



Pricing Policy, authorizes unchecked, subjective surcharge of additional points and fees to an otherwise objective risk-based financing rate. In other words, after a finance rate acceptable to the Defendants is determined by objective criteria (e.g., the individual's credit history, credit score, debt-to-income ratio and loan-to-value ratios), the Defendants' credit pricing policy authorizes additional discretionary finance charges. These subjective, additional finance charges have a widespread discriminatory impact on minority applicants for home mortgage loans, in violation of ECOA and the FHA.

3. The Defendants have established policies for access to their loan products that subject minority financing applicants to a significantly higher likelihood of exposure to discretionary points and fees. These costs drive up the average cost of a mortgage loan made by Defendants to minority homeowners.

4. Plaintiff seeks damages, declaratory and injunctive relief, disgorgement and restitution of monies disparately obtained from minority borrowers.

#### **JURISDICTION AND VENUE**

5. Plaintiffs invoke the jurisdiction of this Court pursuant to 28 U.S.C. § 1331, which confers original jurisdiction upon this Court in a civil action arising under federal law.

6. Venue is proper in this Court pursuant to 28 U.S.C. 1391(b) inasmuch as the unlawful discriminatory practice is alleged to have been committed in this District, Defendants regularly conduct business in this District, and the named Plaintiff resides in this District.

#### **PARTIES**

7. Plaintiff, Felix Puello, is a minority homeowner who resides at 175 Clare Avenue, Apartment A2, Hyde Park, Massachusetts 02136, a condominium unit.

8. Defendant, Citigroup, Inc., is a Delaware corporation headquartered at 399 Park Avenue, New York, NY 10043. Citigroup offers a range of financial services through its subsidiary, defendant Citifinancial Services, Inc., and through other subsidiaries that operate nationwide.

9. Defendant, Citifinancial Services, Inc., is headquartered at 300 Saint Paul Place, Baltimore, MD 21202. Citifinancial is a subsidiary of Citigroup.

10. Both Citifinancial and Citigroup transact business in this district.

### **FACTS**

#### **A. MORTGAGE LENDING IN THE UNITED STATES HISTORICALLY HAS DISCRIMINATED AGAINST MINORITIES**

11. According to the Joint Center for Housing Studies at Harvard University's 2005 study called "The Dual Mortgage Market: The Persistence of Discrimination in Mortgage Lending," mortgage lending discrimination today is subtle but pervasive, with minority consumers continuing to have less-than-equal access to loans at the best price and on the best terms that their credit history, income, and other individual financial considerations merit more than three decades after the enactment of national fair lending legislation.

12. The passage of civil rights legislation and fair lending laws in the 1960s and 1970s brought an end to the most virulent forms of overt racial discrimination in the housing markets, but throughout the 1980s and 1990s, mortgage lenders found more subtle ways to discriminate, including maintaining offices only in white neighborhoods and engaging in practices such as redlining (refusing to lend on properties in predominantly minority neighborhoods).

13. After such redlining practices were challenged in the 1990s, mortgage lenders changed tactics once again, making loans to minorities, but charging higher interest rates and loan-related fees than they charged to similarly-situated white borrowers. Loan data that mortgage lenders must now compile and disclose under the federal Home Mortgage Disclosure Act (“HMDA”) reveals profound loan pricing disparities between minority borrowers and similarly-situated white borrowers.

14. The HMDA requires mortgage lenders to report information about the home loans they process each year. In 2005, lenders reported information on more than 30 million home loan applications pursuant to HMDA. In 1989, Congress required lenders to begin disclosing information about mortgage borrowers’ race and ethnicity. In 2004, concerned with potential racial discrimination in loan pricing and recognizing that racial or other types of discrimination can occur when loan officers and mortgage brokers have latitude in setting interest rates, the Federal Reserve Board began requiring lenders to also report information concerning rates, points, and fees, charged to borrowers on high-cost loans.

15. According to the Federal Reserve, both 2004 and 2005 HMDA data revealed that “Blacks and minority borrowers were more likely . . . to have received higher-priced loans than non-minority whites. . . . [which has] increased concern about the fairness of the lending process.” Robert B. Avery, Kenneth P. Brevoort and Glenn B. Canner, “Higher-Priced Home Lending and the 2005 HMDA Data,” Federal Reserve Bulletin, A124, A159 (revised Sept. 18, 2006) (available at <http://www.federalreserve.gov/pubs/bulletin/2006/hmda/bull06hmda.pdf>) (last viewed March 10, 2008).

16. HMDA data for 2004 reveals profound loan pricing disparities between minority borrowers and non-minority whites even after controlling for borrowers’ gender, income,

property location, and loan amount. After accounting for those differences in the 2004 HMDA data, minority borrowers were still almost twice as likely to receive a higher-rate home loan as non-minority whites. Testimony of Keith Ernst before the Subcommittee on Financial Institutions and Consumer Credit, June 13, 2006 at 3 (available at <http://www.responsiblelending.org/pdfs/Testimony-Ernst061306.pdf>) (last viewed March 10, 2008). In an October 2006 speech, the Vice-Chairman of the Federal Deposit Insurance Corporation, Martin Gruenberg, discussed the 2004 HMDA data and observed that that data “clearly indicated” that minority borrowers are more likely to receive high-cost home loans than are non-minority whites. (available at <http://www.fdic.gov/news/news/speeches/archives/2006/chairman/spoct1806.html>) (last viewed March 10, 2008).

17. Likewise, HMDA data for 2005 shows that “for conventional home-purchase loans, the gross mean incidence of higher-priced lending was 54.7 percent for blacks and 17.2 percent for non-minority whites, a difference of 37.5 percentage points.” Avery et al., supra, at A159. The situation is similar for refinancing, where there is a difference of 28.3 percentage points between blacks and non-minority whites. Id. at A124, A159.

18. A growing number of research studies and investigations show that significant racial disparities still exist in lending practices. California Reinvestment Coalition, et al., “Paying More for the American Dream: A Multi-State Analysis of Higher Cost Home Purchase Lending” (March 2007) (available at [http://www.nedap.org/pressroom/documents/2007\\_Report-2005\\_HMDA.pdf](http://www.nedap.org/pressroom/documents/2007_Report-2005_HMDA.pdf)) (last viewed March 10, 2008); Ross, “The Continuing Practice and Impact of Discrimination” (Revised July 2006) (Univ. of Connecticut, Working Paper 2005-19R) (available at <http://www.econ.uconn.edu/working/2005-19r.pdf>) (last viewed March 10, 2008).

19. Just this month, the California Reinvestment Coalition, jointly with several other non-profit and housing advocacy groups, published another report. The organizations examined the impact of lending by subprime, high-risk lenders in 7 metropolitan areas – Boston, Charlotte, Chicago, Cleveland, Los Angeles, New York City and Rochester, NY. California Reinvestment Coalition, et al., “Paying More for the American Dream: A Multi-State Analysis of Higher Cost Home Purchase Lending” (March 2008) (“CRC Report”) (available at <http://www.nedap.org/resources/reports.html>) (last viewed March 12, 2008).

20. Among other things, the study showed that subprime high –risk lenders are concentrated in minority neighborhoods. Data supporting this finding demonstrated that subprime high-risk lenders had 20% of the market share in predominantly minority neighborhoods in these metro areas, compared to a 4% market share in predominantly white neighborhoods. CRC Report at 5. In addition, over 40% of the loans made by subprime high-risk lenders were in neighborhoods where 80% or more of the residents were minorities. *Id.* In stark contrast, less than 10% of subprime high-risk lender loans were in areas where less than 10% of the residents were minorities. *Id.*

21. In metro Boston, where the plaintiff resides, the same study shows that subprime, high-risk lenders had 22% of the home loan market in neighborhoods where more than 80% of the residents were minorities, while subprime high-risk lenders had only 5% of the market for home loans in neighborhoods where less than 10% of the residents were minorities. CRC Report at 8-10. In 6 of the 7 metro areas analyzed by the California Reinvestment Coalition group report, the subprime high-risk lender market share in predominantly minority neighborhoods was at least 3 times the subprime high-risk lender market share in predominantly white neighborhoods. *Id. See also*, CRC Report, Appendices & Dot Density Maps.

22. The Association of Community Organizations for Reform Now (ACORN) released a report entitled, "The High Cost of Credit: Disparities in High-priced Refinanced Loans to Minority Homeowners in 125 American Cities" at 11 (available at [http://www.acorn.org/fileadmin/Affordable\\_Housing/hmda/High\\_Cost\\_of\\_Credit\\_Report.doc](http://www.acorn.org/fileadmin/Affordable_Housing/hmda/High_Cost_of_Credit_Report.doc)) (last viewed March 10, 2008).

