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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

GREGG RICHARD, STAFF DIRECTOR
MARK E. POWDEN, DEMOCRATIC STAFF DIRECTOR

October 4, 2018

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington, DC 20510

Dear Chairman Crapo:

We respectfully request that you ask Wells Fargo Chief Executive Officer (CEO) Timothy J. Sloan and Chair of the Wells Fargo Board of Directors Elizabeth A. Duke to appear before the Committee on Banking, Housing, and Urban Affairs (the Committee) so that Mr. Sloan and Ms. Duke may explain the widespread and persistent failures at the bank. In the wake of rampant consumer abuses and other compliance breakdowns that necessitated an unprecedented recent enforcement action by the Board of Governors of the Federal Reserve System (the Fed),¹ members of the Committee must be vigilant in holding Mr. Sloan, Ms. Duke, and Wells Fargo accountable.

It has been nearly a year since Mr. Sloan last appeared before the Committee.² In the time since his testimony, yet more scandals have mounted at the bank, despite claims by Mr. Sloan and other executives that Wells Fargo was on course to remediate its problems.³ Though Mr. Sloan recently said that it is “tiresome” for the bank to “live through some of the sensational headlines that, in many cases, just aren’t true,”⁴ we believe that it is essential for the Committee to conduct oversight on the bank given the seriousness of past enforcement actions, a history of inadequate response on behalf of Wells Fargo’s senior leadership, and continued reports of misconduct.

For example, since Mr. Sloan last appeared before the Committee in October 2017:

¹ Board of Governors of the Federal Reserve System. “Responding to widespread consumer abuses and compliance breakdowns by Wells Fargo, Federal Reserve restricts Wells’ growth until firm improves governance and controls. Concurrent with Fed action, Wells to replace three directors by April, one by year end.” *Press release*, February 2, 2018. Available at: <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20180202a.htm>

² Hearing of the U.S. Senate Committee on Banking, Housing and Urban Affairs. “Wells Fargo: One Year Later.” October 3, 2017. Available at: <https://www.banking.senate.gov/hearings/wells-fargo-one-year-later>

³ *Id.*; see also Wells Fargo. “Wells Fargo Launches ‘Re-Established,’ a New Brand Campaign.” *Press release*, May 7, 2018. Available at: <https://newsroom.wf.com/press-release/marketing-and-endorsements/wells-fargo-launches-re-established-new-brand-campaign>

⁴ Broughton, Kristin. “Wells Fargo’s Sloan Says Don’t Believe the Negative Headlines. Really?” *American Banker*, May 11, 2018. Available at: <https://www.americanbanker.com/opinion/wells-fargos-sloan-says-dont-believe-the-negative-headlines-really>

- News reports indicate that Wells Fargo “for years charged monthly fees to customers for dozens of [add-on] products they didn’t understand or know how to use,” ranging from pet insurance to legal services.⁵ Problems with add-on products persisted into 2018, despite the bank entering into a consent order in 2015 with the Office of the Comptroller of the Currency (OCC) related to similar misconduct in the sale of identity protection and debt cancellation products.⁶
- Wells Fargo admitted to “calculation errors” during the years 2010 to 2015 that led the bank to deny or not offer loan modifications to 625 homeowners, which led to 400 wrongful foreclosures.⁷
- Wells Fargo noted that federal government agencies are investigating the bank’s behavior with regard to the purchase of, and negotiation over, low-income housing tax credits,⁸ with news reports indicating the Department of Justice is inquiring whether Wells Fargo colluded with housing developers to drive down the price of tax credits in exchange for offering better loan terms to developers.⁹ Reducing the price of tax credits makes the deals more favorable for Wells Fargo, and could have the effect of defrauding the federal government. Wells Fargo reportedly suspended two employees in its community lending and investment unit related to this inquiry.¹⁰
- Wells Fargo in August 2018 agreed to pay more than \$2 billion in penalties for alleged misconduct, beginning in 2005, in which the bank originated and sold residential mortgage loans and related securities that it knew contained misstated borrower income information and did not meet the quality standards Wells Fargo represented to investors.¹¹
- Wells Fargo wrongly repossessed the vehicles of 450 members of the military between the years of 2008 and 2015, in violation of the Servicemembers Civil Relief Act (SCRA).¹² The November 2017 announcement represented additional SCRA violations

