

No Criminal Charges against Citibank Executives for Pre-Crisis RMBS Sales By Vartika Jain, LL.M. Candidate 2016 | March 14, 2016

Citigroup executives involved in the sale of [subprime mortgage](#)-backed securities are [off the hook](#) in the U.S. as authorities decided not to pursue any criminal charges against them. The acknowledgement came in a [report](#) issued by one of the agencies tasked with the Citigroup probe, the Federal Housing Finance Agency's Office of Inspector General ([FHFA OIG](#)). The report marks the probe closed and outlines the investigation, the epicenter of which was Citibank's sale and issuance practices with respect to subprime mortgage-backed securities in the 2006-2007 period.

Per the FHFA OIG report, authorities including the U.S. Attorney's Office in Colorado reviewed 25 million mortgage bond related documents and internal bank emails and conducted interviews with Citi's current and former employees and executives. The report also states that the Department of Justice (DOJ) requested the review of evidence for potential claims of personal liability of individuals in all mortgage-backed securities settlement cases.

In the wake of Citigroup's \$7 billion settlement in 2014 of all federal and state civil claims in connection with packaging and selling mortgage securities, the report states that "there was not enough compelling evidence" after the prosecutors reviewed the evidence to see if individual charges could be established. Apart from the above, the report does not speak to the reasons for the failure to prosecute any individuals or to the names of any individuals that were investigated.

As part of its \$7 billion payment to the DOJ settling federal and state inquiries into suspected toxic mortgages, Citigroup paid a \$4 billion cash penalty which will go into the United States Treasury's general fund, the largest of its kind. This unprecedented penalty was imposed based on evidence including an [internal email cited by prosecutors](#), in which a Citigroup trader wrote "went thru Diligence Reports and think that we should start praying ... I would not be surprised if half of these loans went down." The settlement deal also included a \$180 million payment by Citigroup to finance affordable rental housing in unspecified "high cost of living areas." Under the terms of the settlement, Citigroup's executives and employees were not unequivocally released from future criminal or civil charges.