23. Moreover, and importantly, research studies have suggested that borrowers' credit profiles cannot fully explain why some borrowers, and not others, are saddled with higher cost loans. Researchers have raised "doubts that risk can adequately explain racial differences" in high-cost loans. Bradford, Center for Community Change, "Risk or Race? Racial Disparities and the Subprime Refinance Market" (May 2002) (available at [http://www.knowledgeplex.org/kp/report/report/refiles/ccc\\_0729\\_risk.pdf](http://www.knowledgeplex.org/kp/report/report/refiles/ccc_0729_risk.pdf)) (last viewed March 10, 2008). In other words, evidence "suggests that weak borrower credit profiles do not fully explain why some borrowers get stuck with higher-cost home loans." California Reinvestment Coalition, et al., "Paying More for the American Dream: A Multi-State Analysis of Higher Cost Home Purchase Lending" at 7 (March 2007).

24. Massachusetts borrowers like the plaintiff are not immune from these realities. In February 2008, the Massachusetts Community and Banking Council ("MCBC") released a report examining the 2006 HMDA data for lending in Massachusetts. Massachusetts Community & Banking Council, "Changing Patterns XIV: Mortgage Lending to Traditionally Underserved Borrowers and Neighborhoods in Boston, Greater Boston and Massachusetts, 2006," (available

at [http://www.masscommunityandbanking.org/PDFs/CP14-Feb08\\_Report.pdf](http://www.masscommunityandbanking.org/PDFs/CP14-Feb08_Report.pdf)) (last viewed March 11, 2008). After reviewing 2006 HMDA data, MCBC concluded that Black and Hispanic borrower homebuyers in Greater Boston were 4.5 times more likely to receive a High-APR loan than their white counterparts. *Id.* at 6. Black and Hispanic borrowers in Greater Boston who were refinancing their homes were at least 2.2 times more likely to receive high cost loans than their white counterparts. *Id.* Looked at more broadly, the data revealed that Black and Hispanic borrowers were represented among the ranks of sub-prime borrowers at a rate of more than five times their representation among borrowers on prime terms. *Id.* at 7. Such disparities did not subside at higher income levels -- to the contrary, the racial disparity among high-income borrowers was higher than among their low-income counterparts. *Id.* at 8-9.

25. Specifically, the Community Reinvestment Association of North Carolina ("CRA-NC") conducted a review of Citigroup's lending practices and determined that the company has developed separate lending channels for subprime and prime products. Community Reinvestment Association of North Carolina, "Separate and Unequal: The Effects of Overcharging by Citigroup (available at [http://www.cra-nc.org/citigroup\\_effects\\_of\\_overcharging.htm#\\_ftnref5](http://www.cra-nc.org/citigroup_effects_of_overcharging.htm#_ftnref5)) (last visited March 10, 2008). According to its review, a borrower engaging one of Citigroup's subprime subsidiaries (i.e. Citifinancial Services, Inc., inter alia) to borrow will receive less favorable terms than would be available at Citigroup's prime subsidiaries, (i.e. Citibank). Because minorities are disproportionately represented among subprime borrowers, CRA-NC concluded that Citigroup's channeling had a disparate impact on minorities. *Id.* Indeed, the CRA-NC review recounts a Department of Justice statistic that 98% of subprime borrowers who could qualify for prime loans are African-Americans. *Id.*



26. In addition, a public study of Citigroup's 2004 HMDA data concluded that African-Americans were more than seven times more likely, and Hispanics three times more likely, to receive a high APR loan (defined as at least 3% higher than comparable treasuries on a first lien or at least 5% higher on a subordinated lien) than white Citigroup customers. Matthew Lee, "Predatory Lending in the Big Apple: Citigroup Confines African Americans in New York to Higher Cost Loans Over Seven Times More Frequently Than Whites, Over Three Times for Latinos," April 27, 2005 (available at <http://www.innercitypress.org/2004hmda4.html>) (last visited March 10, 2008).

27. In 2004, the Federal Reserve Board entered into a consent Order to Cease and Desist with Citigroup and its subsidiary Citifinancial Credit Company, stemming from its allegations that the company was routinely violating ECOA. Federal Reserve Press Release, May 24, 2004 (available at <http://www.federalreserve.gov/boarddocs/press/enforcement/2004/20040527/default.htm>) (last visited March 10, 2008). The Order required the company to pay a \$70 million penalty, which was, in part, restitution to certain borrowers who received sub-prime mortgage and personal loans. Id.

**B. THE DEFENDANTS' DISCRETIONARY PRICING POLICY CONTINUES THE PERVASIVE DISCRIMINATION AGAINST MINORITIES IN MORTGAGE LENDING**

28. According to Citigroup's website, "Citi is today's pre-eminent financial services company, with some 200 million customer accounts in 100 countries." Citigroup Website, <http://www.citigroup.com/citigroup/about/index.htm> (last visited March 10, 2008). Citifinancial is a subprime subsidiary of Citigroup. Citifinancial provides consumer loan services, including

secured unsecured and partially secured personal loans. Citigroup Website, <http://www.citigroup.com/citigroup/business/index.htm> (last visited March 10, 2008).

29. Citigroup makes home-mortgage loans directly to consumers itself and through its subsidiary, Citifinancial, as well as through other mortgage lending subsidiaries in the Citigroup family of companies.

30. Due to the Defendants' policies as to where to place their offices and how to market their products, minority borrowers were more likely than white borrowers to obtain subprime loans. The Defendants' lending patterns indicate that higher-cost subprime Citifinancial loans are heavily targeted to minority borrowers.

31. Citifinancial's mortgage loans are arranged by its loan officers, known as account executives, at its local branch locations, including the plaintiff's loan at the Citifinancial branch in Norwood, Massachusetts.

32. Citifinancial's loans are priced based on the Defendants' policies.

33. Citigroup, in the ordinary course of its business, regularly participates in credit decisions made by Citifinancial, including setting the terms of credit available in transactions originated by Citifinancial. Among other things, Citigroup and Citifinancial jointly established the Discretionary Pricing Policy at issue in this case.

34. Citigroup participated in determining the terms of credit available to the Plaintiff including, without limitation, by making credit more widely available in the Plaintiff's community through Citifinancial rather than lower cost banking outlets and by making the Discretionary Pricing Policy applicable to Citifinancial loans.

35. Based on the latest available Home Mortgage Disclosure Act ("HMDA") data

from the Department of Housing and Urban Development, minority homeowners who borrowed from the Defendants were more likely than whites to have received a high-APR loan.

36. A high-APR loan is a loan whose APR is at least three percentage points higher than the interest rate on U.S. Treasury securities of the same maturity, at the time the loan was made.

37. The Defendants' Discretionary Pricing Policy is unrelated to a borrower's objective credit characteristics such as credit history, credit score, debt-to-income ratio and loan-to-value ratios and results in purely subjective charges that affect the rate otherwise available to borrowers.

38. Citifinancial provided its account executives with substantial information about its loan programs, rates and credit criteria, as well as its policies for compensating its account executives.

39. Citifinancial account executives accepted applications, quoted financing rates and terms (within the limitations set by the Defendants), informed credit applicants of Citifinancial's financing options and originated finance transactions using Citifinancial's forms, in accordance with its policies.

40. Citifinancial provided its account executives with credit applications, loan contracts and other required financing forms, as well as instructions on filling out those documents necessary to complete home mortgage transactions.

41. After a customer provided credit information to one of Citifinancial's account executives, Citifinancial computed a financing rate through an objective credit analysis that, in general, discerned the creditworthiness of the customer.

42. These credit analyses considered numerous risk-related variables of creditworthiness, including credit bureau histories, payment amounts, debt ratio, bankruptcies, automobile repossessions, charge-offs, prior foreclosures, payment histories, credit score, debt-to-income ratios, loan-to-value ratios and other risk-related attributes or variables. On information and belief, Citifinancial used these variables to determine a “mortgage score” for each credit applicant.

43. Based on these objective risk-related variables and the resulting mortgage score, Citifinancial derived a risk-based financing rate at which it would provide a home mortgage, often called the “Par Rate.” Alternatively, experienced Citifinancial account executives estimated the risk-related Par Rate by referring to the applicant’s credit bureau determined credit score.

44. Although Citifinancial’s initial analysis applied objective criteria to calculate this risk-related Par Rate, the Defendants then authorized a subjective component in its credit pricing system —the Discretionary Pricing Policy — to impose additional non-risk charges. On information and belief, the applicable Par Rates and authorized discretionary charges were communicated by the Defendants to its account executives via regularly published “rate sheets.” On information and belief, such rate sheets were published by Defendants via intranet and other sources.