⁵ Glazer, Emily. “Wells Fargo’s Latest Challenge: Refunds for Pet Insurance, Legal Services.” *Wall Street Journal*, July 19, 2018. Available at: <https://www.wsj.com/articles/wells-fargos-latest-challenge-refunds-for-pet-insurance-legal-services-1532009933>

⁶ Consent order between the Comptroller of the Currency and Wells Fargo Bank, National Association. June 3, 2015. Available at: <https://www.occ.gov/static/enforcement-actions/ea2015-048.pdf>

⁷ Wells Fargo Form 10-Q. Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the Quarterly Period Ending June 30, 2018. Available at: <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/sec-filings/2018/second-quarter-10q.pdf>

⁸ *Id.*

⁹ Gandel, Stephen. “New Tax-Credit Investigation May Trip Up Wells Fargo.” *Bloomberg*, August 10, 2018. Available at: <https://www.bloomberg.com/view/articles/2018-08-10/wells-fargo-tax-credit-inquiry-trips-up-bank-on-road-to-recovery>

¹⁰ Levitt, Hannah. “Wells Fargo Suspends Employees Over Tax-Credit Probe.” *Bloomberg*, September 25, 2018. Available at: https://www.bloomberg.com/news/articles/2018-09-25/wells-fargo-is-said-to-suspend-employees-over-tax-credit-probe?utm_campaign=socialflow-organic&utm_medium=social&utm_source=twitter&utm_content=business&cmpid=socialflow-twitter-business

¹¹ U.S. Department of Justice, U.S. Attorney’s Office for the Northern District of California. “Wells Fargo Agrees to Pay \$2.09 Billion Penalty for Alleged Misrepresenting Quality of Loans Used in Residential Mortgage-Backed Securities.” *Press release*, August 1, 2018. Available at: <https://www.justice.gov/usao-ndca/pr/wells-fargo-agrees-pay-209-billion-penalty-allegedly-misrepresenting-quality-loans-used>

¹² U.S. Department of Justice. “Justice Department Obtains \$5.4 Million in Additional Relief to Compensate Servicemembers for Unlawful Repossessions by Wells Fargo Dealer Services.” *Press release*, November 14, 2017. Available at: <https://www.justice.gov/opa/pr/justice-department-obtains-54-million-additional-relief-compensate-servicemembers-unlawful>

beyond those covered in the original September 2016 settlement with the Department of Justice.¹³

- Wells Fargo employees in the bank's wholesale unit reportedly added or altered information, such as Social Security numbers, addresses, and dates of birth, on documents related to corporate customers' accounts without those customers' knowledge.¹⁴ This behavior reportedly occurred in 2017 and early 2018,¹⁵ at the same time Mr. Sloan was reassuring the Committee and the public that the bank's misconduct had subsided.¹⁶ The Department of Justice is reportedly now investigating this alleged behavior, and is "interested in learning if there is a pattern of unethical and potentially fraudulent employee behavior tied to management pressure."¹⁷
- Wells Fargo disclosed in March 2018 that the bank was responding to inquiries from federal government agencies relating to its wealth management business.¹⁸ Specifically, the bank said it was evaluating "whether there have been inappropriate referrals or recommendations, including with respect to rollovers for 401(k) plan participants, certain alternative investments, or referrals of brokerage customers to the company's investment and fiduciary services business."¹⁹ Press reports indicate the Department of Justice, the Federal Bureau of Investigation, and the Securities and Exchange Commission are investigating this potential misconduct.²⁰ Additional press reports, based on conversations with former Wells Fargo employees and a review of internal documents, allege that managers pressured advisors to push clients into high-fee products and services, imposed sales quotas on advisors related to riskier investments, and adopted compensation structures that encouraged "churning" of client accounts.²¹
- Wells Fargo has acknowledged that the bank, in its capacity as trustee, kept mutual fund fee rebates that should have been passed along to Chattanooga Fire & Police Pension

¹³ *Id.*

¹⁴ Glazer, Emily. "Wells Fargo Employees Altered Information on Business Customers' Documents." *Wall Street Journal*, May 17, 2018. Available at: <https://www.wsj.com/articles/wells-fargo-employees-altered-information-on-business-customers-documents-1526563418>

¹⁵ *Id.*

¹⁶ *Supra*, note 2

¹⁷ "U.S. Probing Wells Fargo's Wholesale Banking Unit: WSJ." *Reuters*, September 6, 2018. Available at: <https://www.reuters.com/article/us-wells-fargo-probe/u-s-probing-wells-fargos-wholesale-banking-unit-wsj-idUSKCN1LM28O>

