020.

To determine whether a Citi Foundation program or grant should be considered part of ARE, Citi Foundation considers the extent to which the organization or program is focused on addressing the racial wealth gap, as well as several other characteristics. Citi Foundation collects data regarding the representation of racial minorities in the organization's leadership, information about the organization's approach to diversity, equity, and inclusion, as well as information about the communities the organization serves. Citi Foundation uses this information to determine whether a program or grant is "ARE aligned," meaning that an organization's mission explicitly addresses its commitment to help close the racial wealth gap. Citi told the assessment team that if an organization's mission does not clearly mention its commitment to racial equity, it may still be aligned with ARE if at least two of the following are true: (i) the majority of the organization's senior leadership or board self-identify as people of color; (ii) the project or program for which the organization seeks support has an intentionally racially-inclusive approach that is clearly named in its scope; or (iii) the project or program for which the organization seeks support intentionally serves predominately minority communities.

Citi Foundation ARE Initiatives

Given Citi Foundation's commitment to promoting economic opportunity and financial inclusion, Citi Foundation's ARE initiatives are largely a continuation or expansion of programs and funding priorities that were in place before Citi launched ARE.

From January 2021 through September 30, 2022, Citi Foundation made approximately $88 million in grants to more than 140 organizations as part of its ARE commitment.[252] Citi Foundation reports that it is on track to fulfill the $100 million, three-year commitment by the close of 2022.

Between September 2020 and October 2022, Citi Foundation publicly announced the following funding efforts:[253]

Citi Foundation's ARE Funding Efforts

- Expanding Community Progress Makers to support "organizations that are working to connect low-income communities and communities of color to greater social and economic opportunity."
- Through the Small Business Technical Assistance Initiative, granting $500,000 in unrestricted funding to 50 community organizations "providing technical assistance to small businesses owned by people of color that have been disproportionately impacted by . . . the COVID-19 pandemic."
- Deepening the existing Pathways to Progress commitment to "expand[] employability and entrepreneurship efforts serving Black youth[.]"
- Through the Community Finance Innovation Fund, bolstering the work of organizations advancing the field of community finance.
- Through the Strengthening Community Leadership initiative, funding "leading nonprofit organizations that are jumpstarting economic activity in hard-hit communities" to "advocate for fairer housing, strengthen and protect civil rights, and reimagine workforce development programming."
- Coalition building, capacity building, and research funding to organizations working at the forefront of racial equity efforts.

A. Citi Foundation ARE Efforts

1. Community Progress Makers

Launched in 2015, the Community Progress Makers initiative aims to "provid[e] unrestricted grant support to community change agents . . . working to catalyze economic opportunity for underserved communities across the United States."[254] In connection with ARE, Citi Foundation focused its 2021–2022 class of Community Progress Makers on "local community organizations that are advancing racial equity by breaking down silos and connecting Black, Indigenous, and People of Color ("BIPOC") to greater social and economic opportunity across the United States."[255]

Community Progress Makers is a two-year program. Each grantee receives $250,000 in unrestricted funding in the first year and another $250,000 in the second year. In addition to the funding, grantees can attend technical assistance programs to share lessons learned. The latest cohort of grantees were given access to a set of trainings curated by the Urban Institute, including training from the Institute for Survival and Beyond on combatting and undoing racism. Based on feedback from the two prior iterations of the Community Progress Makers program, grantees also have the option of working with a consultant from 20 Degrees, an organization that assists NGOs with financial resilience, to learn how to best leverage their balance sheets.

In December 2021, Citi Foundation announced its newest class of 50 Community Progress Makers. The organizations included in this class focus on areas ranging from affordable housing, to access to high-quality jobs, to food security, to technology.[256] Before selecting these organizations, Citi Foundation refined its selection process in consultation with the Urban Institute. First, Citi Foundation made the application more accessible to smaller organizations by streamlining the application and extending the application timeline. Second, Citi Foundation considered the composition of the whole class holistically throughout the selection process, rather than numerically scoring each applicant and evaluating them individually as it had done previously. The resulting class included an increased number of new grantees, small grantees, and BIPOC-led grantees. The Foundation plans to deploy this selection process moving forward, and to adapt it as appropriate to achieve more equitable grant giving.

2. Small Business Technical Assistance

Citi Foundation launched the Small Business Technical Assistance initiative in March 2021, with a $25 million RFP for nonprofit organizations in the United States that are actively providing technical assistance to small businesses owned by people of color that were disproportionally impacted by the pandemic.[257]

The RFP was made available to nonprofit organizations that were providing at least 51 percent of their services to small businesses (a business with revenues less than $1 million and fewer than 50 employees), at least 51 percent of which were owned by people of color. In July 2021, 50 organizations were selected to each receive a one-year $500,000 unrestricted grant.[258]

3. Strengthening Community Leadership

In May 2022, Citi Foundation launched the Strengthening Community Leadership initiative as part of its ARE commitments. The $10 million initiative seeks to provide "flexible funding to 10 of the country's leading nonprofit organizations that are jumpstarting economic activity in hard-hit communities."[259]

Citi Foundation selected ten organizations based on their track records of advocating for communities hardest hit by the economic impacts of COVID-19 and addressing economic mobility for diverse community groups. Each of the ten organizations will receive a $1 million grant over two years. The grant is intended to fund the organizations in their work to "advocate for fairer housing, strengthen and protect civil rights, and reimagine workforce development programming."[260] As of September 30, 2022, Citi Foundation had provided the organizations with $5 million in grant funding and committed an additional $5 million to be paid in 2023.

4. Pathways to Progress

Pathways to Progress is a "job skills-building initiative that addresses the persistent, global issue of youth unemployment" that Citi Foundation launched in 2014.[261] Since then, it has invested more than $275 million in the program globally.[262] In September 2020, independent of ARE, Citi Foundation announced a three-year, $100 million investment in the Pathways to Progress initiative "to improve employability and economic opportunity around the world."[263] When launching ARE later that month, Citi Foundation noted that it would align the Pathways to Progress initiative with ARE to focus even more intentionally on "expanding employability and entrepreneurship efforts serving Black youth."[264]

The interplay between Pathways to Progress and ARE is clear, as the majority of the work being done through the Pathways initiative today in the United States is focused on communities of color. In fact, as of September 30, 2022, 69 percent of Pathways to Progress 2021 and 2022 grants (36 out of 52) or 79 percent of the total funds ($26,085,00 of $33,135,000) aligned with ARE.

5. Community Finance Innovation Fund

The Community Finance Innovation Fund is a $50 million commitment designed to fund organizations that support and provide technical assistance to CDFIs and MDIs in an effort to support growth for these institutions that serve historically underserved communities.[265] As noted in Citi Foundation's September 2022 press release, "Citi Foundation's support for a number of the fund's organizations and projects contributes to [ARE]."[266]

In March 2022, Citi Foundation issued a request for ideas "to support the next level of growth for CDFIs across the United States."[267] After a national selection process, Citi Foundation announced, in September 2022, the selection of 12 nonprofit organizations to collectively receive the $50 million over a multi-year grant period.[268] The 12 organizations are "working to advance the field of community finance in four key areas: human capital and talent development; financial and risk-sharing models; technology and operational efficiencies; and thought leadership and research."[269]

As of September 30, 2022, Citi Foundation had deployed approximately $12.75 million of its $50 million commitment, with grants pledged for 2023 and 2024. Citi Foundation reports that eight of the 12 organizations and approximately 70 percent of the monetary commitment count toward Citi Foundation's ARE commitment.[270]

6. Coalition Building and Research Funding

As part of ARE, Citi Foundation also committed to providing funding to organizations that "elevate the dialogue around advancing racial equity in our communities."[271] Some examples of the projects receiving funding include:

- $5 million grant to Living Cities to provide cities with access to technical expertise, training, and seed capital for pilot initiatives that address racial wealth and income gaps (building on Citi Foundation's prior support to Living Cities).
- $1,525,000 grant to support the next phase of the Financial Health Pulse national research study on economic disparities across race, gender, and age and identify solutions through datasets to dismantle barriers to financial health.
- $250,000 grant to the Aspen Institute's Future of Wealth initiative, which identifies opportunities to expand access to the ways through which working Americans, particularly BIPOC, build wealth.
- $250,000 grant to the Joint Center for Political and Economic Studies's new, 18-month research project entitled the "Data for Black America Project" that will highlight how the COVID-19 pandemic exacerbated existing economic disparities and unequal opportunities for rehabilitation in the Black community after the Great Recession.

B. Citi Foundation Observations and Recommendations

Citi Foundation has nearly completed its September 2020 commitment to "provid[e] $100 million in grants to support community change agents."[272] As of September 30, 2022, Citi Foundation has made approximately $88 million in grants to more than 140 organizations as part of its ARE commitment. Citi Foundation is counting some Pathways to Progress grants toward both the $100 million, three-year Pathways to Progress commitment and the $100 million, three-year Citi Foundation ARE commitment, and, as publicly announced, is also counting a portion of the $50 million Community Finance Innovation Fund toward Citi Foundation's ARE commitment. Citi Foundation has intentionally adopted this approach in an effort to incorporate racial equity considerations into its programs and standard operations, rather than having a separate funding allocation for racial equity efforts, which will allow this approach to continue past the three-year ARE period announced in September 2020.