45. The discretionary charges are paid by the customer as a component of the total finance charge (the “Contract APR”), without the homeowner knowing that a portion of their contract APR was a non-risk-related charge.

46. Account executives had discretion, within the limits set by the Defendants, to impose discretionary mark-ups as additional points in interest – “a rate mark-up”, or as points

and fees on the loan. When there was a rate mark-up, the Defendants received additional income.

47. On information and belief, account executives received compensation based, in part, on the amount of discretionary charges added to each loan. This compensation scheme served as an incentive for account executives to mark-up loans, including the Plaintiff's loan.

48. The Defendants' Discretionary Pricing Policy, by design, causes persons with identical or similar credit scores to pay different amounts for the cost of credit. As a result of using a subjective pricing component that is designed to charge persons with the same credit profiles different amounts of finance charge, the objective qualities of the initial credit analysis used to calculate the Par Rate are undermined and the potential for race bias became inherent in the transaction.

49. The Discretionary Pricing Policy, although facially neutral (insofar as the Defendants use the same or effectively the same policy for all credit applicants), has a disproportionately adverse effect on minorities compared to similarly situated whites in that minorities pay disparately more discretionary charges (both in frequency and amount) than similarly situated whites. Statistical analysis of discretionary charges imposed on minority and white customers of other mortgage companies that use credit pricing systems structured like that of the Defendants has revealed that minorities, after controlling for credit risk, are substantially more likely than similarly situated whites to pay such charges.

50. Account executives are agents of the Defendants for the purpose of setting credit price, which always was set based on the Defendants' policy.

51. The disparate impact suffered by minorities is a direct result of the Defendants' Discretionary Pricing Policy in that the Defendants designed, disseminated, controlled, implemented and profited from the Discretionary Pricing Policy creating the disparate impact.

52. The Defendants have a non-delegable duty to ensure that their mortgage financing structure and policies do not have a disparate impact on legally protected classes, such as minorities. Despite having such a non-delegable duty, the Defendants chose to use, a commission-driven, subjective pricing policy that they knew or should have known had a significant and pervasive adverse impact on minority homeowners.

53. The disparities between the terms of the Defendants' transactions involving minority homeowners and the terms involving whites homeowners cannot be a product of chance and cannot be explained by factors unrelated to race, but, instead, are the direct causal result of the use of the discriminatory Discretionary Pricing Policy.

54. There are no legitimate business reasons justifying the Defendants' discriminatory Discretionary Pricing Policy that could not be achieved by a policy that has no discriminatory impact or a greatly reduced discriminatory impact.

**C. THE DEFENDANTS' DISCRETIONARY PRICING POLICY DISCRIMATED AGAINST PLAINTIFF**

55. Plaintiff Felix Puello is an Hispanic male who resides at 175 Clare Avenue, Apartment A2, Hyde Park, Massachusetts 02136.

56. In October of 2006, the plaintiff purchased his Hyde Park condominium for approximately \$134,000.

57. On October 18, 2007, the plaintiff closed a mortgage loan with Citifinancial.

58. The loan, (Loan No. 141630) was a 15-year, fixed rate loan with a disclosed APR of 13.74%. The loan amount was \$15,913.64.

59. According to the HUD-One Settlement Statement, the plaintiff paid three points for a "Loan Origination Fee." This amounted to \$463.51. In addition, the plaintiff an \$80 appraisal fee to Realtor Success, a \$195 fee for Title Examination to National Real Estate and a \$176 Recording Fee.

60. True and correct copies of Truth-in-Lending disclosure and HUD-One Settlement Statement provided in connection with Loan No. 141630 are attached hereto and labeled Exhibit 1 and Exhibit 2, respectively.

61. According to credit reports available to the defendants, the plaintiff had an average credit score in excess of 700.

62. At the time of the transaction, the plaintiff had credit scores that would have qualified with many lenders, including Citigroup and other Citigroup subsidiaries, for a loan in the prime-market. Instead, the plaintiff received a loan at a sub-prime rate and on sub-prime terms from Citifinancial.

63. On information and belief, unbeknownst to the plaintiff, the contract APR on the mortgage loan was actually a combination of an objective, risk-based calculation and a totally subjective, discretionary component added pursuant to the Defendants' Discretionary Pricing Policy.

64. On information and belief, the plaintiff was subject to the Defendants' Discretionary Pricing Policy.

65. On information and belief, the Defendants charged Plaintiff a disproportionately greater amount in non-risk-related credit charges than it charges similarly situated white persons.

**ALLEGATIONS OF NON-DISCLOSURE – FRAUDULENT CONCEALMENT  
(TOLLING)**

66. The causes of action alleged herein accrued upon discovery of the discriminatory impact of the Defendants' Discretionary Pricing Policy. Plaintiff and members of the Class did not discover and could not have discovered through the exercise of reasonable diligence the factual bases of those claims. Indeed, the data forming the basis of plaintiff's claims only recently was released and analyzed in a comprehensive manner. Moreover, because the Defendants knowingly and actively concealed the facts alleged herein, plaintiff and the Class have been kept ignorant of vital information essential to the pursuit of these claims, without any fault or lack of diligence on their part.

67. Commission-driven, discretionary pricing systems, such as those used in the mortgage industry and structurally similar to the system utilized by the Defendants, have been found to produce significant discriminatory effects. Knowledge concerning the significant and pervasive discriminatory impact of such commission-driven, discretionary credit pricing systems has been widely circulated within the financing industry for several years, as a result of numerous actions by the United States Department of Justice and federal regulatory agencies. *See, Facts, Section A supra.* Thus, the Defendants knew or should have known that their credit pricing system causes minority homeowners to pay more for mortgage financing than the amounts paid by white customers with identical or effectively identical credit scores.

68. Despite the fact that the Defendants knew or should have known of the discriminatory effect of their Discretionary Pricing Policy, none of the loan documents inform the customer that its finance rates ultimately are subjective and not based solely on risk-related characteristics.



69. The Defendants were and are under a continuous non-delegable duty to disclose to the plaintiff and Class material information regarding their loans. The fact that certain loan terms are subjective and discretionary is information a reasonable borrower would consider important when deciding whether to accept the loan and on what terms. The fact that the subjective and discretionary components result in a disparate impact on minority is also information a reasonable minority borrower would consider important.

70. The Defendants failed to disclose this information, however, and plaintiff and Class Members reasonably relied upon the Defendants' representation that terms of their loans would be based on their creditworthiness. The Defendants' financing documents falsely fostered the image that the Defendants offer competitive rates that objectively are set. However, the Defendants never disclosed to its credit applicants the fact that: (a) its credit rates are subjective and can vary significantly among persons with identical credit profiles; and (b) it had authorized and provided a financial incentive to mortgage brokers to subjectively increase the credit rate above the rate otherwise available to the homeowner.

71. Due to the inherent nature of the Defendants' undisclosed Discretionary Pricing Policy and due to the Defendants' deception and concealment, the Defendants' minority customers had no way of knowing or suspecting: (a) the existence of the Defendants' subjective credit pricing policy; (b) that they were charged additional subjective credit charges; (c) that they were charged a disproportionately greater amount for their cost of credit than similarly situated white persons, and or (d) that any part of the loan price was negotiable. Thus, the Defendants are estopped from relying on any statutes of limitation in their defenses of this action.

**CLASS ALLEGATIONS**

72. Plaintiff repeats and re-alleges every allegation above as if set forth herein in full.

73. Plaintiff sues on his own behalf and on behalf of a class of persons under Rules 23(a) and (b)(2) and (b)(3) of the Federal Rules of Civil Procedure.

74. This class action is brought pursuant to ECOA and the FHA by the individual named plaintiff on behalf of himself and all minority consumers (the "Class") who obtained a home mortgage loan from Citifinancial in the United States between January 1, 2001 and the date of judgment in this action (the "Class Period") and who were subject to the Defendants' Discretionary Pricing Policy pursuant to which they paid discretionary points, fees or interest mark-ups in connection with their loan. The term "minority" refers to blacks and Hispanics as defined by federal law.

75. The phrase "Discretionary Pricing Policy" refers to the Defendants' policy of authorizing its loan officers and brokers to impose subjective, discretionary charges and interest mark-ups that are included in the finance charge loans they originate.

76. Plaintiff does not know the exact size or identities of the proposed Class, since such information is in the exclusive control of the Defendants. Plaintiff believes that the Class encompasses many thousands or tens of thousands of individuals who are dispersed geographically throughout the United States. Therefore, the proposed class is so numerous that joinder of all members is impracticable.

