

American Federation of Labor and Congress of Industrial Organizations



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December 20, 2007

By UPS Next Day Air

Mr. Vikram Pandit
Chief Executive Officer
Citigroup Inc.
399 Park Avenue
New York, New York 10043

Dear Mr. Pandit:

As the holidays approach, more than two million American families face possible home foreclosure as a result of the subprime crisis. This crisis threatens the health of our economy, the solvency of our financial institutions and the wellbeing of communities. At the same time, the five largest Wall Street firms will pay out a record \$38 billion in bonuses this year, \$2 billion more than 2006.¹ This is wrong from every conceivable perspective. The AFL-CIO calls upon Citigroup to use its power in the mortgage market to immediately halt foreclosures of subprime loans for one year to allow orderly restructuring and refinancing to occur. A foreclosure moratorium will preserve the American Dream for millions of families and preserve value for your investors.

The U.S. Department of Housing and Urban Development has stated that “contrary to popularly held myths, mortgage finance institutions lose money on nearly all foreclosures. Not only that, but they lose more on a foreclosure than they do on any workout option.”² Your company is the fifth largest residential lender and the third largest subprime servicer. Last year, Citigroup underwrote more than \$22 billion in subprime loans.³ Pursuing foreclosures at this time will inflict profound injustice on working Americans and their communities. It will also harm Citigroup’s economic interest and threaten the American economy.

¹ “Wall Street Plans \$38 Billion of Bonuses as Shareholders Lose,” Bloomberg, November 19, 2007.

² Source: “Providing Alternatives to Mortgage Foreclosure: A Report to Congress,” March 1996.

³ Inside Mortgage Finance; Bloomberg Financial Markets

Mortgage Crisis Demands Immediate Response

The complexity and scale of the mortgage meltdown requires immediate action from America's largest financial institutions.

Despite danger signs and commitments made to the Treasury Department thus far, mortgage originators and lending institutions have failed to step forward. As of September, only one percent of all subprime loans have been restructured, more than six months after the crisis.⁴ More disturbingly, there appears to be little evidence that the risk characteristics of subprime loans originated in 2007 differ significantly from those of subprime loans originated in 2006 and 2005.⁵ One can only conclude from this data that the major subprime market participants like Citigroup are either ill-equipped to change course or not interested in voluntary reform.

A Call to Action

On behalf of millions of working Americans and homeowners, the AFL-CIO urges Citigroup to do everything it can to keep people in their homes through a temporary moratorium on foreclosures combined with a comprehensive loan restructuring program.

On December 6, 2007, the AFL-CIO testified before the House Committee on Financial Services in support of legislation which would assist public officials in enforcing homeowner protection standards. We also presented a set of policy recommendations and we strongly urge Citigroup to commit to the following practices:

- An immediate moratorium on foreclosures associated with all subprime mortgages for the next year;
- Conversion of all outstanding subprime loans into conventional 30-year mortgages at current teaser rates;
- Renounce servicing agreements that reward foreclosure and instead encourage refinancing or other workout strategies; and
- Commit to publicly reporting how many subprime loans Citigroup is servicing, how many have reset, how many have been restructured, and how many foreclosures are occurring and where.

⁴ Special Report on Structured Finance by Moody's Investors Services, Moody's Subprime Mortgage Servicer Survey on Loan Modifications, September 21, 2007.

⁵ "Changing Credit Performance of Subprime RMBS," FBR Capital Markets Structured Finance Insights, September 27, 2007.

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The AFL-CIO believes these steps will help prevent the dramatic escalation in defaults and foreclosures displacing working families, protect shareholder value, limit the losses of worker pension funds, and avoid wide scale job loss.

Conclusion

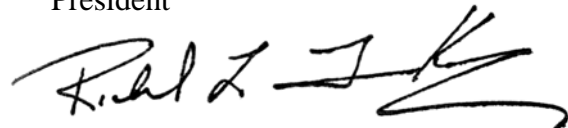
This time last year, the AFL-CIO sent a letter to Congressional leaders urging changes to our tax system. These reforms included closing executive pay loopholes and addressing the fundamental unfairness of a system that allowed investment bankers to buy \$15,000 bottles of wine while our nation faced serious challenges like Hurricane Katrina and the Iraq war.

A year later, America is facing a new and more daunting crisis, one that not only threatens the solvency of our financial institutions but jeopardizes the American Dream for millions of hard-working American families. Yet Wall Street refuses to address the crisis and gives record bonuses to the very people whose conduct threatens to strip millions of Americans of their homes and drive our country into recession. We urge Citigroup to step forward and meet this challenge for the good of your shareholders, homeowners, and the American economy.

Sincerely,



John J. Sweeney
President



Richard L. Trumka
Secretary-Treasurer



Arlene Holt Baker
Executive Vice President

JJS/RLT/AHB:ms
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