Observations

- Citi Foundation's ARE commitments are largely a continuation or expansion of programs and funding priorities that were in place prior to Citi's announcement of ARE, reflecting the Foundation's desire to incorporate racial equity considerations into its standard operations.
- Citi Foundation's programmatic objectives—providing economic opportunities to low-income youth, developing a more inclusive financial system, and collaborating with stakeholders to address pressing challenges confronting disenfranchised communities—mean that a focus on racial equity at the Foundation pre-dated ARE and will likely remain in place after 2023.

Recommendations

The assessment team recommends the following steps to help Citi accomplish the objectives it set forth with regard to Citi Foundation.

- Continue to apply a holistic grantee selection process, building on the selection process developed in conjunction with the Urban Institute, to grant making moving forward.
- Continue to consider diversity within the executive leadership of potential partner organizations as a formal factor in deciding whether to award a grant, beyond ARE-specific initiatives.

Appendix

Edward Skyler
Executive Vice President
Global Public Affairs

Citigroup Inc.
388 Greenwich Street
New York, NY 10013

citi

October 14, 2021

SOC Investment Group
1900 L Street NW, Suite 900
Washington, DC 20036

Attention: Dieter Waizenegger, Executive Director

Re: Racial Equity Audit Stockholder Proposal

Dear Mr. Waizenegger:

On behalf of our team at Citi, we want to first thank SOC Investment Group ("SOC") for your thoughtful engagement on the stockholder proposal (Racial Equity Audit Proposal) that you submitted to Citi for its 2021 Annual Meeting of Stockholders outlining your suggestion that Citi conduct a racial equity audit. We have appreciated your willingness to continue to engage with us as we have held the necessary conversations with the Board and senior management to allow us to consider this important issue.

To confirm our understanding of our discussion on October 8, 2021, Citi is prepared to announce in the coming weeks that we will retain Covington & Burling LLP to conduct a racial equity audit. Because we recognize the importance of having your support for our approach to the audit, we outline below our understanding of how we expect this work to proceed, consistent with our discussions with SOC:

- **Scope:** The focus of the audit is to objectively assess Citi's efforts to help address the racial wealth gap in the United States through the design and implementation of our *Action for Racial Equity* ("ARE") initiative. As we have discussed and disclosed publicly in considerable detail, ARE is a broad initiative that focuses on the key levers through which Citi's policies, practices, and products can be used to address the racial wealth gap in the United States. As we've discussed, we think this scope for the audit is well-targeted to achieve Citi's objective of understanding the ways we can help to address the racial wealth gap. For the reasons we've outlined, the audit will not cover a review of Citi's historical compliance with regulatory obligations or other pre-ARE activities, nor focus on our diversity, equity and inclusion efforts with respect to our workforce (see Appendix A).

- **Timing:** The audit will commence no later than January 1, 2022, with the goal of being completed by December 30, 2022. Citi is open to meeting with SOC twice (once in spring 2022 and once in fall 2022) to share progress updates. One meeting will include a member of Citi's Executive Management Team and/or a member of the Nomination, Governance and Public Affairs Committee of Citi's Board of Directors. Citi will inform SOC if Covington requests additional time to complete the audit.

- **Stakeholder engagement:** Citi will engage with stakeholders during the audit, including employees involved in implementing ARE across various businesses units and functions, and civil rights advocacy organizations that we expect will share the views of the customers and communities they represent. The point of this engagement will be to gather feedback on Citi's implementation of ARE. At the end of the audit, Citi will also share with these stakeholders the results of the audit, outlining what we have learned and any recommendations for how Citi can evolve its efforts to address the racial wealth gap, remove barriers to success and/or accelerate results, and identify new opportunities. In addition, Citi will also hold a dialogue session with grassroots advocacy organizations on the subject of addressing the racial wealth gap.

- **Oversight:** Citi's ESG Council, chaired by CEO Jane Fraser and including members of Citi's Executive Management Team and ESG-related function heads, will oversee the audit. Updates will also be provided to the Nomination, Governance and Public Affairs Committee of Citi's Board of Directors. As discussed, reporting to the Board already includes at least semi-annual updates.

- **Transparency:** As noted, Citi will publicly announce its plans to conduct a racial equity audit in the coming weeks, but in any event no later than two weeks prior to the Citi Annual Meeting stockholder proposal filing deadline (November 17, 2021). SOC will be invited to provide a supportive statement to be included with Citi's announcement, which will note Covington's civil rights expertise. If SOC plans to issue its own public statement related to Citi's announcement, Citi requests the opportunity to review that announcement and request any changes necessary to ensure its language is consistent with the language used here to describe the audit. Citi will release the results of the audit publicly, along with any recommendations. Citi will also provide updates on efforts to implement ARE, as well as any recommendations developed during the audit, in its annual ESG Report, going forward.

We understand from our conversation that based on our decision to conduct a racial equity audit as outlined above, you will not refile the 2021 Racial Equity Audit Proposal or any other similar proposal for the 2022 meeting. Further, as we discussed, our decision to conduct a racial equity audit will be held confidential by all parties until such time as Citi has announced it. If this meets with your agreement, our signature below evidences Citi's commitment conditioned upon your agreement to not refile the Racial Equity Audit Proposal. We would ask that you evidence that agreement by signing below, optimally by October 15, 2021, and returning this letter to us.

Thank you again for your thoughtful engagement.

Sincerely,

Edward Skyler

This will serve to confirm the agreement by SOC Investment Group to not refile the Racial Equity Audit Proposal.

SOC Investment Group

By

Dieter Waizenegger, Executive Director

Appendix A – Citi's Diversity, Equity and Inclusion Efforts

The below presents a synopsis of the highlights of Citi's Diversity, Equity and Inclusion (DEI) efforts over the last few years. We think it shows a trajectory of continuous learning, improvement, ambitious target-setting and radical transparency.

Over the course of this journey, we have constructively engaged with various stockholders, including Natasha Lamb from Arjuna Capital, who filed but ultimately withdrew proposals on reporting gender and racial pay gaps in adjusted and unadjusted, or "raw" terms. Subsequently, the AFL-CIO filed but withdrew a proposal suggesting the adoption of a Diverse Candidate Search policy. Citi already had such a policy in place prior to the proposal, so the AFL-CIO subsequently withdrew.

Despite our progress, we recognize that we have much work to do, which is why Citi became among the first 50 companies and the only large U.S. bank to sign-up to undergo the MLT Black Equity at Work Certification (Note: this will be announced later this month, we ask that you keep it confidential). We feel this rigorous external certification process (details below) would substantially overlap with any analysis conducted by the proposed racial equity audit, making the two efforts duplicative and creating unnecessary complexity and confusion both internally and externally.

Please find additional information on our DEI efforts below.

- **Transparency:** Citi has been very transparent about its DEI efforts, publishing progress updates both in its ESG Report and in a dedicated Talent & Diversity report (since 1999). We also highlight the importance of these efforts in our annual proxy statement (2021 Proxy, p. 18). We have achieved various milestones in recent years:
  - **EEO-1 reporting:** In 2019, Citi increased transparency by moving from reporting its Consolidated U.S. Employer Information Report for Component 1 (EEO-1) in percentages to reporting raw numbers. We also launched a new human capital management technology that allows our colleagues who identify as more than one race or ethnicity to be designated accordingly. We began reporting based on those designations in addition to the EEO-1 format, which is more restrictive, in our 2019 Talent and Diversity report. We also started to include an "Advocacy Statement" on multiple identity breakdowns, emphasizing the importance of capturing the reality of who our employees are, since the EEOC categories do not accurately represent the U.S. population (see here, Tables A & B, p. 19, for December 2020 data).
  - **Pay gap analysis:** Over four years ago, Citi was the first bank to disclose adjusted pay results. In 2019, we were the first U.S. company to disclose our unadjusted or "raw" pay gap for women and U.S. minorities, which measures median total compensation unadjusted for factors such as job function, level, and geography (see current reporting here, p. 8).
- **Representation goals:** To address these pay gaps, we then set representation goals to increase representation at senior levels of the firm. These goals cover Managing Director (MD) levels down to the Assistant Vice President (AVP) level, representing a large portion of our workforce. Our representation goal for all U.S. employees (AVP-MD) by the end of 2021 is 8%. Progress on this work has been reported to the Board of Directors in December 2020 and to the Board's Ethics, Conduct and Culture Committee in 2021, which has a mandate to review or provide input on Citi's hiring practices, including efforts to promote diversity and inclusion in the workplace in Citi's hiring and staff development practices.