77. All members of the Class have been subject to and affected by the same Discretionary Pricing Policy. There are questions of law and fact that are common to the Class,

and predominate over any questions affecting only individual members of the Class. These questions include, but are not limited to the following:

- a. the nature, scope and operations of Defendants' Discretionary Pricing Policy;
- b. whether Citifinancial and Citigroup are creditors under the ECOA because, for example, in the ordinary course of its business they participate in the decision as to whether or not to extend credit to consumers;
- c. whether the Defendants' Discretionary Pricing Policy is a facially neutral credit pricing system that has effected racial discrimination in violation of ECOA;
- d. whether there are statistically significant disparities between the amount of the discretionary charges imposed on minority persons and the amount of the discretionary charges imposed on white persons that are unrelated to creditworthiness;
- e. whether any legitimate business reason for the Discretionary Pricing Policy can be achieved by a credit pricing system less discriminatory in its impact;
- f. whether the Court can enter declaratory and injunctive relief; and
- g. the proper measure of disgorgement or damages.

78. The claims of the individual named plaintiff are typical of the claims of the Class and do not conflict with the interests of any other members of the Class in that both the plaintiff and the other members of the Class were subject to the same Discretionary Pricing Policy that disproportionately has affected minority homeowners.

79. The individual named plaintiff will fairly and adequately represent the interests of the Class. He is committed to the vigorous prosecution of the Class' claims and has retained

attorneys who are qualified to pursue this litigation and have experience in class actions – in particular, consumer protection and discrimination actions.

80. A class action is superior to other methods for the fast and efficient adjudication of this controversy. A class action regarding the issues in this case does not create any problems of manageability.

81. In the alternative, Defendants have acted or refused to act on grounds generally applicable to the case, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the Class as a whole.

**COUNT I**  
**DISCRIMINATION IN VIOLATION OF THE EQUAL CREDIT OPPORTUNITY ACT**

82. Plaintiff repeats and re-alleges every allegation above as if set forth herein in full.

83. The Defendants are creditors as defined in ECOA, and in the ordinary course of its business, participated in the decision of whether or not to extend credit to the plaintiff, the proposed Class representatives herein, and all prospective Class members.

84. The Defendants designed, disseminated, controlled, implemented and profited from the discriminatory policy and practice alleged herein — the Discretionary Pricing Policy — which has had a disparate economic impact on minorities compared to similarly situated whites.

85. All actions taken by Defendants' account executives were in accordance with the specific authority granted to them by Defendants and were in furtherance of the Defendants' policies and practices.

86. As a result of the Defendants' Discretionary Pricing Policy, the Defendants have collected more in finance charges from minority borrowers than from similarly situated white persons, for reasons unrelated to credit risk.

87. The Defendants' Discretionary Pricing Policy violates the Equal Credit Opportunity Act.

88. Plaintiff and prospective class members are aggrieved persons as defined in ECOA by virtue of having been subject to the Defendants' discriminatory, Discretionary Pricing Policy.

**COUNT II**  
**DISCRIMINATION IN VIOLATION OF THE FAIR HOUSING ACT**

89. Plaintiff repeats and re-alleges every allegation above as if set forth herein in full.

90. The Defendants engaged in residential real estate-related transactions with respect to the Plaintiff, the proposed Class representatives herein, and all prospective Class members.

91. The Defendants' Discretionary Pricing Policy has resulted in discrimination with respect to the Plaintiff, the proposed Class representatives herein, and all prospective members of the Class.

92. As a result of the Defendants' Discretionary Pricing Policy, the Defendants have collected more in finance charges from minorities than from similarly situated white persons, for reasons unrelated to credit risk.

93. The Defendants' Discretionary Pricing Policy violates the Fair Housing Act and constitutes actionable discrimination on the basis of race.

94. Plaintiff and the Class are aggrieved persons as defined in FHA by virtue of having been subject to the Defendants' discriminatory, Discretionary Pricing Policy.

**PRAYER FOR RELIEF**

WHEREFORE, the Plaintiff respectfully requests the following relief:

a. Certify this case as a class action and certify the named Plaintiff herein to be an adequate class representative and their counsel to be class counsel;

b. Enter a judgment, pursuant to 15 U.S.C. §1691e(c) and/or 42 U.S.C. §3613, declaring the acts and practices of Defendants complained of herein to be in violation of ECOA and the FHA;

c. Grant a permanent or final injunction, pursuant to 15 U.S.C. 1691e(c) and/or 42 U.S.C. §3613(c), enjoining the Defendants, and the Defendants' agents and employees, affiliates and subsidiaries, from continuing to discriminate against plaintiff and the members of the Class because of their race through further use of the Discretionary Pricing Policy or any other non-risk-related discretionary pricing policy employed by the Defendants;

d. Order the Defendants, pursuant to 15 U.S.C. §1691e(c) and/or 42 U.S.C. §3613(c), to adopt and enforce a policy that requires appropriate training of the Defendants' employees and its brokers and correspondent lenders to prevent discrimination;

e. Order the Defendants, pursuant to 15 U.S.C. §1691e(c) and/or 42 U.S.C. §3613(c), to monitor and/or audit the racial pattern of its financings to ensure the cessation of discriminatory effects in its home mortgage transactions;

f. Order disgorgement, pursuant to 15 U.S.C. §1691e(c), of all disproportionate non-risk charges imposed on minorities by the Defendants' Discretionary Pricing Policy; and order the equitable distribution of such charges to all appropriate class members; together with other relief for unjust enrichment;

g. Order actual and punitive damages and/or restitution to the plaintiff and the Class pursuant to 42 U.S.C. § 3613(c);

h. Award plaintiff the costs of this action, including the fees and costs of experts, together with reasonable attorneys' fees, pursuant to 15 U.S.C. § 1691e(d) and/or 42 U.S.C. § 3613(c); and

i. Grant plaintiff and the Class such other and further relief as this Court finds necessary and proper.

**JURY TRIAL DEMANDED**

Plaintiff demands a trial by jury on all issues so triable.

Respectfully submitted,  
On behalf of the plaintiff,

*/s/ Gary Klein*

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Gary Klein

Gary Klein (BBO # 560769)  
Shennan Kavanagh (BBO # 655174)  
Kevin Costello (BBO # 669100)  
RODDY KLEIN & RYAN  
727 Atlantic Avenue  
Boston, MA 02111-2810  
Telephone: (617) 357-5500 ext. 15  
Facsimile: (617) 357-5030

Stuart Rossman (BBO # 430640)  
Charles Delbaum (BBO # 543225)  
NATIONAL CONSUMER LAW CENTER  
77 Summer Street, 10th Flr.  
Boston, MA 02141  
Telephone: (617) 542-8010  
Facsimile: (617) 542-8028

Marvin A. Miller  
Matthew E. VanTine  
Lori A. Fanning  
MILLER LAW LLC  
115 South LaSalle Street, Suite 2910  
Chicago, IL 60603  
Telephone: (312) 332-3400

Samuel H. Rudman  
Robert M. Rothman  
Mark S. Reich  
COUGHLIN STOIA GELLER RUDMAN &  
ROBBINS LLP  
58 South Service Road, Suite 200  
Melville, NY 11747  
Telephone: (631) 367-7100  
Facsimile: (631) 367-1173

Dated: March 13, 2008



JS 44 (Rev. 11/04)

