UNITED STATES OF AMERICA
CONSUMER FINANCIAL PROTECTION BUREAU

ADMINISTRATIVE PROCEEDING
File No. 2017-CFPB- 0021

In the Matter of:

CITIBANK, N.A.

CONSENT ORDER

The Consumer Financial Protection Bureau (Bureau) has reviewed certain student-loan-servicing activities of Citibank, N.A. (Respondent, as defined below) and has identified the following law violations: (1) deceptive acts or practices relating to Respondent's providing borrowers with information that was likely to mislead them into incorrectly believing that they had not paid interest on their student loan that was eligible for deduction as a tax benefit, in violation of Sections 1031(a) and 1036(a) of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531(a) and 5536(a); (2) unfair acts or practices relating to Respondent providing borrowers misleading information regarding the student loan interest borrowers paid, in violation of Sections 1031(a) and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531(a) and 5536(a)(1)(B); (3) deceptive acts or practices relating to Respondent's misrepresentation to student loan borrowers of the minimum amount the borrowers were required to pay, in violation of Sections 1031(a) and 1036(a) of the CFPA, 12 U.S.C. §§ 5531(a) and 5536(a); (4) unfair acts or practices relating to Respondent's erroneous termination of borrowers' in-school

deferments, resulting in late fees and student loan interest capitalizations, which would not have accrued or would have accrued later but for the errors, in violation of Sections 1031(a) and 1036(a) of the CFPA, 12 U.S.C. §§ 5531(a) and 5536(a); and (5) violation of Sections 615(a)(2)(A)-(B) and 615(a)(3)(A)-(B) of the Fair Credit Reporting Act (FCRA), 15 U.S.C. §§ 1681m(a)(2)(A)-(B) and 1681m(a)(3)(A)-(B), in Respondent's failure to provide borrowers with all required adverse action information after Respondent denied the borrowers' application for the release of a co-signor due to the borrowers' credit score or credit report. Under Sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

I
Jurisdiction

1. The Bureau has jurisdiction over this matter under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, and section 621 of the FCRA, 15 U.S.C. § 1681s.

II
Stipulation

2. Respondent has executed a "Stipulation and Consent to the Issuance of a Consent Order," dated November 21, 2017 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, without admitting or denying any of the findings of fact or conclusions of law, except that

Respondent admits the facts necessary to establish the Bureau's jurisdiction over Respondent and the subject matter of this action.

III
Definitions

3. The following definitions apply to this Consent Order:

a. "Affected Consumers" means the Minimum Payment Consumers, the Late Fee Consumers, and the Loan Interest Capitalization Consumers whose private student loans are currently owned by the Respondent.

b. "Board" means Respondent's duly-elected and acting Board of Directors.

c. "Clearly and prominently" means:

i. In textual communications (e.g., printed publications or words displayed on the screen of an electronic device), the disclosure must be of a type size and location sufficiently noticeable for an ordinary consumer to read and comprehend it, in print that contrasts with the background on which it appears;

ii. In communications disseminated orally or through audible means (e.g., radio or streaming audio), the disclosure must be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it; and

iii. In communications made through interactive media such as the internet, online services, and software, the disclosure must be unavoidable and presented in a form consistent with subsection (i);

iv. In communications that contain both audio and visual portions, the disclosure must be presented simultaneously in both the audio and visual portions of the communication.

d. "Effective Date" means the date on which the Consent Order is issued.

e. "FCRA Consumers" means consumers whose application to release a co-signor from a student loan was denied by Respondent and was sent an adverse action notification letter that was deficient and not in compliance with the FCRA.

f. "Late Fee Consumers" means consumers whose private student loan in-school deferments were erroneously terminated resulting in charged late fees on their private student loan accounts by Respondent and then received a subsequent back-dated, in-school deferment for the same private student loan.

g. "Loan Interest Capitalization Consumers" means consumers whose private student loan in-school deferments were erroneously terminated resulting in the student loan interest being capitalized and then received a subsequent back-dated, in-school deferment for the same private student loan.

h. "Minimum Payment Consumers" means mixed status borrowers who received an account statement from Respondent with an overstated minimum-payment-due amount and did not make their monthly student loan payments using an auto-pay method.

i. "Regional Director" means the Regional Director for the Northeast Region for the Office of Supervision for the Consumer Financial Protection Bureau, or his/her delegate.

j. "Related Consumer Action" means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.

k. "Respondent" means Citibank, N.A., and its successors and assigns.

IV
Bureau Findings and Conclusions

The Bureau finds the following:

4. Respondent is a national bank headquartered in Sioux Falls, SD. As of June 30, 2017, Respondent had $1.4 trillion in total assets.

5. Respondent is an insured depository institution with assets greater than $10,000,000,000 within the meaning of 12 U.S.C. § 5515(a).

6. Respondent is a "covered person" as that term is defined by 12 U.S.C. § 5481(6).

7. In a series of transactions beginning in late 2010, Respondent's affiliate sold a considerable portion of its student loan accounts but still owned and serviced approximately 253,000 private education loans valued at approximately $2.3 billion and Federal Family Education Loan Program loans valued at approximately $2 million.