- **Recruitment efforts:**
  - Prior to 2020, recruitment of qualified candidates into open roles at the Director and Managing Director levels required a diverse slate of candidates that included at least one woman globally and/or one U.S. minority. Effective January 2018, Citi set a global target that 70% of all Director and Managing Director roles include a diverse slate of candidates.
  - **Campus recruiting and engagement:** We have a robust pipeline of talent from Historically Black Colleges and Universities (HBCUs) and other leading universities. Our Citi® University Partnerships in Innovation & Discovery (CUPID) Program enables us to accelerate innovation projects across Citi by engaging diverse students and developing connections with diverse talent from leading universities. In 2020, we held our second annual HBCU Innovation and Leadership Symposium, which brought together 92 first- and second-year students from 17 HBCUs for an introductory, virtual experience focused on helping them understand financial services, gain technical skills and kickoff their career planning process.
  - **Internships:** We increased Black and Hispanic/Latino representation in our summer class from 26% to 27% from 2019 to 2020. This was our most diverse intern class to date.
- **Diversity effectiveness function:** In October 2020, Citi launched a new Diversity Effectiveness team as part of Citi's Talent Acquisition function to provide guidance, expertise, and to challenge our global hiring practices, processes and policies. The team also spearheads the development of skills and capabilities across our hiring manager and recruiting teams on the effective use of candidate sourcing, engagement, and selection tools and processes.
- **Board diversity:** Board members self-identified as 50% female and 19% racially/ethnically diverse.
- **Worker welfare during COVID-19**: This has been a major focus of the firm – please see here (p. 4) for details of our approach to worker welfare and expansion of benefits during the pandemic.

Below please find additional details on the MLT Black Equity at Work Certification Scorecard.

[1] Mark Mason, *I can't breathe.*, The Citi Blog (May 29, 2020, 6:00 PM), https://blog.citigroup.com/2020/05/i-cant-breathe/ [hereinafter Mason, *I can't breathe*].

[2] Press Release, Citi, *Citi Launches More Than $1 Billion in Strategic Initiatives to Help Close the Racial Wealth Gap* (Sept. 23, 2020), https://www.citigroup.com/citi/news/2020/200923a.htm [hereinafter ARE Launch Press Release].

[3] Citi has separately reported the status of its DEI efforts at this link: *Talent and Diversity, Equity & Inclusion 2021 Annual Report*, Citi https://www.citigroup.com/citi/about/esg/download/2021/diversity_2021_english.pdf (last visited Nov. 28, 2022).

[4] ARE Launch Press Release.

[5] Mason, I can't breathe.

[6] Consistent with Citi's public reporting on ARE, this report generally uses the term "Hispanic" to refer to members of the U.S. population who trace their ancestry to Latin America or Spain. Where we cite research or commentary that uses the term "Latino," "Latina," or "Latinx," we use that term.

[7] Amy Traub et al., *The Racial Wealth Gap: Why Policy Matters*, Demos (June 21, 2016), https://www.demos.org/research/racial-wealth-gap-why-policy-matters#:~:text=In%20this%20report%2C%20we%20define,grouped%20by%20race%20or%20ethnicity [hereinafter Traub, *The Racial Wealth Gap*].

[8] Ana Hernández Kent & Lowell R. Ricketts, *Has Wealth Inequality in America Changed over Time? Here Are Key Statistics*, Fed. Reserve Bank of St. Louis (Dec. 2, 2020), https://www.stlouisfed.org/open-vault/2020/december/has-wealth-inequality-changed-over-time-key-statistics.

[9] Traub, *The Racial Wealth Gap*.

[10] Krison McIntosh et al., *Examining the Black-white wealth gap*, Brookings (Feb. 27, 2020), https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/#:~:text=A%20racial%20gap%20exists%20in,We%20note%20a%20few%20reasons ("A racial gap exists in every income group except the bottom quintile . . . where median net worth is zero for everyone."); *Closing the Racial Inequality Gaps,* Citi Global Perspectives & Solutions (Sept. 2020), 48, https://ir.citi.com/%2FPRxPvgNWu319AU1ajGf%2BsKbjJjBJSaTOSdw2DF4xynPwFB8a2jV1FaA3Idy7vY59bOtN2lxVQM%3D [hereinafter *Closing the Racial Inequality Gaps*].

[11] *See* Alexandra Zisser & Mona Shah, *Help Us Learn How to Close the Racial Wealth Gap*, Robert Wood Johnson Foundation: Culture of Health Blog (July 28, 2022, 11:00 AM), https://www.rwjf.org/en/blog/2022/07/help-us-learn-how-to-close-the-racial-wealth-gap.html.

[12] *Closing the Racial Inequality Gaps* at 21; Julissa Arce, *Latinos lead homeownership, but systemic barriers remain*, UnidosUS Blog (Oct. 28, 2021), https://www.unidosus.org/blog/2021/10/28/latinos-lead-homeownership-but-systemic-barriers-remain/.

[13] *RACE: The Power of an Illusion*, PBS (2003), https://www.pbs.org/race/000_About/002_04-teachers-07.htm.

[14] Emily Badger, *How Redlining's Racist Effects Lasted for Decades*, NYTimes (Aug. 24, 2017), https://www.nytimes.com/2017/08/24/upshot/how-redlinings-racist-effects-lasted-for-decades.html [hereinafter Badger, *How Redlining's Racist Effects Lasted for Decades*]; Pramod Sukamaran, *Redlining is Illegal, But It's Still Hurting Latino Families*, Salud America! (May 31, 2019), https://salud-america.org/redlining-is-illegal-but-its-still-hurting-latino-families/.

[15] *See* Badger, *How Redlining's Racist Effects Lasted for Decades*.

[16] Greg Rosalsky, *Why The Racial Wealth Gap Is So Hard To Close*, NPR (June 14, 2022, 6:30 AM), https://www.npr.org/sections/money/2022/06/14/1104660659/why-the-racial-wealth-gap-is-so-hard-to-close.

[17] *Id*.

[18] *Id*.

[19] "Savings" includes both short-term and long-term savings, including retirement.

[20] Citi Foundation provided financial support to the 2022 Financial Health Pulse survey. Financial health is a composite framework that considers the totality of people's financial lives: whether they are spending, saving, borrowing, and planning in ways that will enable them to be resilient and pursue opportunities. Findings from the 2020 Financial Health Pulse are based on the FHN FinHealth Score methodology. The score is a metric based on survey questions that align with the eight indicators of financial health and can be used to categorize respondents into three financial health tiers: Financially Vulnerable (scores 0-39), Financially Coping (scores 40-79), or Financially Healthy (scores 80-100). Andrew Dunn et al., *Financial Health Pulse® 2022 U.S. Trends Report*, FinHealth Network (Sept. 7, 2022), https://finhealthnetwork.org/research/financial-health-pulse-2022-u-s-trends-report/#demo.

[21] *2021 FDIC National Survey of Unbanked and Underbanked Households*, FDIC, (Oct. 2022) 82, https://www.fdic.gov/analysis/household-survey/2021appendix.pdf (last visited Nov. 10, 2022) [hereinafter *2021 FDIC National Survey of Unbanked and Underbanked Households*]. A person is "unbanked" if they do not have a checking or savings account at a bank or credit union. *See 2017 FDIC National Survey of Unbanked and Underbanked Households*, FDIC, https://www.fdic.gov/analysis/household-survey/2017/2017execsumm.pdf (last visited Nov. 10, 2022). A person is "underbanked" if they have a checking or savings account but regularly obtain alternative financial services outside of the banking system. *Id*.

[22] *Main reason unbanked for Nation,* 2019 *by Selected Household Characteristics*, FDIC, https://household-survey.fdic.gov/custom-data (last visited Nov. 10, 2022); *2021 FDIC National Survey of Unbanked and Underbanked Households*.

[23] *2021 FDIC Survey of Household Use of Banking and Financial Services*, FDIC, 68–69, https://www.fdic.gov/analysis/household-survey/2021report.pdf (last visited Nov. 10, 2022). Research also shows that payday lender storefronts are more highly concentrated in majority Black and Latinx neighborhoods. *See Payday and vehicle title lending disproportionately harm communities of color, exploiting and perpetuating the racial wealth gap*, Center for Responsible Lending (Nov. 2020), https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-payday-cartitle-comm-of-color-nov2020.pdf.

[24] Meghan Greene et al., *FinHealth Spend Report 2022: What U.S. Households Spent on Financial Services during COVID-19*, FinHealth Network (Apr. 2022), 11, https://finhealthnetwork.org/research/finhealth-spend-report-2022/ (7 percent for Black Americans and 5 percent for Latinx Americans versus 3 percent for white Americans).

[25] *Id*. at 11.

[26] *Closing the Racial Inequality Gaps* at 54.

[27] *Andrew Dunn et. al, Financial Health Pulse® 2022 U.S. Trends Report (2022),* 37, https://finhealthnetwork.org/wp-content/uploads/2022/08/Pulse-Trends-Report-2022.pdf.

[28] *Past Imperfect: How Credit Scores and Other Analytics "Bake In" and Perpetuate Past Discrimination*, NCLC (May 2016), https://www.nclc.org/images/pdf/credit_discrimination/Past_Imperfect050616.pdf.

