HOLDING WALL STREET ACCOUNTABLE: INVESTIGATING WELLS FARGO'S OPENING OF UNAUTHORIZED CUSTOMER ACCOUNTS

HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

SEPTEMBER 29, 2016

Printed for the use of the Committee on Financial Services

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HOLDING WALL STREET ACCOUNTABLE: INVESTIGATING WELLS FARGO'S OPENING OF UNAUTHORIZED CUSTOMER ACCOUNTS

Thursday, September 29, 2016

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. Jeb Hensarling [chairman of the committee] presiding.

Members present: Representatives Hensarling, Royce, Lucas, Garrett, Neugebauer, McHenry, Pearce, Posey, Fitzpatrick, Luetkemeyer, Duffy, Stivers, Stutzman, Mulvaney, Hultgren, Pittenger, Wagner, Barr, Rothfus, Messer, Schweikert, Guinta, Tipton, Williams, Poliquin, Love, Hill; Waters, Maloney, Velazquez, Sherman, Meeks, Capuano, Lynch, Scott, Green, Cleaver, Moore, Ellison, Perlmutter, Himes, Carney, Sewell, Foster, Kildee, Murphy, Delaney, Beatty, and Heck.

Chairman HENSARLING. The Financial Services Committee will come to order.

Without objection, the Chair is authorized to declare a recess of the committee at any time.

Today's hearing is entitled, "Holding Wall Street Accountable: Investigating Wells Fargo's Opening of Unauthorized Customer Accounts."

I now recognize myself for 5 minutes to give an opening statement.

We are here today because millions of Americans were ripped off by their bank and seemingly let down by their government. Fraud is fraud, theft is theft, and what happened at Wells Fargo over the course of many years cannot be described any other way.

In fact, a whole host of Federal laws were potentially violated, including the Truth in Savings Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Electronic Fund Transfer Act, the Securities and Exchange Act of 1933, the Securities and Exchange Act of 1934, and the Sarbanes-Oxley Act of 2002. All charges must be thoroughly investigated, and all culpable individuals must be held accountable.

And while the fine that Wells Fargo will pay, roughly 3 percent of the bank's second quarterly profits, is tiny by Wall Street standards, the harm caused to consumers and employees is not. To the factory worker who just had her credit score dinged because of the fraud Wells Fargo perpetrated, the cost is big. To the waiter at the local diner living paycheck to paycheck who had to pay fees associated with a fraudulent account, the cost is big. To the Wells Fargo employee with kids to support who lost her job because she refused to participate in the scheme, the cost is big.

We will make sure those who were betrayed by Wells Fargo are not forgotten. And it is on their behalf that our committee has launched an in-depth investigation, Mr. Stumpf, of your bank's activities.

And let me be clear, today's hearing is just the beginning of our investigation; it is not the end. And, as I speak, our committee is gathering thousands of pages of records and documents from both Wells Fargo and the relevant Federal regulators. In the coming weeks, we will be questioning Wells Fargo executives. If necessary, I will not hesitate to issue subpoenas, because we will do what is necessary to get to the bottom of the matter.

Mr. Stumpf, we don't yet know what you knew, when you knew it, and what you chose to do about it, but we know it happened on your watch, and we hold you accountable for the answers to why this happened.

At last week's Senate hearing, you were uncertain of many matters. In the intervening days, we trust that you have had a chance to refresh your recollection and to review your records; therefore, we hope and expect you will provide more complete answers today.

We need to know exactly when and how you and other executives at Wells Fargo found out about this indemnant fraud. We need to know today what you directed others to do about it when you found out. We need to know today who in management is being held accountable.

We already know that as far back as 2009, former Wells Fargo employees started filing wrongful termination lawsuits alleging fraudulent accounts and improper sales tactics were taking place. Approximately 5,300 Wells Fargo employees were fired over a 5-year period for these improper sales practices, and perhaps as many as 2 million unauthorized accounts were fraudulently opened.

Based on these facts, we will also be asking serious questions of our regulators in the course of this investigation. If the OCC had examiners on-site at Wells Fargo during the time when these fraudulent accounts were opened, and the CFPB was conducting regular examinations, why did it seemingly take the L.A. Times to expose the fraud? And, once exposed, why did it take almost 18 months for the CFPB to initiate a supervisory review?