8. From 2006 to 2013, Respondent, its affiliate, or its service providers serviced the student loans that Respondent or its affiliate owned.

9. Among other things, Respondent or its affiliate provided borrowers with periodic account statements reflecting the payment due, supplied year-end tax information regarding student-loan interest that borrowers paid, processed co-

signer release applications, and granted and maintained payment deferments on student loans.

Findings and Conclusions as to Misleading Tax Information

10. The Internal Revenue Code ("the Code") permits some student loan borrowers to claim a deduction on their federal income tax returns for certain interest payments made on their student loans. This deduction is up to $2,500 annually, depending on income, for each individual borrower. *See generally* 26 U.S.C. § 221.

11. Borrowers are eligible for this deduction if the interest was paid on "qualified education loans," i.e. loans used to pay for the cost of attending an eligible educational institution. *See* 26 U.S.C. §221(a), (d).

12. To meet this requirement, borrowers who receive loans from certain private sources—including all loans originated by Respondent relevant to this action—must certify that the loans will be used solely to pay the cost of attending an eligible educational institution. Borrowers can complete this certification by submitting a copy of IRS Form W-9S to their lenders. *See* 26 C.F.R. § 1.6050S-3(e)(2).

13. Although borrowers can claim a deduction on any amount of interest payments on qualified education loans (hereinafter "qualified interest") up to $2,500, IRS regulations impose a reporting requirement on lenders for those borrowers who pay at least $600 of qualified interest in a calendar year. For those borrowers, lenders must file Form 1098-E with the IRS indicating the amount of qualified interest the borrower paid in that calendar year. The lender must

also provide the borrowers with this information. *See* 26 C.F.R. § 1.6050S-3(a)-(d). Lenders typically do so by sending borrowers a copy of Form 1098-E.

14. From 2006 to 2013, it was Respondent's or its affiliate's practice to not provide Form 1098-Es to any borrower, even if he or she had paid more than $600 in qualified interest, unless the borrower first completed and filed a Form W-9S.

15. From 2006 to 2013, it was Respondent's or its affiliate's practice to not send any borrower a notice alerting them to the fact that they did not have a Form W9-S on file.

16. From 2006 to 2013, it was Respondent's or its affiliate's practice to not provide any borrower with unsolicited notice of how much student loan interest the borrower had paid in a calendar year unless the borrower filed a Form W-9S by a December 15 deadline imposed by Respondent.

17. From 2010 to 2012, Respondent or its affiliate did not receive a Form W-9S from approximately 640,692 borrowers who had made student loan interest payments. This represented roughly 85% of all borrowers who made student loan interest payments to Respondent or its affiliate in that time period.

18. From 2006 to 2013, Respondent or its affiliate also included language in certain account statements provided to borrowers directing the borrower to a webpage on the online portal that would purportedly show the borrower how much qualified interest he or she had paid. For example, in the March 2012 account statement mailed to borrowers, the following language appeared:

> **ATTENTION STUDENT LOAN BORROWERS**
> We want to inform you that Internal Revenue Service (IRS) regulations require lenders to inform borrowers of qualified interest paid on qualified student loans when such interest exceeds $600 annually. If your total qualified interest paid in 2011 did not reach

> this minimum amount, you will not receive a Form 1098E in the mail from us.
>
> The amount of qualified interest paid on your qualified student loans in 2011 is available online. You can access this information through your online account. Visit studentloan.com and sign on to your online account. From the Manage Your Account page, select the "Qualified Interest" link.

19. The link Respondent or its affiliate directed the borrower to in the quoted language in paragraph 18 took the borrower to a page purporting to be the borrower's "Qualified Interest statement." The page displayed the following language:

> Qualified Interest
>
> **This is the private student loan interest [you] paid to The Student Loan Corporation in [tax year]: $[____]**

20. When a borrower who visited this Qualified Interest statement webpage had not filed a Form W-9S, it was Respondent's or its affiliate's practice to display "$0.00" in the space displaying the amount of qualified interest the borrower had paid, no matter how much potential qualified interest the borrower had, in fact, paid.

21. The qualified interest statement webpage did not explain that "$0.00" would be displayed unless the borrower had filed a Form W-9S with Respondent.

22. On a separate FAQ page of the website, the following language was displayed:

> Q: "Can I retrieve my qualified interest online to fill out my tax forms?"
>
> A: "Yes. Log in to [webpage] and select Qualified Interest from the left navigation menu under Your Statement section. Be sure you have submitted your W-9S form or this field may not be populated."

23. From 2006 to 2013, neither the FAQ page nor any other webpage on the Respondent website indicated that failure to file a Form W-9S would cause "$0.00" to be displayed on the qualified interest statement webpage.

24. From 2006 to 2013, Respondent or its affiliate included language in certain monthly paper account statements sent to borrowers identifying some features of the qualified interest tax deduction and its eligibility requirements.