[29] *Id*. Research suggests that credit models that include cash-flow data, such as records of transactions in and out of consumers' deposit and card accounts, improve the sorting of risk among borrowers that are considered credit risks according to traditional credit data. *The Use of Cash-Flow Data in Underwriting Credit: Empirical Research Findings,* FinRegLab, 39 (July 2019), https://finreglab.org/cash-flow-data-in-underwriting-credit-empirical-research-findings.

[30] *Report on the Economic Well-Being of U.S. Households in 2018*, Federal Reserve (May 2019), https://www.federalreserve.gov/publications/2019-economic-well-being-of-us-households-in-2018-banking-and-credit.htm.

[31] *Id*.; *Executive Summary - Disparities in Capital Access between Minority and Non-Minority Businesses,* Minority Business Development Agency (Apr. 19, 2017), https://archive.mbda.gov/page/executive-summary-disparities-capital-access-between-minority-and-non-minority-businesses.html [hereinafter *Disparities in Capital Access between Minority and Non-Minority Businesses*].

[32] *Closing the Racial Inequality Gaps* at 52 (citing *Data Point: 2019 Mortgage Market Activity and Trends*, Consumer Financial Protection Bureau (June 2020), 38, https://files.consumerfinance.gov/f/documents/cfpb_2019-mortgage-market-activity-trends_report.pdf).

[33] *Small Business Credit Survey: 2021 Report on Firms Owned by People of Color*, U.S. Federal Reserve Banks, at iii, (Apr. 2021), https://www.mbda.gov/sites/default/files/2021-09/Small%20Business%20Credit%20Survey%20-2021%20Report%20on%20Firms%20Owned%20by%20People%20of%20Color.pdf (last visited Dec. 2, 2022).

[34] Edith McCloud, *2021 Problem Statement: Improving Minority Businesses' Access to Capital*, Minority Business Development Agency, https://opportunity.census.gov/assets/files/2021-problem-statements/post-covid/MBDA_Improving%20Minority%20Businesses%20Access%20to%20Capital.pdf (last visited Dec. 2, 2022).

[35] Roughly 2.4 percent of businesses are Black-owned and 6.5 percent of businesses are Hispanic-owned, despite Black and Hispanic people making up approximately 12 and 18 percent of the U.S. population, respectively. Conversely, 82.7 percent of U.S. businesses are white-owned, though white Americans make up approximately 61.6 percent of the U.S. population. Nicholas Jones, et al., *Improved Race and Ethnicity Measures Reveal U.S. Population is Much More Multiracial: 2020 Census Illuminates Racial and Ethnic Composition of the Country*, U.S. Census Bureau (Aug. 12, 2021) https://www.census.gov/library/stories/2021/08/improved-race-ethnicity-measures-reveal-united-states-population-much-more-multiracial.html (last visited Dec. 2, 2022); *Press Release: Census Bureau Releases new Data on Minority-Owned, Veteran-Owned and Women-Owned Businesses,* U.S. Census Bureau (Nov. 10, 2022), https://www.census.gov/newsroom/press-releases/2022/annual-business-survey-characteristics.html (last visited Dec. 2, 2022); see data from 2021 Annual Business Survey (ABS), U.S. Census Bureau, https://www.census.gov/programs-surveys/abs/data/tables.html (last visited Dec. 2, 2022).

[36] David Baboolall et al., *Building supportive ecosystems for Black-owned US businesses*, McKinsey & Company (Oct. 29, 2020), https://www.mckinsey.com/industries/public-and-social-sector/our-insights/building-supportive-ecosystems-for-black-owned-us-businesses [hereinafter Baboolall, *Building Supportive Ecosystems for Black-owned US businesses*]; Alicia Robb, *Financing Patterns And Credit Market Experiences: A Comparison By Race And Ethnicity for U.S. Employer Firms*, U.S. Small Business Administration, Office of Advocacy (Feb. 1, 2018), https://advocacy.sba.gov/2018/02/01/financing-patterns-and-credit-market-experiences-a-comparison-by-race-and-ethnicity-for-u-s-employer-firms/.

[37] *See* data from 2016 Annual Survey of Entrepreneurs (ASE), https://www.census.gov/programs-surveys/ase/data/tables.2016.List_68091073.html#list-tab-List_68091073 (last visited Dec. 2, 2022).

[38] *Id*.

[39] *The SBA Looks to Help Hispanic-Owned Small Businesses Build on Their Historic Momentum*, U.S. Small Business Administration (Sept. 13, 2022), https://www.sba.gov/blog/sba-looks-help-hispanic-owned-small-businesses-build-their-historic-momentum.

[40] Baboolall, *Building Supportive Ecosystems for Black-owned US businesses*.

[41] Katherine Schaeffer, *Key facts about housing affordability in the U.S.*, Pew Research Center (Mar. 23, 2022), https://www.pewresearch.org/fact-tank/2022/03/23/key-facts-about-housing-affordability-in-the-u-s/ [hereinafter Schaeffer, *Key Facts about housing affordability in the U.S.*].

[42] *Reducing the Racial Homeownership Gap Project*, Urban Institute, https://www.urban.org/policy-centers/housing-finance-policy-center/projects/reducing-racial-homeownership-gap (last visited Nov. 10, 2022); Alanna McCargo & Jung Hyun Choi, *Closing the Gaps: Building Black Wealth through Homeownership*, Urban Institute, 12, https://www.urban.org/sites/default/files/publication/103267/closing-the-gaps-building-black-wealth-through-homeownership_1.pdf.

[43] *Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020*, Board of Governors of the Federal Reserve System (May 2020), 32, https://www.federalreserve.gov/publications/files/2019-report-economic-well-being-us-households-202005.pdf [hereinafter Economic Well-Being of U.S. Households in 2019].

[44] *Data Point: 2021 Mortgage Market Activity and Trends*, CFPB, 29 (Sept. 2022), https://files.consumerfinance.gov/f/documents/cfpb_data-point-mortgage-market-activity-trends_report_2022-09.pdf [hereinafter 2021 Mortgage Market Activity and Trends].

[45] *Id*.

[46] *Data Point: 2020 Mortgage Market Activity and Trends*, CFPB, 27, (Aug. 2021), https://files.consumerfinance.gov/f/documents/cfpb_2020-mortgage-market-activity-trends_report_2021-08.pdf [hereinafter *2020 Mortgage Market Activity and Trends*].

[47] Traub, *The Racial Wealth Gap*.

[48] Adele Atkinson et al., *Financial Education for Long-term Savings and Investments: Review of Research and Literature*, OECD (2015), https://dx.doi.org/10.1787/5jrtgzfl6g9w-en.

[49] Neil Bhutta et al., *Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances*, Board of Governors of the Federal Reserve System (Sept. 28, 2020), https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.html.

[50] *Id*.

[51] *Id*.

[52] *Closing the Racial Inequality Gaps*.

[53] *The economic state of Latinos in America: The American dream deferred*, McKinsey & Company (Dec. 9, 2021), https://www.mckinsey.com/featured-insights/sustainable-inclusive-growth/the-economic-state-of-latinos-in-america-the-american-dream-deferred.

[54] Aria Florant et al., *The case for accelerating financial inclusion in black communities*, McKinsey & Company (Feb. 25, 2020), https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-case-for-accelerating-financial-inclusion-in-black-communities.

[55] *About Citi: 1812 A new bank for New York supports foreign trade*, Citi, https://www.citigroup.com/citi/about/mobile/200years/detail-1812.html (last visited Nov. 7, 2022).

[56] *NIC: Large Holding Companies*, Federal Financial Institutions Examination Council (June 30, 2022), https://www.ffiec.gov/npw/Institution/TopHoldings.

[57] *Citi: Annual Report (Form 10-K)*, Citi (Feb. 24, 2022), 4, https://www.citibank.com/citi/investor/data/q2104c.pdf [hereinafter 2021 Annual Report].

[58] *Id*. at 4, 62.

[59] *Id*. at 6. Until 2021, Citi had two primary business segments: the Global Consumer Bank ("GCB"), which provided traditional banking services to retail customers, and ICG. *Id*.

[60] *Id*. at 14.

[61] *Id*. at 20; *see also Personal Banking & Wealth Management*, Citi, https://www.citigroup.com/citi/about/personal_banking_and_wealth_management.html (last visited Nov. 10, 2022).

[62] 2021 Annual Report at 6.

[63] *Citi: 2020 Annual Report*, Citi, https://www.citigroup.com/citi/investor/quarterly/2021/annual-report/ (last visited Nov. 10, 2022).

[64] As of December 31, 2021, Citi operated 658 retail branches. 2021 Annual Report at 22. By way of comparison, Wells Fargo operates approximately 4,900 retail locations across 36 states, *see ATM and Banking Locations*, Wells Fargo, https://www.wellsfargo.com/locator/search/?searchTxt=&mlflg=N&sgindex=99&chflg=N&_bo=on&_wl=on&_os=on&_bdu=on&_adu=on&_ah=on&_sdb=on&_aa=on&_nt=on (last visited Nov. 10, 2022) and JP Morgan Chase operates more than 4,700 branches across 49 states and Washington, D.C., *see About us*, Chase, https://www.chase.com/digital/resources/about-chase (last visited Nov. 10, 2022).