**CIVIL COVER SHEET**

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

<p><b>I. (a) PLAINTIFFS</b>                  Felix Puello, in behalf of himself and all others similarly situated</p> <p><b>(b)</b> County of Residence of First Listed Plaintiff <u>Suffolk</u>                  (EXCEPT IN U.S. PLAINTIFF CASES)</p> <p><b>(c)</b> Attorney's (Firm Name, Address, and Telephone Number)                  Gary Klein, Roddy Klein &amp; Ryan, 727 Atlantic Ave., 2nd floor, Boston, MA 02111; Ph# 617.357.5500 ext. 15 (additional attorney info attached)</p>	<p><b>DEFENDANTS</b>                  Citifinancial Services, Inc.; Citigroup, Inc.</p> <p>County of Residence of First Listed Defendant _____                  (IN U.S. PLAINTIFF CASES ONLY)</p> <p>NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.</p> <p>Attorneys (If Known) _____</p>
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<p><b>II. BASIS OF JURISDICTION</b> (Place an "X" in One Box Only)</p> <p><input type="checkbox"/> 1 U.S. Government Plaintiff</p> <p><input type="checkbox"/> 2 U.S. Government Defendant</p> <p><input checked="" type="checkbox"/> 3 Federal Question (U.S. Government Not a Party)</p> <p><input type="checkbox"/> 4 Diversity (Indicate Citizenship of Parties in Item III)</p>	<p><b>III. CITIZENSHIP OF PRINCIPAL PARTIES</b> (Place an "X" in One Box for Plaintiff and One Box for Defendant)</p> <p>(For Diversity Cases Only)</p> <table style="width:100%;"> <tr> <td style="width:33%;">Citizen of This State</td> <td style="width:10%;">PTF <input type="checkbox"/> 1</td> <td style="width:10%;">DEF <input type="checkbox"/> 1</td> <td style="width:33%;">Incorporated or Principal Place of Business In This State</td> <td style="width:10%;">PTF <input type="checkbox"/> 4</td> <td style="width:10%;">DEF <input type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td>PTF <input type="checkbox"/> 2</td> <td>DEF <input type="checkbox"/> 2</td> <td>Incorporated and Principal Place of Business In Another State</td> <td>PTF <input type="checkbox"/> 5</td> <td>DEF <input type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td>PTF <input type="checkbox"/> 3</td> <td>DEF <input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td>PTF <input type="checkbox"/> 6</td> <td>DEF <input type="checkbox"/> 6</td> </tr> </table>	Citizen of This State	PTF <input type="checkbox"/> 1	DEF <input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	PTF <input type="checkbox"/> 4	DEF <input type="checkbox"/> 4	Citizen of Another State	PTF <input type="checkbox"/> 2	DEF <input type="checkbox"/> 2	Incorporated and Principal Place of Business In Another State	PTF <input type="checkbox"/> 5	DEF <input type="checkbox"/> 5	Citizen or Subject of a Foreign Country	PTF <input type="checkbox"/> 3	DEF <input type="checkbox"/> 3	Foreign Nation	PTF <input type="checkbox"/> 6	DEF <input type="checkbox"/> 6
Citizen of This State	PTF <input type="checkbox"/> 1	DEF <input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	PTF <input type="checkbox"/> 4	DEF <input type="checkbox"/> 4														
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Citizen or Subject of a Foreign Country	PTF <input type="checkbox"/> 3	DEF <input type="checkbox"/> 3	Foreign Nation	PTF <input type="checkbox"/> 6	DEF <input type="checkbox"/> 6														

IV. NATURE OF SUIT (Place an "X" in One Box Only)					
<p><b>CONTRACT</b></p> <p><input type="checkbox"/> 110 Insurance</p> <p><input type="checkbox"/> 120 Marine</p> <p><input type="checkbox"/> 130 Miller Act</p> <p><input type="checkbox"/> 140 Negotiable Instrument</p> <p><input type="checkbox"/> 150 Recovery of Overpayment &amp; Enforcement of Judgment</p> <p><input type="checkbox"/> 151 Medicare Act</p> <p><input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans)</p> <p><input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits</p> <p><input type="checkbox"/> 160 Stockholders' Suits</p> <p><input type="checkbox"/> 190 Other Contract</p> <p><input type="checkbox"/> 195 Contract Product Liability</p> <p><input type="checkbox"/> 196 Franchise</p>	<p><b>TORTS</b></p> <p><b>PERSONAL INJURY</b></p> <p><input type="checkbox"/> 310 Airplane</p> <p><input type="checkbox"/> 315 Airplane Product Liability</p> <p><input type="checkbox"/> 320 Assault, Libel &amp; Slander</p> <p><input type="checkbox"/> 330 Federal Employers' Liability</p> <p><input type="checkbox"/> 340 Marine</p> <p><input type="checkbox"/> 345 Marine Product Liability</p> <p><input type="checkbox"/> 350 Motor Vehicle</p> <p><input type="checkbox"/> 355 Motor Vehicle Product Liability</p> <p><input type="checkbox"/> 360 Other Personal Injury</p>	<p><b>PERSONAL INJURY</b></p> <p><input type="checkbox"/> 362 Personal Injury - Med. Malpractice</p> <p><input type="checkbox"/> 365 Personal Injury - Product Liability</p> <p><input type="checkbox"/> 368 Asbestos Personal Injury Product Liability</p> <p><b>PERSONAL PROPERTY</b></p> <p><input type="checkbox"/> 370 Other Fraud</p> <p><input type="checkbox"/> 371 Truth in Lending</p> <p><input type="checkbox"/> 380 Other Personal Property Damage</p> <p><input type="checkbox"/> 385 Property Damage Product Liability</p>	<p><b>FORFEITURE/PENALTY</b></p> <p><input type="checkbox"/> 610 Agriculture</p> <p><input type="checkbox"/> 620 Other Food &amp; Drug</p> <p><input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881</p> <p><input type="checkbox"/> 630 Liquor Laws</p> <p><input type="checkbox"/> 640 R.R. &amp; Truck</p> <p><input type="checkbox"/> 650 Airline Regs.</p> <p><input type="checkbox"/> 660 Occupational Safety/Health</p> <p><input type="checkbox"/> 690 Other</p> <p><b>LABOR</b></p> <p><input type="checkbox"/> 710 Fair Labor Standards Act</p> <p><input type="checkbox"/> 720 Labor/Mgmt. Relations</p> <p><input type="checkbox"/> 730 Labor/Mgmt. Reporting &amp; Disclosure Act</p> <p><input type="checkbox"/> 740 Railway Labor Act</p> <p><input type="checkbox"/> 790 Other Labor Litigation</p> <p><input type="checkbox"/> 791 Empl. Ret. Inc. Security Act</p>	<p><b>BANKRUPTCY</b></p> <p><input type="checkbox"/> 422 Appeal 28 USC 158</p> <p><input type="checkbox"/> 423 Withdrawal 28 USC 157</p> <p><b>PROPERTY RIGHTS</b></p> <p><input type="checkbox"/> 820 Copyrights</p> <p><input type="checkbox"/> 830 Patent</p> <p><input type="checkbox"/> 840 Trademark</p> <p><b>SOCIAL SECURITY</b></p> <p><input type="checkbox"/> 861 HIA (1395ff)</p> <p><input type="checkbox"/> 862 Black Lung (923)</p> <p><input type="checkbox"/> 863 DIWC/DIWW (405(g))</p> <p><input type="checkbox"/> 864 SSID Title XVI</p> <p><input type="checkbox"/> 865 RSI (405(g))</p> <p><b>FEDERAL TAX SUITS</b></p> <p><input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant)</p> <p><input type="checkbox"/> 871 IRS—Third Party 26 USC 7609</p>	<p><b>OTHER STATUTES</b></p> <p><input type="checkbox"/> 400 State Reapportionment</p> <p><input type="checkbox"/> 410 Antitrust</p> <p><input type="checkbox"/> 430 Banks and Banking</p> <p><input type="checkbox"/> 450 Commerce</p> <p><input type="checkbox"/> 460 Deportation</p> <p><input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations</p> <p><input type="checkbox"/> 480 Consumer Credit</p> <p><input type="checkbox"/> 490 Cable/Sat TV</p> <p><input type="checkbox"/> 810 Selective Service</p> <p><input type="checkbox"/> 850 Securities/Commodities/Exchange</p> <p><input type="checkbox"/> 875 Customer Challenge 12 USC 3410</p> <p><input type="checkbox"/> 890 Other Statutory Acts</p> <p><input type="checkbox"/> 891 Agricultural Acts</p> <p><input type="checkbox"/> 892 Economic Stabilization Act</p> <p><input type="checkbox"/> 893 Environmental Matters</p> <p><input type="checkbox"/> 894 Energy Allocation Act</p> <p><input type="checkbox"/> 895 Freedom of Information Act</p> <p><input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice</p> <p><input type="checkbox"/> 950 Constitutionality of State Statutes</p>
<p><b>REAL PROPERTY</b></p> <p><input type="checkbox"/> 210 Land Condemnation</p> <p><input type="checkbox"/> 220 Foreclosure</p> <p><input type="checkbox"/> 230 Rent Lease &amp; Ejectment</p> <p><input type="checkbox"/> 240 Torts to Land</p> <p><input type="checkbox"/> 245 Tort Product Liability</p> <p><input type="checkbox"/> 290 All Other Real Property</p>	<p><b>CIVIL RIGHTS</b></p> <p><input type="checkbox"/> 441 Voting</p> <p><input type="checkbox"/> 442 Employment</p> <p><input type="checkbox"/> 443 Housing/Accommodations</p> <p><input type="checkbox"/> 444 Welfare</p> <p><input type="checkbox"/> 445 Amer. w/Disabilities - Employment</p> <p><input type="checkbox"/> 446 Amer. w/Disabilities - Other</p> <p><input checked="" type="checkbox"/> 440 Other Civil Rights</p>	<p><b>PRISONER PETITIONS</b></p> <p><input type="checkbox"/> 510 Motions to Vacate Sentence</p> <p><b>Habeas Corpus:</b></p> <p><input type="checkbox"/> 530 General</p> <p><input type="checkbox"/> 535 Death Penalty</p> <p><input type="checkbox"/> 540 Mandamus &amp; Other</p> <p><input type="checkbox"/> 550 Civil Rights</p> <p><input type="checkbox"/> 555 Prison Condition</p>			