25. From 2006 t0 2011, Respondent or its affiliate included the following notice in account statements sent to borrowers in October and November:

> **ATTENTION PRIVATE LOAN CUSTOMERS**
> If you paid $600 or more in interest on a qualified student loan(s) during [year], you may be eligible for a tax deduction! If you haven't already, complete a W-9S form (from a tax advisor, local library, or at the IRS website, www.irs.gov) and mail it to us at the address on the back of this statement by December 15 to receive your 1098E form. Federal Stafford, PLUS and Consolidation Loan borrowers who paid $600 or more of interest will automatically receive a 1098E form in the mail.

26. From 2009 to 2012, Respondent or its affiliate included the following notice in account statements sent to borrowers in January, February, and March:

> **ATTENTION STUDENT LOAN BORROWERS:**
> We want to inform you that Internal Revenue Service (IRS) regulations require lenders to inform borrowers of qualified interest paid on qualified student loans when such Interest exceeds $600 annually. If your total qualified interest paid in [year] did not reach this minimum amount, you will not receive a Form 1098-E in the mail from us.

27. In 2012, Respondent or its affiliate updated its October and November account statement notices sent to borrowers to read as follows:

> **IMPORTANT TAX MESSAGE**
> If you pay $600 or more in qualified student loan Interest during 2012, you may be eligible for a tax deduction. To calculate the amount you may be eligible to deduct, please refer to the information we will provide to you on Form 1098-E in early 2013.
>
> To receive your Form 1098-E we must have a completed Form W-9S on file from you. If you have not already done so this year or in a previous year, please complete Form W-9S and mail it to us at the address on the back of this statement by December 15, 2012. You can get a Form W-9S from www.irs.gov, your tax advisor or the library.

28. In 2013, Respondent or its affiliate updated its January, February, and March account statement notices sent to borrowers to read as follows:

> **IMPORTANT TAX MESSAGE**

A Form 1098·E will be mailed to you in January 2013 if you paid $600 or more in qualified student loan interest last year and you sent us a completed Form W·9S by December 15, 2012. Form 1098-E will be sent from The Student Loan Corporation.

Always consult a tax advisor for tax advice. Your tax advisor and the IRS website at www.irs.gov are sources for tax information.

29. The four versions of explanatory text quoted in paragraphs 25-28 were printed in a smaller font than other information in the account statements, and appeared either on the bottom of the first page of the statement, or on a separate page.

30. Section 1036(a)(1)(B) of the CFPA prohibits "unfair, deceptive, or abusive" acts or practices. 12 U.S.C. § 5536(a)(1)(B).

31. As described in paragraphs 20-29, in connection with the servicing of student loans, in numerous instances, Respondent or its affiliate has represented, expressly or impliedly that borrowers had not paid qualified interest or that the borrowers were not eligible for a qualified interest tax deduction.

32. Respondent or its affiliate failed to disclose or disclose adequately to borrowers important information regarding eligibility for a tax benefit as a result of the borrowers' payment of interest on their student loans. Respondent's failure to disclose this fact, in light of the representations made, was, and is, a deceptive act or practice.

33. In fact, borrowers had paid interest that was eligible for deduction as a tax benefit.

34. Consequently, borrowers did not seek this tax benefit, even though they may have been able to benefit from it.

35. Therefore, Respondent engaged in deceptive acts or practices in violation of sections 1031(a) and 1036(a)(1)(B) of the CFPA, 12 U.S.C. §§ 5531(a), 5536(a)(1)(B).

36. Section 1036(a)(1)(B) of the CFPA prohibits "unfair, deceptive, or abusive" acts or practices. 12 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers substantial injury that is not reasonably avoidable and if the substantial injury is not outweighed by countervailing benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1). Respondent's acts and practices described in paragraph 32 caused substantial injury to consumers that was not reasonably avoidable or outweighed by any countervailing benefit to consumers or to competition.

37. Thus, Respondent engaged in unfair acts or practices in violation of sections 1036(a)(1)(B) and 1031(c)(1) of the CFPA. 12 U.S.C. §§ 5536(a)(1)(B) and 5531(c)(l).

Findings and Conclusions as to Unfairly Failing to Refund Erroneously Assessed Interest Capitalization and Late Fees

38. Under the promissory notes governing Respondent's student loans, borrowers were obligated to make monthly installment payments on or before scheduled dates.

39. When a borrower failed to make a monthly payment within a given period of time after the monthly due date—usually 10 days—Respondent assessed a late fee against the borrower until January 2015, when Respondent stopped charging late fees.

40. The promissory notes also provided that during each period, interest would be charged on the loan's principal at a defined rate. That interest became a part of the required payment to be made on each payment due date.

41. Borrowers could request arrangements that exempted them from their monthly loan repayment obligations for specified periods of time. A variety of circumstances could form the basis for one of these arrangements, classified as either deferments, forbearances, or grace periods (hereinafter collectively referred to as "deferments").

42. Under the terms of deferment agreements, Respondent suspended monthly payment obligations for an agreed upon period of time. Because deferments temporarily lifted monthly payment obligations, the assessment of late fees was also suspended during that period of time.