[65] *Citibank ATMs Around the World,* Citi, https://online.citi.com/US/ag/worldwide-atm-network (last visited Nov. 10, 2022).

[66] *See Empowering the Next Generation of Leaders* Citi Foundation, 3, https://www.citi.com/citi/foundation/data/HBCU-Brochure-January-2022.pdf?ieNocache=398 (last accessed Nov. 10, 2022) [hereinafter *Empowering the Next Generation of Leaders*].

[67] *Id*. at 4.

[68] The Citi ATM Community Network provides customers of community banks and credit unions access to Citibank branch ATMs to make cash withdrawals without a fee. The initiative is described in detail later in this report. *Investing in Our Communities: Flagship Initiatives: Citi ATM Community Network*, Citi, https://www.citigroup.com/citi/communities/citi-atm-community-network.html (last accessed Nov. 10, 2022) [hereinafter Citi ATM Community Network]. The Citi Access Account is a checkless and safe transaction account with low or avoidable monthly charges and no overdraft fees. *Id*. Project REACh stands for Roundtable for Economic Access and Change and is the OCC's initiative to bring leaders together across industries "to identify and reduce barriers that prevent full, equal, and fair participation in the nation's economy." News Release, Office of the Comptroller of the Currency, *OCC Announces Project REACh to Promote Greater Access to Capital and Credit for Underserved Populations* (July 10, 2020), https://www.occ.gov/news-issuances/news-releases/2020/nr-occ-2020-89.html.

[69] *About: Citi GPS Mission Statement*, Citivelocity, https://www.citivelocity.com/citigps/about/ (last visited Nov. 10, 2022).

[70] *Closing the Racial Inequality Gaps*.

[71] Citi is a registered bank holding company and financial holding company that is regulated and supervised by the Federal Reserve Board. Its nationally chartered subsidiary banks, including Citibank, are regulated and supervised by the OCC. The FDIC also has examination authority for banking subsidiaries whose deposits it insures. The CFPB regulates consumer financial products and services. Citi is also subject to laws and regulations concerning the collection, use, sharing, and disposition of certain customer, employee, and other personal and confidential information, including under the Fair Credit Reporting Act. *See* 2021 Annual Report at 315.

[72] *Lending – Equal Credit Opportunity Act*, FDIC Consumer Compliance Examination Manual (Mar. 2022), https://www.fdic.gov/resources/supervision-and-examinations/consumer-compliance-examination-manual/documents/5/v-7-1.pdf; *Housing Discrimination Under the Fair Housing Act*, U.S. Department of Housing and Urban Development, https://www.hud.gov/program_offices/fair_housing_equal_opp/fair_housing_act_overview (last visited Nov. 20, 2022). The Consumer Financial Protection Bureau also recently announced that discrimination in any form can be the basis for unfair, deceptive, or abusive acts or practices. *Unfair, Deceptive, or Abusive Acts or Practices (UDAAPs) examination procedures*, Consumer Financial Protection Bureau (Mar. 16, 2022), https://www.consumerfinance.gov/compliance/supervision-examinations/unfair-deceptive-or-abusive-acts-or-practices-udaaps-examination-procedures/.

[73] *About HMDA*, Consumer Financial Protection Bureau, https://www.consumerfinance.gov/data-research/hmda/ (last visited Nov. 20, 2022).

[74] *Fair Lending: Interagency Statement on Special Purpose Credit Programs*, OCC Bulletin 2022-3, Office of the Comptroller of the Currency (Feb. 22, 2022), https://www.occ.treas.gov/news-issuances/bulletins/2022/bulletin-2022-3.html [hereinafter Interagency Statement on Special Purpose Credit Programs].

[75] Special Purpose Credit Programs, 12 C.F.R. § 1002.8 (2022), https://www.ecfr.gov/current/title-12/chapter-X/part-1002/section-1002.8.

[76] *Interagency Statement on Special Purpose Credit Programs*.

[77] *Community Reinvestment Act (CRA)*, FDIC, https://www.fdic.gov/regulations/resources/director/presentations/cra.pdf (last visited Nov. 10, 2022) [hereinafter CRA, FDIC]; *Community Reinvestment Act (CRA)*, Office of the Comptroller of the Currency, https://www.occ.treas.gov/topics/consumers-and-communities/cra/index-cra.html (last visited Nov. 10, 2022) [hereinafter CRA, OCC].

[78] *CRA, FDIC*; *CRA, OCC*.

[79] 2021 Annual Report at 309.

[80] *Bank Secrecy Act (BSA)*, Office of the Comptroller of the Currency, https://www.occ.treas.gov/topics/supervision-and-examination/bsa/index-bsa.html (last visited Nov. 20, 2022).

[81] CID sits within Global Public Affairs, which is a corporate function of the bank.

[82] ARE Launch Press Release.

[83] *Action for Racial Equity: Year One Progress Report*, Citi (Nov. 2021), 2, https://www.citigroup.com/citi/racial-equity/data/ARE-One-Year-Report.pdf?ieNocache=329 [hereinafter ARE Year 1 Report].

[84] ARE Launch Press Release.

[85] As part of the Project REACh initiative, Citi will pilot two financial inclusion programs: the first pilot will look at alternative data, including income and spending habits, to measure creditworthiness in the context of credit cards; the second will lower the threshold for acceptable credit scores for small businesses owned by minorities, women, or veterans. Grace Broadbent, *Citi joins Project REACh to boost financial inclusion amid recession worries*, Insider Intelligence (Sept. 7, 2022), https://www.insiderintelligence.com/content/citi-joins-project-reach-boost-financial-inclusion-amid-recession-worries.

[86] Traditional banking contrasts with alternative financial services, or institutions that are not federally insured, including check-cashing outlets, money transmitters, car title lenders, payday loan stores, pawnshops, and rent-to-own stores. *See Alternative Financial Services: A Primer*, FDIC Quarterly (2009), https://www.fdic.gov/analysis/quarterly-banking-profile/fdic-quarterly/2009-vol3-1/fdic140-quarterlyvol3no1-afs-final.pdf.

[87] ARE Launch Press Release.

[88] *2021 FDIC National Survey of Unbanked and Underbanked Households*.

[89] *Closing the Racial Inequality Gaps* at 54.

[90] *Black and Hispanic Americans on the U.S. financial system: "The odds were always against me," new Credit Sesame survey finds*, Cision PR Newswire (Jan. 26, 2021; 9:00 AM ET), https://www.prnewswire.com/news-releases/black-and-hispanic-americans-on-the-us-financial-system-the-odds-were-always-against-me-new-credit-sesame-survey-finds-301215072.html.

[91] *Closing the Racial Inequality Gaps* at 52.

[92] ARE Launch Press Release; ARE Year 1 Report at 3; Press Release, Citi, *Citi Introduces Bridge Built by Citi Lending Platform to Expand Access to Capital for America's Local Businesses* (Aug. 11, 2021), https://www.citigroup.com/citi/news/2021/210811a.htm [hereinafter Bridge Built by Citi Press Release]; Press Release, Citi, *Citi Continues to Bolster its Focus on Financial Inclusion by Eliminating Overdraft Fees* (Feb. 24, 2022), https://www.citigroup.com/citi/news/2022/220224a.htm [hereinafter Citi Continues to Bolster its Focus on Financial Inclusion Press Release]; *Citi Retail Banking Overdraft Fees Change*, Citi, https://online.citi.com/US/JRS/portal/template.do?ID=Citi-Overdraft-Fees-Change (last visited Nov. 14, 2022) [hereinafter Citi Retail Banking Overdraft Fees Change].

[93] *See Minority Depository Institutions Program*, FDIC, https://www.fdic.gov/regulations/resources/minority/mdi.html (last visited Nov. 14, 2022). According

to the FDIC Statement of Policy, an MDI is a federally insured depository institution where "(1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority." *Id*. As of June 2022, there are 144 MDIs in the United States, of which 19 are Black-owned or directed and 30 are Hispanic-owned or directed. *See Second Quarter 2022 MDI List*, FDIC, https://www.fdic.gov/regulations/resources/minority/mdi.html (last visited Nov. 30, 2022).

[94] *2019 Minority Depository Institutions Report*, FDIC (2019), at 55, https://www.fdic.gov/regulations/resources/minority/2019-mdi-study/full.pdf [hereinafter 2019 FDIC Report on MDIs].

[95] *Id*. at 55, 60 (comparing MDIs to non-MDI metro nonfarm community banks).

[96] *Id*. at 55-56. In 2016, the median share of Black Americans in communities served by Black MDIs was 62 percent. *Id*. at 57. In contrast, the median share of Black Americans in communities served by non-MDI metro-area nonfarm community banks was only 5 percent. *Id*. In 2016, the median share of Hispanic and Asian Americans in communities served by Hispanic and Asian American MDIs was 74 percent and 37 percent, respectively. *Id*. at 57–58. In contrast, the median share of Hispanic and Asian Americans in communities served by non-MDI metro-area nonfarm community banks was only 6 percent and 2 percent, respectively. *Id*.