**V. ORIGIN** (Place an "X" in One Box Only)

1 Original Proceeding     2 Removed from State Court     3 Remanded from Appellate Court     4 Reinstated or Reopened     5 Transferred from another district (specify)     6 Multidistrict Litigation     7 Appeal to District Judge from Magistrate Judgment

**VI. CAUSE OF ACTION**

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):  
15 U.S.C. 1691 et seq. (ECOA); 42 U.S.C. 3601 et seq. (FHA)

Brief description of cause:  
Race Discrimination in Home Mortgage Lending in Violation of ECOA and the FHA

**VII. REQUESTED IN COMPLAINT:**

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23    DEMAND \$ \$ 100,000,000 +    CHECK YES only if demanded in complaint: JURY DEMAND:  Yes  No

**VIII. RELATED CASE(S) IF ANY** (See instructions): JUDGE \_\_\_\_\_ DOCKET NUMBER \_\_\_\_\_

DATE 03/13/2008    SIGNATURE OF ATTORNEY OF RECORD 

FOR OFFICE USE ONLY

RECEIPT # \_\_\_\_\_ AMOUNT \_\_\_\_\_ APPLYING IFP \_\_\_\_\_ JUDGE \_\_\_\_\_ MAG. JUDGE \_\_\_\_\_

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

1. Title of case (name of first party on each side only) Felix Puello, et al v. Citifinacial Services, Inc. and Citigroup Inc.

2. Category in which the case belongs based upon the numbered nature of suit code listed on the civil cover sheet. (See local rule 40.1(a)(1)).

- I. 160, 410, 470, 535, R.23, REGARDLESS OF NATURE OF SUIT.
- II. 195, 196, 368, 400, 440, 441-446, 540, 550, 555, 625, 710, 720, 730, \*Also complete AO 120 or AO 121 for patent, trademark or copyright cases  
740, 790, 791, 820\*, 830\*, 840\*, 850, 890, 892-894, 895, 950.
- III. 110, 120, 130, 140, 151, 190, 210, 230, 240, 245, 290, 310, 315, 320, 330, 340, 345, 350, 355, 360, 362, 365, 370, 371, 380, 385, 450, 891.
- IV. 220, 422, 423, 430, 460, 480, 490, 510, 530, 610, 620, 630, 640, 650, 660, 690, 810, 861-865, 870, 871, 875, 900.
- V. 150, 152, 153.

3. Title and number, if any, of related cases. (See local rule 40.1(g)). If more than one prior related case has been filed in this district please indicate the title and number of the first filed case in this court.

4. Has a prior action between the same parties and based on the same claim ever been filed in this court?

YES  NO

5. Does the complaint in this case question the constitutionality of an act of congress affecting the public interest? (See 28 USC §2403)

YES  NO

If so, is the U.S.A. or an officer, agent or employee of the U.S. a party?

YES  NO

6. Is this case required to be heard and determined by a district court of three judges pursuant to title 28 USC §2284?

YES  NO

7. Do all of the parties in this action, excluding governmental agencies of the united states and the Commonwealth of Massachusetts ("governmental agencies"), residing in Massachusetts reside in the same division? - (See Local Rule 40.1(d)).

YES  NO

A. If yes, in which division do all of the non-governmental parties reside?

Eastern Division  Central Division  Western Division

B. If no, in which division do the majority of the plaintiffs or the only parties, excluding governmental agencies, residing in Massachusetts reside?

Eastern Division  Central Division  Western Division

8. If filing a Notice of Removal - are there any motions pending in the state court requiring the attention of this Court? (If yes, submit a separate sheet identifying the motions)

YES  NO

(PLEASE TYPE OR PRINT)

ATTORNEY'S NAME Gary Klein, Roddy, Klein & Ryan

ADDRESS 727 Atlantic Ave., 2nd floor Boston, MA 02111

TELEPHONE NO. 617-357-5500 ext. 15

**CIVIL COVER SHEET ATTACHMENT**

*Felix Puello, et al. v. Citifinancial Services, Inc. and Citigroup, Inc.*

**I. (c) Additional Attorneys:**

Shennan Kavanagh (BBO # 655174)  
RODDY KLEIN & RYAN  
727 Atlantic Avenue  
Boston, MA 02111-2810  
Telephone: (617) 357-5500  
Facsimile: (617) 357-5030

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Lori A. Fanning  
MILLER LAW LLC  
115 South LaSalle Street, Suite 2910  
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***EXHIBIT 1***

Borrower(s) (Name and mailing address)	Lender (Name, address, city and state)	Account No.
FELIX A PUELLO 175 CLARE AVE APTA2 HYDE PARK MA 02136	CITIFINANCIAL SERVICES, INC. 500 PROVIDENCE HWY NORWOOD, MA 02062	141630 Date of Loan 10/18/2007

<b>ANNUAL PERCENTAGE RATE</b> The cost of Borrower's credit as a yearly rate.  13.74 %	<b>FINANCE CHARGE</b> The dollar amount the credit will cost Borrower.  \$ 21,288.74	<b>Amount Financed</b> The amount of credit provided to Borrower or on Borrower's behalf.  \$ 15,450.13	<b>Total of Payments</b> The amount Borrower will have paid after Borrower has made all payments as scheduled.  \$ 36,738.87
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**Payment Schedule:**

Number of Payments	Amount of Payments *	When Payments Are Due
1	\$ 249.27	12/01/2007
180	\$ 202.72	MONTHLY BEGINNING 01/01/2008
	\$	
	\$	

**Security:** If checked, Borrower is giving a security interest in:  
 Motor Vehicle     Mobile Home  
 Real Property     Other:

**Late Charge:** If a payment is more than 15 days late, Borrower will be charged 3.0 % of the amount in default or \$ 50.00, whichever is less.

**Prepayment:** If Borrower pays off early, Borrower will not have to pay a penalty and will not be entitled to a refund of part of the finance charge.

See the contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

\* Does not include any insurance premium.  
**Additional Information:**

Total amount of first month's payment including insurance premiums, if any.	<b>PRINCIPAL</b>	<b>POINTS/FEES</b>	<b>DATE CHARGES BEGIN</b>
\$ 256.75	\$ 15,913.64	\$ 463.51	10/23/2007

**Required Insurance Disclosure:**  
 If Borrower grants Lender a security interest as indicated in this document, insurance to protect the Lender's interest in the collateral may be required. If this loan is secured by real property, or mobile/manufactured home, then fire, extended coverage, collision and/or comprehensive casualty insurance is required naming Lender as loss payee, until the loan is fully paid. The amount of such insurance must be sufficient to satisfy the unpaid balance of the loan, or be equal to the value of the collateral, whichever is less. Such insurance may be provided through an existing policy or a policy obtained independently and purchased by Borrower. Borrower may obtain such insurance from any insurer that is reasonably acceptable to Lender.

**Optional Insurance Disclosure:**  
 Borrower is not required to purchase optional insurance products, such as: Credit Life, Credit Disability, Involuntary Unemployment Insurance or any other optional insurance products. Lender's decision to grant credit will not be affected by Borrower's decision to purchase or decline to purchase optional insurance.

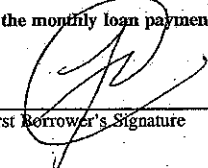
Coverage will not be provided unless Borrower signs and agrees to pay the applicable monthly premium in addition to the monthly loan payment disclosed above.  
 Borrower should refer to the terms contained in the applicable certificate or policy of insurance issued for the exact description of benefits, exclusions and premium rates.

If Borrower purchases insurance, Borrower's monthly payment will include both the monthly loan payment disclosed above and the applicable monthly premiums.

I/We request the following insurance:

Premium Due with the First Month's Loan Payment	First Year's Premium *
\$ NONE	\$
\$ 7.48	\$89.80
\$ NONE	\$

Insurance Type: \_\_\_\_\_  
 \_\_\_\_\_  
 SINGLE CREDIT DISAB \_\_\_\_\_  
 \_\_\_\_\_

First Borrower's Signature:  \_\_\_\_\_  
 Date: 10/18/07 \_\_\_\_\_

Second Borrower's Signature: \_\_\_\_\_  
 Date: \_\_\_\_\_

(\* First year's premiums are calculated on the assumption that monthly loan payments are timely made). Accrued but unpaid premium, if not paid earlier, will be due and payable at the time of the final payment on the loan. However, failure to pay premiums may result in termination of insurance as described below.