¹⁸ Wells Fargo Form 10-Q, Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the Quarterly Period Ending March 31, 2018. Available at: <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/sec-filings/2018/first-quarter-10q.pdf>; <https://www.wellsfargo.com/assets/pdf/about/investor-relations/sec-filings/2018/first-quarter-10q.pdf>

¹⁹ *Id.*

²⁰ Glazer, Emily. "Justice Department Widens Wells Fargo Sales Investigation to Wealth Management." *Wall Street Journal*, March 16, 2018. Available at: <https://www.wsj.com/articles/justice-department-widens-wells-fargo-sales-investigation-to-wealth-management-1521215076?mod=breakingnews>

²¹ Glazer, Emily. "Whistleblowers Detail Wells Fargo Wealth Management Woes." *Wall Street Journal*, July 27, 2018. Available at: <https://www.wsj.com/articles/whistleblowers-detail-wells-fargo-wealth-management-woes-1532707096>; and McLean, Bethany and Ethan Wolff-Mann. "Exclusive: Wells Fargo Pushed Wealth Advisors to Use High-Fee Products, Cross-Sell." *Yahoo Finance*, August 21, 2018. Available at: <https://finance.yahoo.com/news/exclusive-wells-fargo-pushed-wealth-advisors-use-high-fee-products-cross-sell-131824414.html>

Fund (the Fund).²² The Fund alleges that since 2010, Wells Fargo has improperly pocketed \$47,000 belonging to the Fund, which has 1,600 firefighters and police officers as participants.²³ Further, the Fund has expressed concerns that the “system error” that caused this improper retention of fee rebates may be harming other trust and fiduciary accounts overseen by the bank.²⁴

- News reports indicate that Wells Fargo is investigating complaints of gender bias in its Wealth Management division.²⁵ Female employees allege that qualified female staff members have not been given the opportunity to advance in the division, and that the president of the Private Bank and the head of the division made insensitive and derisive comments about the role of women in the workforce.²⁶
- Wells Fargo was ordered by a federal judge to pay more than \$97 million dollars in damages to workers in California who were not properly compensated for legally required break periods.²⁷
- Wells Fargo is being sued by the Navajo Nation over claims that the bank coerced customers, particularly the elderly, minors, and individuals with limited English language proficiency, to enroll in unneeded services, as well as opened accounts and issued debit and credit cards that were unauthorized.²⁸
- Wells Fargo is being sued by a Minnesota family that is in a state-sponsored victim protection program, after the family alleged that the bank improperly sent mail to what was supposed to be a secret location and improperly sold customer information to a third-party vendor.²⁹
- Wells Fargo continues its aggressive use of forced arbitration clauses to prevent customers from receiving fair compensation when they have been harmed by the bank.³⁰ After choosing to litigate claims rather than compel arbitration over unlawful overdraft charges, Wells Fargo is now fighting to move remaining claims to arbitration.³¹

²² Morgenson, Gretchen and Emily Glazer. “Wells Fargo Improperly Kept a Pension Fund’s Fee Rebates.” *Wall Street Journal*, May 9, 2018. Available at: <https://www.wsj.com/articles/wells-fargo-improperly-kept-a-pension-funds-fee-rebates-1525908574?mod=e2twfr>

²³ *Id.*; Wells Fargo alleges that the improperly retained fees total approximately \$15,000.

²⁴ *Id.*

²⁵ Glazer, Emily. “At Wells Fargo, Discontent Simmers Among Female Executives.” *Wall Street Journal*, August 31, 2018. Available at: <https://www.wsj.com/articles/at-wells-fargo-discontent-simmers-among-female-executives-1535707801>

²⁶ *Id.*

²⁷ Egan, Matt. “Wells Fargo Owes \$97 million to California Workers.” *CNNMoney*, May 10, 2018. Available at: <http://money.cnn.com/2018/05/10/news/companies/wells-fargo-worker-lawsuit-97-million/index.html>

²⁸ Johnson, Alex. “Navajo Nation Sues Wells Fargo In Fake Account Scandal.” *NBC News*, December 13, 2017. Available at: <https://www.nbcnews.com/business/business-news/navajo-nation-sues-wells-fargo-fake-account-scandal-n829571:P>; see also Navajo Nation, “Navajo Nation, Navajo Nation Sues Wells Fargo Over Predatory Sales Practices.” *Press release*, December 12, 2017. Available at: <https://us15.campaign-archive.com/?u=0bf367cc7bf787cb9b02b21c8&id=b1a3e0ad70>

²⁹ Walsh, Paul. “Suit: Wells Fargo Endangered S. Minnesota Family in State Victim Protection Program.” *Minneapolis Star Tribune*, May 9, 2018. Available at: <http://www.startribune.com/suit-wells-fargo-endangered-s-minnesota-family-in-state-victim-protection-program/482074921/>

³⁰ See Mr. Sloan responses to Senators Brown, Tester and Van Hollen, Committee hearing, October 3, 2017, *supra*, note 2.