[97] *Id*. at 1, 55.

[98] *See Historical MDI Data*, FDIC, https://www.fdic.gov/regulations/resources/minority/mdi.html (last visited Nov. 14, 2022).

[99] *Id*.

[100] Robert James II, Chairman, Nat'l Bankers Ass'n, Speech on *The Role that Community Development Financial Institutions and Minority Depository Institutions Serve in Supporting Communities*, (Feb. 9, 2022), 5, https://www.banking.senate.gov/imo/media/doc/James%20Testimony%202-9-22.pdf [hereinafter James II, National Bankers Association Speech].

[101] Citi has since incorporated the Citi ATM Community Network into its ARE efforts. The initiative is described in more detail later in this section. *Helping Advance Racial Equity in the Financial Services Industry*, Citi (Nov. 2021), https://www.citigroup.com/citi/racial-equity/data/minority-depository-institutions-brochure.pdf.

[102] *Id*.

[103] *Id*.

[104] *Id*.

[105] While Citi purchased $10.6 million in PPP loans from MDIs, *id*., some of the MDI representatives with whom the assessment team spoke said they declined Citi's offer for help with PPP loans because they found other sources of liquidity that were cheaper or because their PPP loans were forgiven.

[106] Regulatory capital falls into two categories: Tier 1 and Tier 2 capital. Tier 1 capital is the predominant form of bank capital used to absorb losses. Tier 1 capital is divided into two categories: common equity Tier 1 capital and additional Tier 1 capital. Common equity Tier 1 capital includes common stock and retained earnings. Additional Tier 1 capital includes certain types of non-cumulative perpetual preferred stock. 12 C.F.R. §§ 3.2, 3.20.

[107] *See* 2019 FDIC Report on MDIs at 11.

[108] *See also* James II, National Bankers Association Speech at 5, ("The overall number of MDIs has declined by 33 percent since 2008, and among Black-owned MDIs, the problem is especially pronounced, as Black-owned banks have suffered from many of the same conditions and structural lack of access to capital as the Black community as a whole.").

[109] *Bank Holding Company Act*, FDIC Law, Regulations, Related Acts, https://www.fdic.gov/regulations/laws/rules/6000-1880.html (last visited Nov. 20, 2022).

[110] Representatives from some MDIs, both those that received capital from Citi and those that did not, told us that their bank received capital from the Department of Treasury's Emergency Capital Investment Program ("ECIP") through which the Department of Treasury will provide up to $9 billion in capital to MDIs and CDFIs. At least one MDI representative with whom the assessment team spoke told us the bank did not need capital from Citi because it had received an infusion of capital from ECIP.

[111] ARE Launch Press Release.

[112] *Citigroup Enlists Black-Owned Banks in Rare $1.2 Billion Loan Deal*, Bloomberg (July 29, 2022), https://www.bloomberg.com/news/articles/2022-07-29/citi-enlists-black-owned-banks-in-rare-1-2-billion-loan-deal.

[113] ARE Year 1 Report at 3.

[114] Press Release, Citi, *Citi's Action for Racial Equity Initiative Invests $1 Billion to Address the Racial Wealth Gap in the U.S.* (Nov. 9, 2021), *https://www.citigroup.com/citi/news/2021/211109a.htm*.

[115] Bridge Built by Citi Press Release.

[116] *Id*.

[117] As described above, there are currently 19 Black-owned MDIs in the United States.

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[121] Citi Continues to Bolster its Focus on Financial Inclusion; *Citi Retail Banking Overdraft Fees Change*.

[122] Carter Johnson and Shannen Balogh, *Banks earn billions of dollars charging overdrafts fees, and the burden falls on those least able to afford it*, Insider (June 30, 2021, 9:30 AM), https://www.businessinsider.com/11-billion-in-overdraft-fees-year-disproportionately-falls-on-minorities-2021-6.

[123] Meghan Greene et al., *FinHealth Spend Report 2022*, Financial Health Network (Apr. 2022), 4, https://finhealthnetwork.org/wp-content/uploads/2022/05/FinHealth_Spend_Report_2022_Final.pdf.

[124] *Id*.

[125] Citi first launched this program in 2016 in response to the OCC's call for large financial institutions to "seek out ways to collaborate with diverse, smaller financial institutions and expand financial access." Citi ATM Community Network. The Citi ATM Community Network extends to California, Washington, D.C., Florida, Illinois, Massachusetts, New Jersey, New York, and Pennsylvania.

[126] *Id*.; *see also*, *ATM bank fees hit a record high – and it's draining your cash*, CNBC (Oct. 2, 2019), https://www.cnbc.com/2019/10/02/atm-bank-fees-hit-a-record-high-and-its-draining-your-cash.html#:~:text=Customers%20are%20paying%20an%20all,over%20the%20last%2010%20years.

[127] *Id*.

[128] *How America Banks: Household Use of Banking and Financial Services: 2019 FDIC Survey Appendix Tables*, FDIC (2019) 20, https://www.fdic.gov/analysis/household-survey/2019/2019appendix.pdf.

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[130] *Id*.

[131] *Investing in Our Communities: Flagship Initiatives: Citi Start Saving*, Citi, https://www.citigroup.com/citi/communities/citi-start-saving.html#:~:text=Citi%20Start%20Saving%20is%20utilized,the%20city%27s%20public%20school%20system (last visited Nov. 14, 2022).

[132] William Elliott et al., *Small-dollar Children's Savings Accounts, Income, and College outcomes* (CSD Working Paper No. 13-06), Washington University, Center for Social Development (Feb. 12, 2013), https://csd.wustl.edu/13-06/.

[133] Signe-Mary McKernan et al., *Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities*, Urban Institute (Apr. 2016), https://www.urban.org/sites/default/files/publication/79776/2000747-thriving-residents-thriving-cities-family-financial-security-matters-for-cities_0.pdf.

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[137] Andre M. Perry & Carl Romer, *To expand the economy, invest in Black businesses*, Brookings (Dec. 31, 2020), https://www.brookings.edu/essay/to-expand-the-economy-invest-in-black-businesses/.

[138] ARE Launch Press Release (citing *Report to the Congress on the Availability of Credit to Small Businesses*, Federal Reserve (Sept. 2017), https://www.federalreserve.gov/publications/2017-september-availability-of-credit-to-small-businesses.htm).

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https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses.

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142 ARE Year 1 Report at 9.

143 Marlize van Romburgh & Gené Teare, *Funding To Black Startup Founders Quadrupled In Past Year, But Remains Elusive*, Crunchbase (July 13, 2021), https://news.crunchbase.com/venture/something-ventured-funding-to-black-startup-founders-quadrupled-in-past-year-but-remains-elusive/ [hereinafter van Romburgh & Teare, *Funding to Black Startup Founders Quadrupled in Past Year*].

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148 Baboolall, *Building Supportive Ecosystems for Black-owned US businesses*; *see also* ARE Year 1 Report at 9.

149 ARE Launch Press Release.

150 *Citi Launches $150 Million Impact Investing Fund*, Citi (Jan. 17, 2020), https://www.citigroup.com/citi/news/2020/200117a.htm; *see also Citi Impact Fund*, Citi, *https://www.citigroup.com/citi/about/esg/download/citifund.pdf* (describing four verticals).

151 *Citi Launches $150 Million Impact Investing Fund; Citi Impact Fund*, Citi, https://www.citigroup.com/citi/communities/assets/data/citifund.pdf?ieNocache=616 (last visited Nov. 14, 2022).

152 ARE Launch Press Release; BEII companies are not required to have an impact focus for consideration. At least one member of the founding team must identify as Black or African American. BEII investments are in industries inclusive of, but not limited to, the four verticals of the Citi Impact Fund. *Citi Impact Fund*, Citi, https:/www.citigroup.com/citi/communities/assets/data/citifund.pdf (last visited Nov. 14, 2022); *Investing in Our Communities: Flagship Initiatives: Citi Impact Fund*, Citi, https://www.citigroup.com/citi/communities/citi-impact-fund.html.

153 Edward Skyler, *Citi Impact Fund Expands to $500 Million, Doubling Down on the Double Bottom Line*, The Citi Blog (Sept. 8, 2022, 9:00 AM), https://blog.citigroup.com/2022/09/citi-impact-fund-expands-to-500-million-doubling-down-on-the-double-bottom-line/ [hereinafter Skyler, *Citi Impact Fund Expands to $500 Million*]; *ARE Year 2 Report*.

154 *Investing in Our Communities*.

155 *Id*.

156 *Id*.

157 *Measuring the Representation of Women and Minorities in the SBIC Program*, Federal Research Division Library of Congress (Oct. 2016), 36, https://missioninvestors.org/sites/default/files/resources/SBIC-Diversity-Report.pdf. The SBIC Program provides an alternative source of financing for high-risk small businesses lacking access to adequate capital from traditional sources. *Id*. at i.