**Termination of Insurance:**  
 Borrower may cancel any of the optional insurance products offered at any time. The optional insurance will terminate upon the earliest of the following occurrences:  
 (1) the Lender's receipt of Borrower's written request for termination;  
 (2) on the date when the sum of past due premiums equal or exceed four times the first month premium;  
 (3) termination pursuant to the provisions of the insurance certificate;  
 (4) payment in full of Borrower's Loan;  
 (5) death of Borrower.

**TERMS:** In this Disclosure Statement, Note and Security Agreement, the word "Borrower" refers to the persons signing below as Borrower, whether one or more. If more than one borrower signs, each will be responsible, individually and together, for all promises made and for repaying the loan in full. The word "Lender" refers to the lender whose name and address are shown above.

**PROMISE TO PAY:** In return for a loan that Borrower has received, Borrower promises to pay to the order of Lender the Principal amount shown above, plus interest on the unpaid Principal balance from the Date Charges Begin shown above at the agreed rate of 13.1652 % per annum. Lender will compute interest on the unpaid Principal balance on a daily basis from the date charges begin until Borrower repays the loan. If Borrower does not make sufficient or timely payments according to the payment schedule above, Borrower will incur greater interest charges on the loan. On the N/A month anniversary of the Date of Loan shown above, the rate of interest shall decrease to N/A % per annum on the unpaid Principal balance until the balance is paid in full.

Any amount shown above as Points/Fees has been paid by Borrower as points and fees. These amounts are considered prepaid interest and are earned prior to any other interest. If Borrower prepays this Note, Lender will determine whether the amount earned prior to prepayment including interest, Points and Fees exceeds the maximum rate of interest allowed by Massachusetts law. If it does, Lender will refund or credit to Borrower the difference between the amount Lender earned and the amount permitted by Massachusetts law to be earned through the date of prepayment.

Principal and interest shall be payable in the monthly installments shown above, except that any appropriate adjustments will be made to the first and final payments, beginning on the first payment date shown above and continuing on the same day in each following month until paid in full. Upon the final payment date or the acceleration thereof, the entire outstanding balance of Principal and interest evidenced by this Disclosure Statement, Note and Security Agreement shall be due and payable. Any payment(s) which Lender accepts after the final payment date or the acceleration thereof do not constitute a renewal or extension of this loan unless Lender so determines. Each payment shall be applied as follows: (1) monthly loan payments due (first to interest, then principal), (2) insurance premiums due, (3) unpaid interest to the date of payment, if any, then (4) principal. Lender may collect interest from and after maturity upon the unpaid Principal balance at the maximum rate permitted by the then applicable law, or if no maximum rate is prescribed, the rate of interest prevailing under this Disclosure Statement, Note and Security Agreement at maturity.

Borrower's Initials:  \_\_\_\_\_

FELIX A PUELLO

**PREPAYMENT:**

Borrower may prepay this loan in whole or in part at any time without penalty. However, upon partial prepayment, interest will continue to accrue on any remaining Principal balance. Partial prepayment will not affect the amount or due date of subsequent scheduled payments on the loan, but may reduce the number of such payments.

**SECURITY AGREEMENT:**

A. If this box is checked, to secure the payment and performance hereof, Borrower gives to Lender a security interest under the Uniform Commercial Code in any property for which a description is completed below and all parts and equipment now or later added to the property and any proceeds of the property, all which will be called "Property". See below for additional terms applicable to this security interest.

1. Motor vehicle/mobile home:

Make, No. Cylinders	Year/Model	Model No. Or Name	Body Type	Identification Number

2. Other Property:

B. If this box is checked, Borrower's loan is secured by a Deed of Trust or Mortgage of even date on real property which requires Lender's written consent to a sale or transfer of the encumbered real property located at 175 CLARE AVE APTA2 HYDE PARK MA 02136. See either the Deed of Trust or the Mortgage for terms applicable to Lender's interest in Borrower's real property ("Property").

**OWNERSHIP OF PROPERTY:** Borrower represents that the Property is owned by Borrower free and clear of all liens and encumbrances except those of which Borrower has informed Lender in writing. Prior to any default, Borrower may keep and use the Property at Borrower's own risk, subject to the provisions of the Uniform Commercial Code. If the Property includes a motor vehicle or a mobile home, Borrower will, upon request, deliver the certificate of title to the motor vehicle or a mobile home to Lender.

**USE OF PROPERTY:** Borrower will not sell, lease, encumber, or otherwise dispose of the Property without Lender's prior written consent. Borrower will keep the Property at Borrower's address (as shown on page 1) unless Lender has granted permission in writing for the Property to be located elsewhere. The Property will be used only in the state in which Borrower lives unless the Property is a motor vehicle, in which case it will be used outside the state only in the course of Borrower's normal use of the Property. Borrower will not use or permit the use of the Property for hire or for illegal purposes.

**TAXES AND FEES:** Borrower will pay all taxes, assessments, and other fees payable on the Property, this Disclosure Statement, Note and Security Agreement, or the loan. If Borrower fails to pay such amounts, Lender may pay such amounts for Borrower and the amounts paid by Lender will be added to the unpaid balance of the loan.

**INSURANCE:** If Borrower purchases any insurance at Lender's office, Borrower understands and acknowledges that (1) the insurance company may be affiliated with Lender, (2) Lender's employee(s) may be an agent for the insurance company, (3) such employee(s) is not acting as the agent, broker or fiduciary for Borrower on this loan, but may be the agent of the insurance company, and (4) Lender or the insurance company may realize some benefit from the sale of that insurance. If Borrower fails to obtain or maintain any required insurance or fails to designate an agent through whom the insurance is to be obtained, Lender may purchase such required insurance for Borrower through an agent of Lender's choice, and the amounts paid by Lender will be added to the unpaid balance of the loan.

**FINANCING STATEMENTS:** Borrower will sign all financing statements, continuation statements, security interest filing statements, and similar documents with respect to the Property at Lender's request.

**LATE CHARGES:** If a payment is more than 15 days late, Borrower agrees to pay 3.0 % of the unpaid portion of the payment or \$ 50.00, whichever is less.

**RETURNED CHECK FEE:** Lender may charge a fee of \$ 10.00 for a check, negotiable order of withdrawal or draft that is returned for insufficient funds or insufficient credit.

**LOAN CHARGES:** If a law that applies to this loan and that sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then (i) any such loan charge will be reduced by the amount necessary to reduce the charge to the permitted limit, and (ii) any sums already collected from Borrower that exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under this loan or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge.

**DEFAULT:** Borrower will be in default if:

1. Borrower does not make any scheduled payment on time;
2. Borrower is (or any other person puts Borrower) in bankruptcy, insolvency or receivership;
3. Any of Borrower's creditors attempts by legal process to take and keep any property of Borrower, including the Property securing this loan;
4. Borrower fails to fulfill any promise made under this agreement; or
5. A default occurs under any Real Estate Mortgage or Deed of Trust which secures this loan or under any other mortgage or deed of trust on the real property.

Subject to Borrower's right to any notice of default, right to cure default, and any other applicable laws, if Borrower defaults, Lender may require Borrower to repay the entire unpaid Principal balance and any accrued interest at once. Lender's failure to exercise or delay in exercising any of its rights when default occurs does not constitute a waiver of those or any other rights under this agreement. If this debt is referred for collection to an attorney not a salaried employee of Lender, Lender shall be entitled to collect all reasonable costs and expenses of collection, including, but not limited to, court costs and reasonable attorney's fees as permitted by law.

**EFFECTS OF DEFAULT:** If Borrower defaults, Borrower will deliver the Property to Lender or, upon Lender's demand, assemble the Property and make it available to Lender at a reasonably convenient place. Subject to the provisions of C.255 of the General Laws, Lender may, without previous notice or demand and without legal process, peacefully enter any place where the Property is located and take possession of it.

In accordance with applicable state law, the Property may be sold with notice at a private or public sale at a location chosen by Lender. If the Property consists of goods used for personal, family, or household purposes and Borrower has paid sixty percent (60%) of the face amount of the note, the Property must be disposed of in accordance with Section 9-504 of the Massachusetts Uniform Commercial Code. In any other situation, Lender may, upon Borrower's default, propose to retain the Property to satisfy the obligation. In this case, written notice will be given to Borrower, who may object to such retention within 21 days from receipt of the notification and if such objection is made, Lender must dispose of the Property in accordance with Section 9-504.