³¹ Hill, Jon. “11th Circuit Says Wells Fargo Didn’t Waive Arbitration.” *Law360.com*, May 10, 2018. Available at: <https://www.law360.com/consumerprotection/articles/1042578/11th-circ-says-wells-fargo-didn-t-waive-arbitration>.

The Committee would also be well-served in conducting oversight of Wells Fargo's implementation of, and compliance with, several past settlements with federal financial regulators. As mentioned above, on February 2, 2018, the Fed issued an unprecedented cease and desist order against Wells Fargo, restricting the bank's growth until it is able to demonstrate improvement of its governance and controls.³² Moreover, on April 20, 2018, the Consumer Financial Protection Bureau (CFPB) and the OCC entered into consent orders with Wells Fargo related to the bank (1) improperly levying fees on customers for rate-lock extensions in connection with home mortgages; and (2) charging a reported 570,000 consumers for automobile insurance that they did not need, with an estimated 274,000 customers ending up in delinquency and an estimated improper repossession of 25,000 automobiles.³³

Committee oversight of Wells Fargo is necessary to ensure that consumers are actually receiving the remediation that they were promised and are owed. Wells Fargo has acknowledged that the bank sent 38,000 erroneous communications to customers impacted by the unauthorized automobile insurance scandal.³⁴ This included sending customers improper mailers with no checks included.³⁵ Subsequently, reports indicate that the OCC rejected Wells Fargo's plan to repay customers impacted by the unauthorized automobile insurance scandal, with the bank not providing sufficient reassurance that all impacted customers would be made whole.³⁶ Reports also indicate that Wells Fargo will require mortgage customers to affirmatively agree to a refund through the mail – a burdensome step that will result in fewer than half of eligible customers actually doing so, according to the bank's own estimates.³⁷

Finally, we would appreciate the opportunity to question Wells Fargo on its continued layoffs and outsourcing of American jobs. At the Committee hearing last year, Mr. Sloan acknowledged that the bank was cutting U.S. jobs while expanding positions in the Philippines.³⁸ At that hearing, Mr. Sloan disputed projections that Wells Fargo's planned cost-cutting measures – which were touted on investor calls as a way to boost the bank's bottom-line – would lead to around 20,000 employees losing their jobs.³⁹ Since that hearing, Wells Fargo has eliminated jobs in Nevada, Maryland, California, Colorado, Florida, and North Carolina.⁴⁰ Just this month,

³² *Supra*, note 1

³³ Consent order between the Consumer Financial Protection Bureau and Wells Fargo Bank, National Association. April 20, 2018. Available at: https://files.consumerfinance.gov/f/documents/cfpb_wells-fargo-bank-na_consent-order_2018-04.pdf; and Consent order between the Office of the Comptroller of the Currency and Wells Fargo Bank, National Association. April 20, 2018. Available at: <https://www.occ.gov/static/enforcement-actions/ea2018-025.pdf>. For estimates of the impact of Wells Fargo automobile insurance misconduct, see Morgenson, Gretchen. "Wells Fargo Forced Unwanted Auto Insurance on Borrowers." *New York Times*, July 27, 2017. Available at: <https://www.nytimes.com/2017/07/27/business/wells-fargo-unwanted-auto-insurance.html>. Morgenson quotes an Oliver Wyman report reportedly prepared at the request of Wells Fargo.

³⁴ Morgenson, Gretchen and Emily Glazer. "Wells Fargo Fumbles Efforts to Repay Aggrieved Customers." *Wall Street Journal*, February 10, 2018. Available at: <https://www.wsj.com/articles/wells-fargo-struggles-to-repay-aggrieved-customers-1518295023>

³⁵ *Id.*

³⁶ Rucker, Patrick. "US Regulators Reportedly Rejected Wells Fargo's Plan to Repay Customers Forced Into Unnecessary Auto Insurance Products." *Reuters*, September 12, 2018. Available at: <https://www.businessinsider.com/us-regulators-reportedly-reject-wells-fargo-plan-to-repay-customers-2018-9>

³⁷ *Id.*

³⁸ *Supra*, note 2; specifically, see the exchange between Senator Donnelly and Mr. Sloan.