43. Under the terms of deferment agreements, interest on loan principal still accrued during the deferment period. Though they were not obligated to make any payments during the deferment periods, borrowers had the option to make payments on the accruing interest during that deferment period. If the borrower elected not to pay the accruing interest during the deferment period, the unpaid interest would be capitalized into the principal of the loan when the deferment period ended.

44. The promissory notes for Respondent's student loans included an immediate and automatic deferment that began at the initiation of the loan and lasted until six months after the date that the borrower graduated or ceased to be enrolled at least part-time in an approved school. These deferments were known as "in-school deferments".

45. In addition to considering enrollment information borrowers provided, Respondent engaged with a third-party enrollment reporting company to provide information regarding borrowers' enrollment status.

46. Each month, Respondent communicated with the third-party entity to confirm the enrollment status of borrowers in the third-party entity's database.

47. When the third-party entity indicated that a borrower had ceased to be enrolled, it was Respondent's practice to confirm this information with the third-party entity but not to contact the borrower for confirmation.

48. If the third-party entity confirmed the de-enrollment, Respondent automatically terminated any relevant in-school deferments and placed the loans into repayment.

49. Per Respondent's policies and the deferment agreements, after an in-school deferment's termination, Respondent automatically capitalized any unpaid interest accrued during the deferment period.

50. Per Respondent's policies, at the time of an in-school deferment's termination, Respondent began tracking the monthly payment due dates for each loan now in repayment, and assessing late fees for non-payment by the applicable late fee dates.

51. There were instances when the third-party entity communicated incorrect information to Respondent about borrowers' enrollment, for example, that a borrower was no longer enrolled full-time even though the borrower was still enrolled.

52. Respondent learned about these errors in different ways, including self-correction by the third-party entity or notification from the borrower.

53. If Respondent discovered or was notified of an erroneous de-enrollment event, it was Respondent's policy and practice to require the borrower to apply for a new in-school deferment. If approved, this in-school deferment would be applied retroactively such that its start date would be the date immediately after the erroneous termination date of the original in-school deferment.

54. In instances where a borrower's in-school deferment was erroneously terminated, Respondent assessed one or more late fees for late or unpaid monthly payments during the period that would have been covered by the deferment but for the third-party error.

55. Respondent's practice was to not automatically waive or refund erroneously charged late fees.

56. Generally, if a borrower disputed an erroneous late fee, Respondent's policies allowed for a one-time discretionary "courtesy" waiver of one late fee.

57. Respondent did not waive or refund all erroneous late fees to borrowers.

58. In instances where a borrower's in-school deferment was erroneously terminated, Respondent automatically capitalized accrued interest that would have been covered by the in-school deferment but for the third-party error.

59. Respondent's practice was to not refund the amount of interest added to the principal of the student loan due to erroneous capitalizations.

60. In certain instances, Respondent erroneously terminated borrowers' in-school deferments, resulting in (i) late fees, which would not have accrued but for the third-party errors, and (ii) premature student loan interest capitalizations, which would have accrued at a later date but for the third-party errors.

61. In fact, Respondent did not refund erroneous interest capitalization or all erroneously charged late fees to more than 20,000 borrowers relating to in-school deferments.

62. Section 1036(a)(1)(B) of the CFPA prohibits "unfair, deceptive, or abusive" acts or practices." 12 U.S.C. § 5536(a)(1)(B). An act or practice is unfair if it causes or is likely to cause consumers substantial injury that is not reasonably avoidable, and if the substantial injury is not outweighed by countervailing benefits to consumers or to competition. 12 U.S.C. § 5531(c)(1).

63. Respondent's acts and practices described in paragraphs 60-61 caused substantial injury to consumers that was not reasonably avoidable or outweighed by any countervailing benefit to consumers or to competition.

64. Thus, Respondent engaged in unfair acts or practices in violation of sections 1036(a)(1)(B) and 1031(c)(1) of the CFPA. 12 U.S.C. §§ 5536(a)(1)(B) and 5531(c)(l).

Findings and Conclusions as to Monthly Account Statements Including Deceptive Statements About Required Payments

65. For borrowers who had multiple student loans serviced by Respondent, some of the loans could be in repayment status, while other loans could be in deferment status (hereinafter "mixed status borrowers").

66. While loans were in deferment, no payment was required, though borrowers had the option to make payments on those loans.

67. For mixed status borrowers with student loans exiting their grace status and entering repayment, Respondent overstated the minimum amount due on the mixed status borrowers' online and paper account statements.

68. The minimum payment amount Respondent presented on those statements included (1) the actual minimum amount due on loans in or approaching repayment and (2) interest accrued on loans that were still in deferment and thus not required to be paid. Respondent's inclusion of interest accrued on loans still in deferment led to substantial overstatements of the minimum payment due in many cases.

69. From January 2010 to August 2013, Respondent sent mixed status borrowers a monthly account statement that overstated the minimum amount due.

70. Section 1036(a)(1)(B) of the CFPA prohibits "unfair, deceptive, or abusive" acts or practices. 12 U.S.C. § 5536(a)(1)(B).

71. As described in paragraphs 65-69 above, in connection with servicing the student loans Respondent represented, expressly or impliedly, that mixed status borrowers' minimum payment due included interest payments on loans in deferment status.

