

Citigroup	BL0301 – Retail Banking	
EL0402 – Improper Business or Market Practices	USD – 2,295,000.00 LOSS	USD – US Dollar
US – UNITED STATES	North America	

Citigroup pays USD 2.3 million to settle claims it acted in violation of the Servicemembers Civil Relief Act

On 3 March 2015 CitiMortgage agreed to pay almost USD 2.3 million (EUR 2.1 million) to resolve a class action accusing the mortgage lender of violating a federal statute capping interest payments on military servicemembers' mortgages, Law360 reports.

According to the lead plaintiff, Raymond Wray, in order to reduce Wray's payments to the 6 per cent statutory minimum, Citigroup used a programme to subsidise the extra interest on his 12.99 per cent rate. Wray claimed that this behaviour was a violation of the Servicemembers Civil Relief Act (SCRA) as the statute requires the lenders to reduce interest rates to 6 per cent.

Wray claimed that Citigroup's method meant that his principal balance was reducing at a slower rate than if the correct method had been applied. Citigroup claimed that its method was within the statute and that it was actually reducing the principal balance at a faster rate. However, a US district court judge disagreed with Citigroup and found Wray's claim was valid.

According to Law360, the class action concerns up to 4,300 class members who had taken out mortgage loans before going on active duty and on which Citigroup used the subsidiary programme.

As part of the settlement, the members, who were also required to have been in periods of active military duty which ended between 5 July 2007 and 5 April 2012, will each receive USD 150. Citigroup shall also cover attorneys' fees and costs of up to USD 1.6 million and pay Wray up to USD 50,000. According to the settlement agreement, Citigroup is required to stop subsidising the extra interest for two years and must not implement any new system "that would be less beneficial to its borrowers".

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Event	Published in Media	Date of Occurrence – From	Date of Occurrence – To	Discovery Date	Date of Recognition / Settlement
	04/Mar/2015	05/Jul/2007	05/Apr/2012	N/A	03/Mar/2015
Loss Amount USD USD 2,295,000.00	Loss Amount EURO EUR 2,051,546.40	Provision No	Product PD0405 - Mortgages	Boundary Risk Other Risk	Process PC0606 - Fees Admin, Calculation & Application
Industry Event N/A	Scenario LGLRSK - Legal Risk	Role of Firm LS0307 - Position Taking (Principal)	AMA Status N/A		
Parent Company N/A	ORX Member No				
Cause 1 CS0403 - Inadequate Policy / Procedure	Cause 2 N/A	Cause 3 N/A			
Counterparty LS0202 - Class Action	Jurisdiction / Choice of Law LS0101 - United States of America	Environmental Volatility LS0406 - Not Identifiable			