³⁹ *Supra*, note 2

⁴⁰ Hidalgo, Jason. "Cortez Masto Slams Wells Fargo for Laying Off Hundreds in Reno, Outsourcing Jobs." *Reno Gazette Journal*, August 1, 2018. Available at: <https://www.rgj.com/story/money/business/2018/08/01/cortez-masto-wells-fargo-reno-layoffs-outsourcing-jobs-call-center/881861002/>; Marshall, Ryan. "Van Hollen Questions Wells Fargo on Frederick Layoffs." *Frederick News Post*, July 9, 2018. Available at: https://www.fredericknews.com/news/economy_and_business/van-hollen-

Wells Fargo announced plans to cut its workforce by 5 to 10 percent over the next three years, leading to a reduction of between 13,250 and 26,500 jobs.⁴¹ The job losses for front-line Wells Fargo workers comes at the same time that executives and shareholders of the bank are enjoying windfall profits, with the bank announcing record stock buybacks and dividends planned for the next year,⁴² and Mr. Sloan receiving a 36% raise in 2017.⁴³

We thank you for the Committee’s previous hearings investigating consumer abuses at Wells Fargo. We believe another hearing is appropriate given the ongoing challenges at the bank and the need for thorough oversight to ensure that relief is delivered to our constituents.

Thank you for your consideration of our request.

Sincerely,



SHERROD BROWN
United States Senator



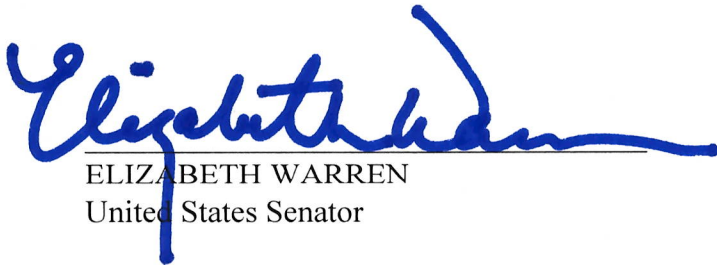
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<https://www.sacbee.com/latest-news/article217240150.html>; Sclafani, Julia. “Wells Fargo Lays Off 190 Rancho Employees as Mortgage Operations Contract.” *Sacramento Bee*, August 23, 2018. Available at: <https://www.sacbee.com/latest-news/article217240150.html>; and Moise, Imani. “Wells Fargo Lays Off More than 600 Mortgage Workers.” *Reuters*, August 24, 2018. Available at: <https://www.reuters.com/article/us-wells-fargo-layoffs/wells-fargo-lays-off-more-than-600-mortgage-workers-idUSKCN1L922Y>

⁴¹ Rooney, Kate. “Wells Fargo Plans to Cut Up to 10% of Workforce in the Next Three Years.” *CNBC*, September 20, 2018. Available at: https://www.cnbc.com/2018/09/20/wells-fargo-plans-to-lower-headcount-by-up-to-10percent-in-next-3-years.html?_source=twitter%7Cmain

⁴² “Wells Fargo’s \$33 Billion Capital Return Plan Is A New Record for U.S. Banks.” *Forbes*, July 5, 2018. Available at: <https://www.forbes.com/sites/greatspeculations/2018/07/05/wells-fargos-33-billion-capital-return-plan-is-a-new-record-for-u-s-banks/#35a0e2624198>

⁴³ Melin, Anders and Shahien Nasiripour. “Wells Fargo Boosts CEO Tim Sloan’s Pay 36% to \$17.4 Million.” *Bloomberg*, March 14, 2018. Available at: <https://www.bloomberg.com/news/articles/2018-03-14/wells-fargo-boosts-ceo-sloan-s-pay-36-to-17-4-million-for-2017>



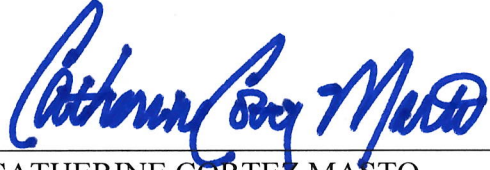
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