72. In fact, student loan borrowers had no obligation to make interest payments on loans in deferment status. As a result, the actual amount owed by mixed status borrowers under the terms of their loans was often less than Respondent's account statements reflected. Thus Respondent's representations as described in paragraphs 65-69 constitute a deceptive act or practice in violation of Sections 1031(a) and 1036(a) of the CFPA, 12 U.S.C. §§ 5531(a) and 5536(a).

Findings and Conclusions as to Deficient Adverse Action Letters

73. The FCRA requires users of consumer credit reports to provide certain information to consumers if they experience an adverse action as a result of information in those reports.

74. If a consumer experiences an adverse action due to his or her numerical credit score, the user of that credit score must provide the consumer with notice that includes: (1) the numerical credit score used, (2) the range of possible numerical credit scores under the model used to generate the consumer's score, (3) generally up to four key factors that adversely affected the consumer's credit score, (4) the date on which the credit score was created, and (5) the name of the person or entity that generated the credit score. *See* 15 U.S.C. § 1681m(a)(2)(A)-(B) (incorporating by reference 15 U.S.C. § 1681g(f)(1)).

75. The entity that uses information in a consumer report, including a score, must additionally provide notice to the borrower that includes: (1) the telephone number of the consumer reporting agency (including a toll-free telephone number established by the agency if the agency compiles and maintains files on consumers on a nationwide basis), and (2) a statement that the consumer reporting agency did not make the decision to take the adverse action and is unable to provide the consumer the specific reasons why the adverse action was taken. *See* 15 U.S.C. § 1681m(a)(3)(A)-(B).

76. Many consumers apply for student loans from Respondent with a co-signor to help guarantee the loan.

77. Many consumers later request that these co-signors be released for some or all of their student loans with Respondent.

78. When Respondent received an application from a student loan borrower to release a co-signor and place the student loan in the borrower's name only, a Respondent underwriter would access the borrower's credit report and score.

79. If the borrower's credit score was below a certain threshold, Respondent denied the application for co-signor release.

80. If a borrower's credit score was above that threshold, Respondent's underwriter might deny the co-signor release application on the basis of other information contained in the borrower's credit report.

81. If Respondent denied a co-signor release application, Respondent generated an adverse action notice to inform the borrower of the denial.

82. Respondent's denial of an application to release a co-signor from a loan is an adverse action under the FCRA. *See* 15 U.S.C. § 1681a(k)(1)(A).

83. From 2011 to 2014, Respondent sent notices of denial of a co-signor release to more than 300 borrowers that did not contain the borrowers' credit scores, the phone number of the credit reporting agency that generated the credit report, or disclosure language confirming that the credit reporting agency did not make the decline decision.

84. Respondent failed to provide borrowers who were denied a release of a student loan co-signor due to their credit score or credit report with all of the information the FCRA requires.

85. Therefore, Respondent acts and omissions set forth in paragraphs 83-84 constitute a violation of Sections 615(a)(2)(A)-(B) and 615(a)(3)(A)-(B) of the FCRA, 15 U.S.C. §§ 1681m(a)(2)(A)-(B) and 1681m(a)(3)(A)-(B).

ORDER

V

Conduct Provisions

IT IS ORDERED, under sections 1053 and 1055 of the CFPA, that:

86. Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not violate, Sections 1031 and 1036 of the CFPA, 12 U.S.C. §§ 5531 and 5536, as follows:

a. Respondent, whether acting directly or indirectly, is permanently restrained from:

i. Sending to private student loan borrowers adverse action notices of the denial of a co-signor application, where the denial was based on information in the borrower's credit score and/or credit report, that do not contain the borrowers' credit scores, the phone number of the credit reporting agency that generated the credit report, or disclosure language confirming that the credit reporting agency did not make the decline decision; and

ii. Failing to comply with the requirements of the FCRA, 15 U.S.C. §§ 1681 et seq., including the notice and information requirements in 15 U.S.C. §§ 1681m(a)(2)(A)-(B) and 1681m(a)(3)(A)-(B), with respect to adverse actions.

b. Respondent, and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, in connection with the servicing of private student loans, may not

misrepresent, or assist others in misrepresenting, expressly or impliedly, to consumers:

i. the minimum periodic payment owed by consumers;

ii. the separate identity and amount of any optional periodic interest payments;

iii. the amount of interest paid by consumers in a given time period; or

iv. any other material fact concerning the servicing of their student loans.

c. Respondent, whether acting directly or indirectly, in connection with servicing the private student loans must take the following affirmative actions:

i. send student loan borrowers without IRS W-9S forms on file with Respondent a blank W-9S form or other form used by the IRS that is a substitute for or replaces the W-9S (hereinafter "W-9S") to complete and provide a system for borrowers to submit W-9S forms electronically;

ii. explain in a letter accompanying the blank W-9S form that the Respondent requires the borrower to submit the W-9S form before Respondent will issue them a Form 1098-E specifying the amount of student-loan interest they paid;

iii. clearly and prominently disclose on its website, account statements, and other notices to student loan borrowers that borrowers must complete and provide Respondent with a W-9S form before Respondent will issue the borrower a Form 1098-E; and

iv. submit, within sixty (60) days of the Effective Date, Respondent's proposed website, account statement, or other notice to student loan borrowers about Respondent's W-9S form requirement to the Regional Director for approval.

d. Respondent, whether acting directly or indirectly, in connection with the servicing of private student loans must implement a policy and procedure to reverse interest capitalized and/or late fees charged, and refund late fees paid by private student loan borrowers when:

i. relying on enrollment reporting data from third party entities to process in-school deferments; and

ii. Respondent discovers or is notified that the capitalized interest or late fees resulted from erroneous enrollment reporting or deferment processing.