Today, I don't know the answers to the questions. Perhaps our Federal regulators deserve a pat on the back, but perhaps they deserve a swift kick on the backside. We will find out which.

But we launched this investigation, ultimately, because it is our job to hold both Wall Street and Washington accountable and to protect consumers from the excesses of both. True consumer protection is the preservation of competitive, innovative, free markets that are vigorously policed for force, fraud, and deception.

Mr. Stumpf, I know that Wells Fargo represents an iconic brand. I know that your bank has a very rich and proud heritage. I also know that you have hundreds of thousands of good employees who had nothing to do with this sordid affair, and who do good work in building their communities. But this sordid affair does remind me why I trust markets and I do not trust individual companies.

And, Mr. Stumpf, I regrettably have a mortgage with your bank. I wish I didn't. And if I was in the position to pay it off, I would, because you have broken my trust and you have broken the trust of millions of others, and it will take a long, long time to earn that trust back.

I now recognize the ranking member for 5 minutes.

Ms. WATERS. Thank you very much, Mr. Chairman. And I thank you for agreeing to hold this hearing so that we can examine the fraudulent activity that occurred at Wells Fargo.

Mr. Stumpf, the word games stop today. Borrowing a customer's money without permission is not a sales practice violation; it's stealing. Using customers' Social Security numbers to open credit cards without their consent is not wrongful sales behavior; it is identity theft. So let's call it what it really is: some of the most egregious fraud we have seen since the foreclosure crisis.

For at least 5 years, Wells Fargo pushed aggressive sales goals for low-wage employees that were so unrealistic and so unattainable that some felt pressured to commit crimes just to keep their jobs. It may have happened over 2 million times—2 million times. In fact, we have two former Wells Fargo workers, Julie Miller and Ruth Landaverde, today in the audience who have borne the brunt of your choices. Meanwhile, your senior management, the board of directors encouraged, even bragged about behavior amounting to widespread fraud.

Today, I hope you came prepared to explain both how and why. While you personally told me you were prepared to take full responsibility, we have seen your testimony in front of the Senate Banking Committee and there are still answers that need to be given. The testimony that we have witnessed in the Senate trying to explain what happened is not satisfactory. And we still do not have all the information we need to understand how this happened, when the sales culture turned toxic, and who knew about it and when.

Despite your statements to the contrary, any legitimate investigation shows that executives at Wells Fargo either knew or should have known much earlier than 2013 that these practices were taking place.

I think that executive conduct at Wells Fargo deserves a thorough investigation by the Department of Justice. Someone responsible for the broken culture that led to this behavior needs to be held responsible, not the lower-level employees who have been left to bear the weight of the mistakes that have been made.

This issue is personal for me. The size of Wells Fargo's footprint in California means that many, if not most, of the employees and customers who were victimized by this are my constituents and neighbors. They don't deserve to have their trust violated by Wells Fargo. No one did.

I'm still receiving calls in my office complaining about Wells Fargo now. And one caller described how he went into the bank and complained about excessive accounts that he knew nothing about. The employees called the police on him, and he was arrested. And yet violating the public's trust to drive up profits is exactly what Wells Fargo did.

In the Senate hearing, it was revealed that even you benefited from that, Mr. Stumpf. Your own bank account benefited from that deception. Now, I know that you said you take responsibility for these practices and that you are conducting your own investigation and that you and other managers are forgoing some of your compensation. That is welcome, but let me be clear: It's not enough.

Unfortunately, this is not the first time we've seen abusive practices at Wells Fargo. We thought that you were working on these practices. Six years ago, your mortgage executive sat right here in this very chair, reassuring my subcommittee that you were committed to fixing Wells Fargo's forgery of mortgage documents, and yet we haven't seen the problem fixed. We've just seen it migrate to another part of your bank.

So I hope today we can hear from you, Mr. Stumpf, because the American public deserves to know what happened at Wells Fargo and why customers were ripped off so blatantly and repeatedly. You can also rest assured that this is just the beginning and that we will be demanding more information until we get to the bottom of this. And, of course, I urge your cooperation.