The proceeds of the sale, minus reasonable costs of repossessing, storing, and selling the Property and minus any court costs and attorney's fees assessed by the court will be credited to the unpaid balance of the Borrower's loan. Borrower shall immediately pay to Lender any remaining amount; however, if at the time of default, the net balance of the loan is \$2,000 or less and the property involved is a consumer good, Borrower shall not be liable for any remaining amount. If Borrower has left other property in the repossessed Property, Lender may hold such property temporarily for Borrower without any responsibility or liability for the property.

(Intentionally left blank)

Borrower's Initials: *JAP*

LAW THAT APPLIES: Massachusetts General Laws and federal laws, as applicable, govern this Disclosure Statement, Note and Security Agreement. If any part is unenforceable, this will not make any other part unenforceable. In no event will Borrower be required to pay interest or charges in excess of those permitted by law.

OTHER RIGHTS: Lender may accept payments after maturity or after a default without waiving its rights with respect to any subsequent default in payment. Borrower agrees that Lender may extend time for payment after maturity without notice. The terms of this agreement can be waived or changed only in a writing signed by Lender.

Where the context requires, singular words may be read in the plural and plural words in the singular, and references to the masculine gender may be read to apply to the feminine gender.

OTHER TERMS: Each Borrower under this Disclosure Statement, Note and Security Agreement, if more than one, agrees that Lender may obtain approval from one Borrower to change the repayment terms and release any Property securing the loan, or add parties to or release parties from this agreement, without notice to any other Borrower and without releasing any other Borrower from his responsibilities. Lender does not have to notify Borrower before instituting suit if the note is not paid, and Lender can sue any or all Borrowers upon the default by any Borrower.

Borrower, endorsers, sureties and guarantors, to the extent permitted by law, severally waive their right to require Lender to demand payment of amounts due, to give notice of amounts that have not been paid, to receive notice of any extensions of time to pay which Lender allows to any Borrower and to require Lender to show particular diligence in bringing suit against anyone responsible for repayment of this loan, and additionally, waive benefit of homestead and exemption laws now in force or later enacted, including stay of execution and condemnation, on any Property securing this loan and waive the benefit of valuation and appraisalment.

This Disclosure Statement, Note and Security Agreement shall be the joint and several obligation of all makers, sureties, guarantors and endorsers and shall be binding upon them, their heirs, successors, legal representatives and assigns.

If any part of the Disclosure Statement, Note and Security Agreement and, if applicable, the Mortgage or Deed of Trust and accompanying Itemization of Amount Financed is unenforceable, this will not make any other part unenforceable.

REFINANCING: The overall cost of refinancing an existing loan balance may be greater than the cost of keeping the existing loan and obtaining a second loan for any additional funds Borrower wishes to borrow. Borrower acknowledges that the refinancing is in the Borrower's interest and agrees to give Lender at least 30 days prior written notice before the filing of any action alleging violation of Massachusetts General Laws Chapter 183 Section 28C concerning Borrower's interest in the refinancing. The Borrower's notice must include a demand for relief, identifying the Borrower and reasonably describing the violations and the injury suffered by the Borrower.

AUTHORIZATION TO USE CREDIT REPORT: By signing below, Borrower authorizes Lender to obtain, review and use information contained in the Borrower's credit report in order to determine whether the Borrower may qualify for products and services offered by Lender. This authorization terminates when Borrower's outstanding balance due under this Disclosure Statement, Note and Security Agreement is paid in full. Borrower may cancel such authorization at any time by writing the following: Transaction Processing, 300 St. Paul Place, BSP13A, Baltimore, MD 21202. In order to process Borrower's request, Lender must be provided Borrower's full name, address, social security number and account number.

The following notice applies only if this box is checked.

NOTICE
ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

NOTICE TO MASSACHUSETTS BORROWERS

YOU CANNOT BE DENIED CREDIT SIMPLY BECAUSE YOU CHOOSE NOT TO BUY CREDIT INSURANCE. CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND HEALTH INSURANCE AND CREDIT INVOLUNTARY UNEMPLOYMENT INSURANCE ARE NOT REQUIRED TO OBTAIN CREDIT. INSURANCE WILL NOT BE PROVIDED UNLESS YOU SIGN AND AGREE TO PAY THE ADDITIONAL CHARGE.

By signing below, Borrower agrees to the terms contained herein, acknowledges receipt of a copy of this Disclosure Statement, Note and Security Agreement and, if applicable, the Mortgage or Deed of Trust and of the accompanying Itemization of Amount Financed, and authorizes the disbursements stated therein.

WITNESSES:

[Handwritten signatures of witnesses]

SIGNED:

FELIX A PUELLO

(Seal)
-Borrower
-Borrower
-Borrower
-Borrower

CITIFINANCIAL SERVICES, INC.

By: [Signature]
(Name and Title) 10/18/2007 14:00:50

SECURITY INTEREST OF NONOBLIGOR: Borrower only is personally liable for payment of the loan. Nonobligor is liable and bound by all other terms, conditions, covenants, and agreements contained in this Disclosure Statement, Note and Security Agreement, including but not limited to the right and power of Lender to repossess and sell the Property securing this loan, in the event of default by Borrower in payment of this loan.

Signature (Seal) Date Signature (Seal) Date

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***EXHIBIT 2***



Name & Address of Borrower FELIX A PUELLO 175 CLARE AVE APTA2 HYDE PARK MA 02136		Name & Address of Lender: CITIFINANCIAL SERVICES, INC. 500 PROVIDENCE HWY NORWOOD, MA 02062	
Property Location: (if different from above) 175 CLARE AVE APTA2 HYDE PARK MA 02136		Settlement Agent: CITIFINANCIAL SERVICES, INC.	
Loan Number: 141630		Place of Settlement: 500 PROVIDENCE HWY NORWOOD, MA 02062	
		Settlement Date: 10/18/2007	
<b>L. Settlement Charges</b>		<b>M. Disbursement to Others</b>	
<b>800. Items Payable in Connection with Loan:</b>			
801. Loan origination fee 3.0000% to		463.51	1501. HSBC 1,913.00
802. Loan discount % to			
803. Appraisal fee to REALTOR SUCCESS		80.00	1502. COLUMBUS BANK 452.00
* Fee for full appraisal, Automated Valuation Model (AVM), Broker Price Opinion (BPO), or Comparative Market Analysis (CMA).			1503.
804. Credit report to			1504.
805. Inspection fee to			1505.
<b>900. Items Required by Lender to be Paid in Advance:</b>			
903. Hazard insurance premium for year(s) to			1506.
905. Credit Life Insurance Premium to			1507.
906. Disability Insurance Premium to			1508.
907. Involuntary Unemployment Insurance Premium to			1509.
908.			1510.
909.			1511.
910.			1512.
1000. Reserves Deposited with Lender			1513.
<b>1100. Title Charges:</b>			
1101. Settlement or closing fee to			1514.
1102. Abstract or title search to			1515.
1103. Title examination to NATIONAL REAL ESTATE		195.00	1516.
1104. Title Insurance binder to			1517.
1105. Document preparation to			1518.
1106. Notary fees to			1519.
1107. Attorney's fees to (includes above item numbers )			1520.
1108. Title insurance to (includes above item numbers )			1521.
1109. Lender's coverage \$N/A			1522.
1110. Owner's coverage \$N/A			1523.
1111. Texas Title Guaranty Fee			1524.
1112. Tax Related Service Fee to		0.00	1525. CitiFinancial 4,748.86
<b>1200. Government Recording and Transfer Charges:</b>			
1201. Recording fee		176.00	1526. TOTAL DISBURSED (enter on line 1603) 7,113.86
1202. City/county tax/stamps			<b>N. Net Settlement</b>
1203. State tax/stamps			
1204. to \$		0.00	1600. Loan Amount \$ 15,913.64
1205. Release Fee			1601. Plus Cash/Check from Borrower \$
<b>1300. Additional Settlement Charges:</b>			
1301. Survey to			1602. Minus Total Settlement Charges (line 1400) \$ 914.51
1302. Pest inspection to			1603. Minus Total Disbursements to Others (line 1526) \$ 7,113.86
1303. Overnight Delivery Fee to		0.00	1604. Equals Disbursements to Borrower (after expiration of any applicable rescission period required by law) \$ 7,885.27
1304. Flood Certification Fee to		0.00	
1305. to			
1400. Total Settlement Charges (enter on line 1602)		914.51	

Borrower(s) Signature(s):

X 