VI
Compliance Plan

IT IS FURTHER ORDERED that:

87. Within 60 days of the Effective Date, Respondent must submit to the Regional Director for review and determination of non-objection a comprehensive compliance plan designed to ensure that Respondent's private student-loan-servicing activities comply with all applicable Federal consumer financial laws and the terms of this Consent Order (Compliance Plan). The Compliance Plan must include, at a minimum:

a. Detailed steps for addressing each action required by this Consent Order; and

b. Specific timeframes and deadlines for implementation of those steps.

88. The Regional Director will have the discretion to make a determination of non-objection to the Compliance Plan or direct the Respondent to revise it. If the Regional Director directs the Respondent to revise the Compliance Plan, the Respondent must make the revisions and resubmit the Compliance Plan to the Regional Director within 30 days.

89. After receiving notification that the Regional Director has made a determination of non-objection to the Compliance Plan, the Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Compliance Plan.

VII
Role of the Board

IT IS FURTHER ORDERED that:

90. The Board, or a relevant Committee thereof, must review all submissions (including plans, reports, programs, policies, and procedures) required by this Consent Order prior to submission to the Bureau.

91. Although this Consent Order requires the Respondent to submit certain documents for the review or non-objection by the Regional Director, the Board will have the ultimate responsibility for proper and sound management of Respondent and for ensuring that Respondent complies with Federal consumer financial law and this Consent Order.

92. In each instance that this Consent Order requires the Board to ensure adherence to, or perform certain obligations of Respondent, the Board, or a relevant committee thereof, must:

a. Authorize whatever actions are necessary for Respondent to fully comply with the Consent Order;

b. Require timely reporting by management to the Board on the status of compliance obligations; and

c. Require timely and appropriate corrective action to remedy any material non-compliance with any failures to comply with Board directives related to this Section.

VIII
Order to Pay Redress

IT IS FURTHER ORDERED that:

93. Within 10 days of the Effective Date, Respondent must reserve or deposit into a segregated deposit account an amount not less than $3.75 million (Payment Floor), for the purpose of providing redress to Affected Consumers as required by this Section.

94. Within 90 days of the Effective Date, Respondent must submit to the Regional Director for review and non-objection a comprehensive written plan for providing redress consistent with this Consent Order (Redress Plan). The Regional Director will have the discretion to make a determination of non-objection to the Redress Plan or direct the Respondent to revise it. If the Regional Director directs the Respondent to revise the Redress Plan, the Respondent must make the revisions and resubmit the Redress Plan to the Regional Director within 30 days. After receiving notification that the Regional Director has made a determination of non-objection to the Redress Plan, the

Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Redress Plan.

95. The Redress Plan must describe the process for providing redress for Affected Consumers, and must include the following requirements:

a. Respondent or its service provider must issue an account credit to each Affected Consumer whose student loan account is still being serviced by Respondent and mail a Redress Notification Letter (as defined below);

b. Respondent or its service provider must mail a bank check to each Affected Consumer whose student loan account is no longer being served by Respondent along with a Redress Notification Letter;

c. Respondent or its service provider must send the bank check and/or Redress Notification Letter by United States Postal Service first-class mail, address correction service requested, to the Affected Consumer's last known address as maintained by the Respondent's records;

d. Respondent or its service provider must make reasonable attempts to obtain a current address for any Affected Consumer whose Redress Notification Letter and/or redress check is returned for any reason, using the National Change Address System, and must promptly re-mail all returned letters and/or redress checks to current addresses, if any; and

e. Processes for handling any unclaimed funds.

96. With respect to redress paid to Affected Consumers, the Redress Plan must include:

a. The form letter ("Redress Notification Letter") to be sent notifying Affected Consumers of the redress; and

b. The form of the envelope that will contain the Redress Notification Letter. The letter must include language explaining the manner in which the amount of redress was calculated; and a statement that the provision of the refund payment is in accordance with the terms of the Consent Order.

c. Respondent or its service provider must not include in any envelope containing a Redress Notification Letter any materials other than the approved letters and redress checks, unless Respondent has obtained written confirmation from the Regional Director that the Bureau does not object to the inclusion of such additional materials.