158 ARE Year 2 Report at 2.

159 Citi has a multi-stage internal review and approval process that includes a screening assessment by the Strategic Review Forum, a vote by three Managing Directors, a review by the Risk Review Forum (Citi's Control Functions), and, for investments above a certain size, a review by the three-person investment committee.

160 *Empowering the Next Generation of Leaders*.

161 *Id*.

162 Skyler, *Citi Impact Fund Expands to $500 Million*; ARE Year 2 Report.

163 Diverse suppliers are businesses that fall into one or more of the following categories: Minority Business Enterprise, Woman Business Enterprise, Disabled Business Enterprise, Disabled Veteran Business Enterprise, or Veteran-Owned Small Business Enterprise. *See Resource Management Organization - Diverse Supplier Definition*, Citi, https://www.citigroup.com/citi/suppliers/def.htm (last visited Nov. 14, 2022). Suppliers may be certified as diverse by government agencies, as well as organizations, such as the NMSDC, Women's Business Enterprise National Council, and SBA 8(a) Program, among others. *See Resource Management Organization - Frequently Asked Questions*, Citi, https://www.citigroup.com/citi/suppliers/faq.htm#5 (last visited Nov. 14, 2022).

164 ARE Launch Press Release.

165 *Minority Businesses Economic Impact Report*, NMSDC (2021), https://nmsdc.org/wp-content/uploads/2022/05/NMSDC-2021-MinorityBusinessesEconomicImpactReport.pdf.

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167 ARE Year 1 Report at 4.

168 *Scope of Citi Subcontracting Program*, Citi, https://www.citigroup.com/citi/suppliers/data/subcontracting.pdf?ieNocache=169 (last visited Nov. 14, 2022).

[169] *See Past Imperfect: How Credit Scores and Other Analytics "Bake In" and Perpetuate Past Discrimination*, NCLC (May 2016), https://www.nclc.org/wp-content/uploads/2022/09/Past_Imperfect.pdf.

[170] "CDFIs are mission-driven financial institutions that create economic opportunity for individuals and small businesses, quality affordable housing, and essential community services in the United States. Four types of institutions are included in the definition of a CDFI: CD [community development] banks, CD credit unions, CD loan funds (most of which are nonprofit), and CD venture capital funds." *Community Development Financial Institution (CDFI) and Community Development (CD) Bank Resource Directory*, OCC, https://www.occ.gov/topics/consumers-and-communities/community-affairs/resource-directories/cdfi-and-cd-bank/index-cdfi-and-cd-bank-resource-directory.html (last visited Nov. 14, 2022). According to Opportunity Finance Network's 2020 Member Survey, the communities CDFIs serve are 60 percent minority and 84 percent low-income. *CDFI Impact*, Opportunity Finance Network, https://www.ofn.org/cdfi-impact/ (last visited Nov. 14, 2022).

[171] Justine Petersen is a St. Louis, Missouri-based not-for-profit corporation that provides credit building and financial education to the individuals it serves through counseling, loans, and secured credit cards. Justine Petersen, *Credit Building*, https://justinepetersen.org/what-we-do/credit-building/ (last visited Nov. 14, 2022).

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[173] ARE Launch Press Release (emphasis removed).

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[175] Schaeffer, *Key facts about housing affordability in the U.S.*.

[176] *Id*.

[177] Jennifer Brozic & Andrew Depierto, *Average rent increase in the U.S. in 2022*, Credit Karma (last updated Oct. 20, 2022), https://www.creditkarma.com/insights/i/average-rent-increase#:~:text=Average%20rent%20increase%20by%20state%20Average%20rent%20increase,increase%20occurring%20from%202021%20to%202022%20at%2014.07%25; *see also* Schaeffer, *Key facts about housing affordability in the U.S.* (forecasting a 10 percent increase in rent in 2022, which would be "larger than the expected increase in price for any other commodity"). *Id*.

[178] Nicole Elsasser Watson et al., *Worst Case Housing Needs: 2017 Report to Congress*, HUD (Aug. 2017), https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs.pdf.

[179] *Id*.

[180] Helen Albert, *Management and Performance Challenges for Fiscal Year 2019 and Beyond*, HUD Office of Inspector General (Oct. 15, 2018), https://www.hudoig.gov/sites/default/files/2018-11/TMC%20-%20FY%202019.pdf.

[181] ARE Launch Press Release; ARE Year 1 Report; *Racial Equity Home: Our Approach, Citigroup, Expanding Affordable Housing*, Citigroup, https:// citigroup.com/citi/racial-equity/our_approach_affordablehousing.html (last visited Nov. 15, 2022); Press Release, Citi, *Citi Announces Inaugural $2.5 Billion Affordable Housing Bond Issuance and Largest-Ever Social Bond*, https://www.citigroup.com/citi/news/2020/201030a.htm (last visited Nov. 25, 2022) [hereinafter $2.5 Billion Affordable Housing Bond Press Release].

[182] Press Release, Citi, *Citi Ranked Number One Affordable Housing Lender for 12th Straight Year*, (Mar. 30, 2022), https://www.citigroup.com/citi/news/2022/220330b.htm#:~:text=New%20York%20%E2%80%93%20Citi%20was%20recognized,Citi%20has%20earned%20this%20distinction [hereinafter Citi Ranked Number One Affordable Housing Lender for 12th Straight Year].

[183] *See* Press Release, Citi, *Citi Tops Affordable Housing Lender Survey for 10th Straight Year, Recognized as a Preferred Financial Partner for Affordable Housing and Community Developers* (Mar. 2, 2020), https://www.citigroup.com/citi/news/2020/200302a.htm.

[184] *Citi Community Capital*, Citi, https://www.citibank.com/icg/sa/citicommunitycapital/ (last visited Nov. 15, 2022).

[185] *Citi Ranked Number One Affordable Housing Lender for 12th Straight Year*.

[186] *Citi Social Bond Framework for Affordable Housing*, Citi (Oct. 2020), https://www.citigroup.com/citi/fixedincome/data/affordable_housing_bond.pdf?ieNocache=741.

[187] $2.5 Billion Affordable Housing Bond Press Release.

[188] *Id*.

[189] *Id*.

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[191] *Citi Green and Social Bond Report*, Citi (Sept. 2021), 19, https://www.citigroup.com/citi/fixedincome/data/Green-and-Social-Bond-Report.pdf?ieNocache=942 [hereinafter "Citi Green and Social Bond Report"].

[192] *Id*.

[193] *Id*. at 21. "Supportive housing combines non-time-limited affordable housing assistance with wrap-around supportive services for people experiencing homelessness, as well as other people with disabilities." *See Supportive Housing*, United States Interagency Council on Homelessness (last updated Aug. 15, 2018), https://www.usich.gov/solutions/housing/supportive-housing/.

[194] Citi Green and Social Bond Report at 21.

[195] ARE Launch Press Release.

[196] Press Release, Citi, *Citi Establishes Affordable Housing Preservation Program With Emerging Managers* (May 27, 2021), https://www.citigroup.com/citi/news/2021/210527a.htm [hereinafter Citi Establishes Affordable Housing Preservation Program Press Release].

[197] *Citi MBE Manager Solicitation*, https://www.citi.com/mss/docs/MBEManagerSolicitation.pdf (last visited Nov. 15, 2022).

[198] *Id*.

[199] *Id*. The Advisory Council was made up of representatives from Capri Investment Group, LISC, Tishman Speyer, L+M Development Partners, and CCC.

[200] Citi Establishes Affordable Housing Preservation Program Press Release.

[201] *Id*.

[202] The joint ventures have used a variety of strategies and approaches in deploying the $40 million investment from Citi toward the preservation of affordable housing, including leveraging the equity on additional deals, converting market-rate properties into affordable housing, and imposing deed restrictions to maintain affordability.

[203] *See* Amanda Abrams, *To Help Black Developers, Programs Start With Access to Capital,* The New York Times (Mar. 17, 2021), https://www.nytimes.com/2021/03/17/business/to-help-black-developers-programs-start-with-access-to-capital.html.

[204] Choi, *Explaining the Black-White Homeownership Gap* at p. 2.

[205] Schaeffer, *Key Facts about housing affordability in the U.S.*.

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[207] *Id*.

[208] Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020* at 3, (May 2020), https://www.federalreserve.gov/publications/files/2019-report-economic-well-being-us-households-202005.pdf.

[209] *Report on the Economic Well-Being of U.S. Households in 2019*.

[210] Choi, *Explaining the Black-White Homeownership Gap* at p. vi.

[211] *2020 Mortgage Market Activity and Trends*; *2021 Mortgage Market Activity and Trends*. Neither report refers to Citigroup or Citibank.

[212] Press Release, Citi, *CitiMortgage Inc. Announces Strategic Exit of Mortgage Servicing Operations by End of 2018* (Jan. 30, 2017), https://www.citigroup.com/citi/news/2017/170130a.htm.

[213] *See* Programs, Homerun Mortgage, Citi.com, https://www.citi.com/mortgage/community-lending-homerun.