And I must tell you that I have known you for a while; I've communicated with you. At times, you have been very helpful to my constituents. So I'm very disappointed, and we must get to the bottom of this.

And I want to be able to receive the documents and information that we requested from you. I'm told that they have been refused. I think it is in your best interest to come forward with those documents.

Mr. Chairman, I yield back the balance of my time.

Chairman HENSARLING. The gentlelady yields back.

Today, we will receive the testimony of Mr. John Stumpf, who is the chairman and CEO of Wells Fargo and Company. Mr. Stumpf has held a number of senior management positions at Wells and its predecessors, where he has worked for 34 years.

Mr. Stumpf, would you please rise and raise your right hand?

[Witness sworn.]

Chairman HENSARLING. Thank you. Please be seated.

Let the record reflect that the witness has answered in the affirmative.

Without objection, the witness' written statement will be made a part of the record.

Mr. Stumpf, you are now recognized for 5 minutes to give an oral presentation of your testimony.

TESTIMONY OF JOHN G. STUMPF, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, WELLS FARGO AND COMPANY

Mr. STUMPF. Chairman Hensarling, Ranking Member Waters, and members of the committee, thank you for inviting me to be here with you today.

I am the chairman and chief executive officer of Wells Fargo, where I've worked for nearly 35 years. It is my privilege to lead this company, which was founded over 164 years ago and played a vital role in the financial history and development of our country.

I am deeply sorry that we've failed to fulfill our responsibility to our customers, to our team members, and to the American public. I am fully accountable for all unethical sales practices in our retail banking business, and I'm fully committed to fixing this issue, strengthening our culture, and taking the necessary steps and actions to restore our customers' trust.

We should have done more sooner, but we will not stop working until we get this right. This morning, I will update you on a number of steps taken to address our retail bank sales practices problem and make things right for customers who may have been harmed.

At Wells Fargo, we have new leadership in our retail banking business, focused on ensuring that all team members in our retail bank provide the best service to our customers.

Secondly, we recently announced the elimination of product sales goals for everyone in retail banking effective January 1st. Today, I am announcing that we are accelerating this process and ending all product sales goals effective at the end of this week. We want to make sure nothing gets in the way of doing what is right for our customers.

Also, we now send out to all customers a confirmation email approximately 1 hour after opening a savings or checking account and an acknowledgment letter after a customer applies for a credit card.

We're also making it right for customers. We have begun contacting the customers with open credit cards identified by PricewaterhouseCoopers to determine whether they wanted these credit cards. It's early in the process, but so far we have reached more than 20,000 of these customers and talked to them about their credit card accounts. Fewer than 25 percent have told us they either did not apply for the card or they cannot recall whether they applied or not for the card.

For those customers who want the card, the card will remain open. For any customer who does not want their card, we are closing the account and informing the credit bureaus. Any fees these customers may have paid already have been refunded, and we are developing a process to deal with any other forms of harm.

For deposit customers, we have refunded fees and are contacting every single one of them across the country to ensure that we have a full understanding of every customer affected by this problem. In addition, we are voluntarily expanding the scope of the reviews we have done to go back in time to 2010 and 2009.

While these issues we will discuss today are deeply disappointing and will take time to repair, they do not represent the true culture and nature of Wells Fargo.

Some have suggested the problem was cross-selling, but that is not the case. At its core, cross-selling is all about deepening customer household relationships with products they want, they use, and they value. It is not about improper sales practices used to create unwanted accounts. That's not good for our customers and not good for Wells Fargo. If we take care of our customers, they will deepen their relationships with us and trust us more with their business. That is good for customers, who benefit from the lower costs we pass on, and that is cross-selling done the right way.

In closing, I'd like to talk about my commitment to accountability. When I say I am accountable, I am referring to the actions our board took, at my recommendation, to forfeit the stock awards that are the largest part of my compensation for the past 3 years and any bonus this year, as well as my agreement to work without salary until the board completes its investigation. I respect and accept the board's decision.