97. The Redress Plan must contain the following elements for the Affected Consumer classes for the time periods set forth below:

a. Minimum Payment Consumers:

i. For the time period from July 21, 2011 through August 2013, identify the Minimum Payment Consumers who paid Respondent more than the actual minimum monthly payment due and the amount of the overpayment(s); and

ii. Require Respondent or its service provider to issue an account credit equal to the total amount of the overpayment(s) (the Minimum Payment Account Credit). If the Respondent is no longer servicing the Minimum Payment Consumer's student loans, Respondent will send that consumer a redress check in an amount equal to the Minimum Payment Account Credit and will use the procedures set forth in paragraphs 95 and 96.

b. Loan Interest Capitalization Consumers:

i. Identify the Loan Interest Capitalization Consumers who paid Respondent additional interest-on-interest (i.e., interest-on-interest that accrued after a premature interest capitalization event) for the time period from July 21, 2011 through February 2015 who received back-dated in-school deferments with retroactive start dates in or after July 21, 2011; and

ii. Require Respondent or its service provider to issue an account credit of $47.00 to each Loan Interest Capitalization Consumer (Capitalization Account Credit). If the Respondent is no longer servicing the Loan Interest Capitalization Consumer's student loans, Respondent will send that consumer a redress check in an amount equal to the Capitalization Account Credit and will use the procedures set forth in paragraphs 95 and 96.

c. Late Fees Consumers:

i. For the time period from July 21, 2011 through January 2015, identify the Late Fees Consumers who paid Respondent late fees as a result of Respondent's placement of in-school deferments into repayment and then subsequently restoring the student loan to a back-dated, in-school deferment; and

ii. Require Respondent to issue an account credit equal to the amount of paid late fees (Late Fees Account Credit). If the Respondent is no longer servicing the Late Fees Consumer's student loans, Respondent will send that consumer a redress check in an amount

equal to the Late Fees Account Credit and will use the procedures set forth in paragraphs 95 and 96.

d. FCRA Consumers:

i. For the time period from July 21, 2011 through July 2014, identify the FCRA Consumers whose application to release a co-signor from a student loan was denied by Respondent and was sent an adverse action notification letter that was deficient and not in compliance with the FCRA; and

ii. Require Respondent to issue an account credit equal to $250 to each FCRA Consumer (FCRA Account Credit). If the Respondent is no longer servicing the FCRA Consumer's student loans, Respondent will send that consumer a redress check in an amount equal to the FCRA Account Credit and will use the procedures set forth in paragraphs 95 and 96.

98. Within 90 days from completion of the Redress Plan, Respondent must submit a Redress Plan Report to the Regional Director, which must include Respondent's Internal Audit department's review and assessment of Respondent's compliance with the terms of the Redress Plan, including:

a. The methodology used to determine the population of Affected Consumers;

b. The Redress Amount for each Affected Consumer;

c. The total number of Affected Consumers per Affected Consumer class;

d. The procedures used to issue and track redress payments;

e. The amount, status, and planned disposition of all unclaimed redress payments, and

f. The work of independent consultants that Respondent has used, if any, to assist and review its execution of the Redress Plan.

99. After completing the Redress Plan, if the amount of redress provided to Affected Consumers is less than the Payment Floor, within 30 days of the completion of the Redress Plan, Respondent must pay to the Bureau, by wire transfer to the Bureau or to the Bureau's agent, and according to the Bureau's wiring instructions, the difference between the amount of redress provided to Affected Consumers and the Payment Floor.

100. The Bureau may use these remaining funds to pay additional redress to Affected Consumers. If the Bureau determines, in its sole discretion, that additional redress is wholly or partially impracticable or otherwise inappropriate, or if funds remain after the additional redress is completed, the Bureau will deposit any remaining funds in the U.S. Treasury as disgorgement. Respondent will have no right to challenge any actions that the Bureau or its representatives may take under this Section.

101. Respondent may not condition the payment of any redress to any Affected Consumer under this Consent Order on that Affected Consumer waiving any right.

IX
Order to Pay Civil Money Penalties

IT IS FURTHER ORDERED that:

102. Under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c), by reason of the violations of law described in Section IV of this Consent Order, and taking into account the factors in 12 U.S.C. § 5565(c)(3), Respondent must pay a civil money penalty of $2.75 million to the Bureau.

103. Within 10 days of the Effective Date, Respondent must pay the civil money penalty by wire transfer to the Bureau or to the Bureau's agent in compliance with the Bureau's wiring instructions.

104. The civil money penalty paid under this Consent Order will be deposited in the Civil Penalty Fund of the Bureau as required by section 1017(d) of the CFPA, 12 U.S.C. § 5497(d).

105. Respondent must treat the civil money penalty paid under this Consent Order as a penalty paid to the government for all purposes. Regardless of how the Bureau ultimately uses those funds, Respondent may not:

a. Claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any civil money penalty paid under this Consent Order; or

b. Seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made under any insurance policy, with regard to any civil money penalty paid under this Consent Order.