[214] *Id*. The Home Run program is available to borrowers with non-traditional credit histories.

[215] Programs, Lender Paid Assistance, Citi.com, https://www.citi.com/mortgage/lender-paid-assistance.

[216] 12 C.F.R. § 1002.8 (2022), https://www.ecfr.gov/current/title-12/chapter-X/part-1002/section-1002.8.

[217] *Interagency Statement on Special Purpose Credit Programs*.

[218] *Id*.

[219] *See* Citi HomeRun Mortgage.

[220] For example, for calendar year 2022 through September, Citi participated in more than 135 diverse realtor organization group events with more than 13,000 attendees and 350 nonprofit and community outreach events which reached more than 10,000 attendees in person or virtually.

[221] The assessment team understands that Citi looks at rental payments and other alternative sources of data (such as utility and cell phone payments, among others) as part of its underwriting process in some limited circumstances. Borrowers with non-traditional credit histories are permitted on Government Sponsored Enterprise ("GSE") transactions and eligible to use Citi's Home Run program.

[222] ARE Year 1 Report at 5.

[223] ARE Launch Press Release.

[224] ARE Year 1 Report at 15.

[225] Jane Fraser, *Action for Racial Equity - One Year Later*, Citi Blog (Nov. 10, 2021, 9:00 AM), https://blog.citigroup.com/2021/11/action-for-racial-equity-one-year-later/.

[226] Ibram Kendi, *How to be an Antiracist* (2019), at 33.

[227] *Id.* at 29, 33.

[228] *What Does It Mean to Be an Anti-Racist?*, National League of Cities, https://www.nlc.org/article/2020/07/21/what-does-it-mean-to-be-an-anti-racist/.

[229] ARE Launch Press Release; ARE Year 1 Report; ARE Year 2 Report.

[230] 2021 Environmental, Social & Governance Report, Citi, https://www.citigroup.com/citi/about/esg/download/2021/Global-ESG-Report-2021.pdf?ieNocache=285.

[231] ARE Year 2 Report at 3.

[232] Racial Equity – Our Approach, Citigroup, https://www.citigroup.com/citi/racial-equity/our_approach_strengthen.html; ARE Year 2 Report.

[233] Only ICG and GCB client relationships and transactions that meet certain criteria are subject to the ESRM Policy, including: (i) "[n]ew transactions . . . directed to a specific physical project, asset or activity that may have real or perceived environmental or social risks"; (ii) [s]ectors that have "particularly sensitive environmental and social risks"; (iii) "[t]ransactions related to the production, shipment or sale of lethal military equipment to foreign militaries"; (iv) relationships with firearms retailers in the United States or firearms manufacturers who sell through U.S. retail channels; and (v) for any transaction, where the Business Unit or Risk Manager identifies concerns that trigger a specified "Area of High Caution" or activities covered by Policy Prohibitions.

[234] Aneesh Patnaik et al., *Racial Disparities and Climate Change*, PSCI (Aug. 15, 2020), https://psci.princeton.edu/tips/2020/8/15/racial-disparities-and-climate-change.

[235] The representation targets are that people of color will: (i) make up 25 percent of the agency teams servicing Citi accounts by 2023, (ii) comprise at least 8 percent of senior agency leadership by 2023, and (iii) make up 25 percent of casting in Citi marketing by 2023.

[236] ARE Year 1 Report at 5.

[237] *Getty Images and Citi launch Diversity, Equity, and Inclusion Imagery Initiative*, PR Newswire (Oct. 21, 2021; 6:56 am ET), https://www.prnewswire.com/news-releases/getty-images-and-citi-launch-diversity-equity--inclusion-imagery-initiative-301405357.html.

[238] *Diversity, Equity, & Inclusion Imagery Toolkits*, Getty Images, https://custom.gettyimages.com/deitoolkit/p/2 (last visited Nov. 20, 2022).

[239] ARE Year 1 Report at 5.

[240] *Id*.

[241] Fitch Learning prepared the curriculum for this training and also provided the instruction. After the program is completed, Citi plans to survey the participants and conduct a focus group to determine its effectiveness.

[242] ARE Year 1 Report at 5.

[243] *Id*. at 15-16. CGWI also committed to diversifying Citi's asset management team by adding resources and enhancing talent development practices that expand opportunities for professional growth. *Id*. Given that Citi's internal DEI efforts are not in scope of the audit, the assessment team does not cover CGWI's progress on this effort in this report.

[244] *Id*. at 15. Prior to the announcement of its ARE commitments, CGWI worked with five third-party asset managers owned by women and/or minorities.

[245] CGWI defines diverse-owned or -managed to include women-owned or -managed fund managers.

[246] *Id*. at 15.

[247] Philanthropic Focus, Citi.com, https://www.citigroup.com/citi/foundation/philanthropic-focus/#:~:text=The%20Citi%20Foundation%20works%20to,to%20building%20economically%20vibrant%20communities [hereinafter Philanthropic Focus].

[248] Citi Foundation News, Citi.com, https://www.citigroup.com/citi/foundation/.

[249] Philanthropic Focus.

[250] Citi Foundation considers "community change agents" to be organizations primarily working on behalf of low-income communities, either at the grassroots level or focused on impacting systemic change.

[251] Philanthropic Focus: Action for Racial Equity, Citi.com, https://www.citigroup.com/citi/foundation/philanthropic-focus/racial-equity.htm [hereinafter Philanthropic Focus, Action for Racial Equity].

[252] Citi Foundation does not count any funding deployed in 2020 as part of its $100 million ARE commitment.

[253] Programs, Community Progress Makers, Citi.com, https://www.citigroup.com/citi/foundation/programs/community-progress-makers-fund.htm; Programs, Small Business Technical Assistance Initiative, Citi.com, https://www.citigroup.com/citi/foundation/programs/smallbusiness.htm; ARE Launch Press Release; ; Community Finance Innovation Fund, Citi.com, https://www.citigroup.com/citi/foundation/programs/community-finance.html; Press Release, Citi, *Citi Foundation Announces $50 Million Community Finance Innovation Fund to Support the Growth of Community Development Financial Institutions Across the U.S.*, (Mar. 24, 2022), https://www.citigroup.com/citi/news/2022/220324a.htm [hereinafter Citi Foundation Announces $50 Million Community Finance Innovation Fund to Support Growth of Community Development Press Release]; Phil Fitzgerald, *Strengthening Community Leadership Through Trust-Based Funding*, Citi (May 5, 2022, 9:00 AM), https://blog.citigroup.com/2022/05/strengthening-community-leadership-through-trust-based-funding/?linkId=163757891 [hereinafter Fitzgerald, *Strengthening Community Leadership Through Trust-Based Funding*].

[254] Community Progress Makers 2022-2023, Citi Foundation, https://www.citigroup.com/citi/foundation/data/cpm_brochure2022-2023.pdf?ieNocache=88.

[255] *Id*.

[256] *Id*.

[257] Brandee McHale, *Delivering Technical Assistance to Small Businesses In Need*, Citi Blog (Mar. 4, 2021, 9:00 AM), https://blog.citigroup.com/2021/03/delivering-technical-assistance-to-small-businesses-in-need/.

[258] Brandee McHale, *Extending Citi Foundation's Support for Community Organizations to Back Small Businesses*, Citi Blog (July 21, 2021, 9:00 AM), https://blog.citigroup.com/2021/07/extending-citi-foundations-support-for-community-organizations-to-back-small-businesses/; *$25 MM Small Business Technical Assistance RFP Recipients*, Citi Foundation, https://www.citigroup.com/citi/foundation/data/25MM-Small-Business-Technical-Assistance-RFP-Recipients.pdf?ieNocache=199.

[259] Fitzgerald, *Strengthening Community Leadership Through Trust-Based Funding*.

[260] *Id*.

[261] Programs, Pathways to Progress, Citi.com, https://www.citigroup.com/citi/foundation/programs/pathways-to-progress.htm.

[262] *Id*.

[263] Press Release, Citi, *Citi and Citi Foundation Expand Global Job Skills - Building Initiative to Improve Employability and Economic Opportunity for Underserved Communities* (Sept. 17, 2020), https://www.citigroup.com/citi/news/2020/200917a.htm.

[264] ARE Launch Press Release.

[265] Press Release, Citi, *Citi Foundation Announces Recipients of $50 Million Community Finance Innovation Fund* (Sept. 12, 2022), https://www.citigroup.com/citi/news/2022/220912a.htm [hereinafter Citi Foundation Announces Recipients of $50 Million Community Finance Innovation Fund Press Release].

[266] *Id*.

[267] Citi Foundation Announces $50 Million Community Finance Innovation Fund to Support Growth of Community Development Press Release.

[268] *Id*.

[269] Citi Foundation Announces $50 Million Community Finance Innovation Fund to Support Growth of Community Development Press Release.

[270] Citi Foundation Announces Recipients of $50 Million Community Finance Innovation Fund Press Release.

[271] Philanthropic Focus, Action for Racial Equity.

[272] ARE Launch Press Release.