106. To preserve the deterrent effect of the civil money penalty in any Related Consumer Action, Respondent may not argue that Respondent is entitled to, nor may Respondent benefit by, any offset or reduction of any compensatory

monetary remedies imposed in the Related Consumer Action because of the civil money penalty paid in this action or because of any payment that the Bureau makes from the Civil Penalty Fund (Penalty Offset). If the court in any Related Consumer Action grants such a Penalty Offset, Respondent must, within 30 days after entry of a final order granting the Penalty Offset, notify the Bureau, and pay the amount of the Penalty Offset to the U.S. Treasury. Such a payment will not be considered an additional civil money penalty and will not change the amount of the civil money penalty imposed in this action.

X
Additional Monetary Provisions

IT IS FURTHER ORDERED that**:**

107. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.

108. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.

109. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Bureau its taxpayer identifying numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

110. Within 30 days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Regional Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

XI
Reporting Requirements

IT IS FURTHER ORDERED that:

111. Respondent must notify the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice, if practicable, at least 30 days before the development, but in any case no later than 14 days after the development.

112. Within 90 days of the Effective Date, and again one year after the Effective Date, Respondent must submit to the Regional Director an accurate written compliance progress report (Compliance Report) that has been approved by the Board, or a relevant Committee thereof, which, at a minimum:

a. Describes in detail the manner and form in which Respondent has complied with this Consent Order; and

b. Attaches a copy of each Order Acknowledgment obtained under Section XII, unless previously submitted to the Bureau.

XII
Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that,

113. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its board members and executive officers, as well as to any managers, employees, Service Providers, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.

114. For 5 years from the Effective Date, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section XI, any future board members and executive officers, as well as to any managers, employees, Service Providers, or other agents and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities.

115. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

XIII

Recordkeeping

IT IS FURTHER ORDERED that

116. Respondent must create, or if already created, must retain for at least 5 years from the Effective Date, the following business records:

a. All documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau.

b. All documents and records pertaining to the Redress Plan, described in Section VIII above.

117. Respondent must retain the documents identified in paragraph 116 for the duration of the Consent Order.

118. Respondent must make the documents identified in paragraph 115 available to the Bureau upon the Bureau's request.

XIV

Notices

IT IS FURTHER ORDERED that:

119. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, "*In re* Citibank, N.A., File No. 2017-CFPB-0021," and send them either:

a. By overnight courier (not the U.S. Postal Service), as follows:

Regional Director, Bureau Northeast Region
Consumer Financial Protection Bureau

140 East 45th Street, 4th Floor
New York, NY 10017

Assistant Director for Enforcement
Consumer Financial Protection Bureau
ATTENTION: Office of Enforcement
1990 K Street, N.W.
Washington, DC 20006; or

b. By first-class mail to the below address and contemporaneously by email to Enforcement_Compliance@cfpb.gov:

Regional Director, Bureau Northeast Region
Consumer Financial Protection Bureau
140 East 45th Street, 4th Floor
New York, NY 10017

Assistant Director for Enforcement
Consumer Financial Protection Bureau
ATTENTION: Office of Enforcement
1700 G Street, N.W.
Washington D.C. 20552.

XV

Cooperation with the Bureau

IT IS FURTHER ORDERED that:

120. Respondent must cooperate fully to help the Bureau determine the identity and location of, and the amount of injury sustained by, each Affected Consumer. Respondent must provide such information in its or its agents' possession or control within 14 days of receiving a written request from the Bureau.

121. Respondent must cooperate fully with the Bureau in this matter and in any investigation related to or associated with the conduct described in Section IV. Respondent must provide truthful and complete information, evidence, and testimony. Respondent must cause Respondent's officers, employees, representatives, or agents to appear for interviews, discovery, hearings, trials,

and any other proceedings that the Bureau may reasonably request upon 10 days written notice, or other reasonable notice, at such places and times as the Bureau may designate, without the service of compulsory process.

XVI
Compliance Monitoring

IT IS FURTHER ORDERED that, to monitor Respondent's compliance with this Consent Order:

122. Within 30 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested information, which must be made under penalty of perjury; provide sworn testimony; or produce documents.

123. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview. The person interviewed may have counsel present.

124. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

XVII
Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

125. Respondent may seek a modification to non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Regional Director.

126. The Regional Director may, in his/her discretion, modify any non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) if he/she determines good cause justifies the modification. Any such modification by the Regional Director must be in writing.

XVIII
Administrative Provisions

127. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau, or any other governmental agency, from taking any other action against Respondent, except as described in paragraph 134.

128. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the practices described in Section IV of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Consent Order, or to seek penalties for any violations of the Consent Order.

129. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under section 1053 of the CFPA, 12 U.S.C. § 5563, and expressly

does not form, and may not be construed to form, a contract binding the Bureau or the United States.

130. This Consent Order will terminate 5 years from the Effective Date or 5 years from the most recent date that the Bureau initiates an action alleging any violation of the Consent Order by Respondent. If such action is dismissed or the relevant adjudicative body rules that Respondent did not violate any provision of the Consent Order, and the dismissal or ruling is either not appealed or upheld on appeal, then the Consent Order will terminate as though the action had never been filed. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

131. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

132. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.

133. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever

Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.

134. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.

135. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing the Respondent, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 21st day of November, 2017.

Richard Cordray
Director
Consumer Financial Protection Bureau