And when I say I'm accountable, I also mean accountable for leading Wells Fargo as the company restores the trust of customers, team members, and investors.

Thank you for this opportunity to testify today.

[The prepared statement of Mr. Stumpf can be found on page 82 of the appendix.]

Chairman HENSARLING. The Chair now yields himself 5 minutes for questions.

Mr. Stumpf, to the American people, this kind of feels like deja vu all over again. Some institution is found engaging in terrible activities, there's a headline, a fine, and yet no one seems to be held accountable. Let's face it, the fine that has been assessed to you is probably a rounding error, again, in your quarterly earnings report.

With perhaps as many as 2 million fraudulent accounts over the course of 5 years, and 5,000 dismissed employees, it's just beyond credibility that somebody up the food chain didn't either order this, condone it, or turn a blind eye to it.

So my question to you is, who is the highest ranking official at Wells, who is the highest person in the management team who has been dismissed because of these activities?

Mr. STUMPF. Thank you, Mr. Chairman, for that question.

As you know, within—or maybe you don't know, but within the 5,300, there were managers and managers and managers of those managers. We are doing a full review—

Chairman HENSARLING. Were these branch managers?

Mr. STUMPF. Yes. About 10 percent or more were different kinds of managers.

Chairman HENSARLING. And nobody above the branch-manager level?

Mr. STUMPF. There were managers of the branch managers and a manager of those within the line of business.

But we're doing a full review of other control functions within the company. That process has already begun. The board is going to be involved; management will be involved. And, as I mentioned, we have—

Chairman HENSARLING. When will this be complete? When will your own internal investigation be complete to hold management accountable?

Mr. STUMPF. I can't give you a specific timeframe, Mr. Chairman, but I will tell you, we're moving on that directly, and we're going to get to the bottom of this.

Chairman HENSARLING. Okay. Is anybody at the bank-holding-company level being held accountable?

Mr. STUMPF. People will be reviewed across the board at holding company activities, corporate activities. Anybody who was involved in promoting or supporting this behavior will be held accountable.

Chairman HENSARLING. Okay, but holding people accountable—isn't it true, Mr. Stumpf, that in the settlement agreement Wells entered into with the OCC, the CFPB, and the L.A. City Attorney's office, no individual admits guilt? Is that correct? Is that part of that settlement agreement?

Mr. STUMPF. I believe we either did not admit or deny. So the facts there are the facts that we agreed to.

Chairman HENSARLING. Mr. Stumpf, let's go back to 2011, which I think is the first year we know for a fact that these fraudulent activities were taking place. The records that I believe your bank has shared with us show that 939 employees were terminated from the retail banking sector for improper sales practice in that year. Does that comport with your memory?

Mr. STUMPF. Yes, it does, Mr. Chairman.

Chairman HENSARLING. Okay. So, in 2011, isn't it true that Wells Fargo entered into a consent order with the Federal Reserve that required Wells to cease and desist from certain practices in the mortgage lending department and that you paid an $85 million civil penalty? Is that true?

Mr. STUMPF. Mr. Chairman, that's true. That was in a different business area, but that is a true statement.

Chairman HENSARLING. It was in a different business area, but I will read from the consent order: "Wells Fargo's internal controls were not adequate to detect and prevent instances when certain of its sales personnel, in order to meet sales performance standards and receive incentive compensation, altered or falsified income documents and inflated prospective borrowers' incomes to qualify those borrowers for loans that they would not otherwise have been qualified to receive." This sounds eerily like the retail banking division.

Also, as I understand it, the Fed required Wells Fargo to submit a plan to investigate and to change policies and procedures.

I think you testified on the Senate side that you were not personally aware of the problems in the retail banking division until 2013. Surely you were aware of the problems in the mortgage lending division in 2011, correct?

Mr. STUMPF. That is correct. And Mr. Chairman, we shut that division down. That was even shut down—

Chairman HENSARLING. But if you saw the problem in one area of the business, why didn't you thoroughly investigate in the other areas?

Mr. STUMPF. There is no question, Mr. Chairman, we should have done more sooner.

Chairman HENSARLING. It just seems, Mr. Stumpf, that 5 years later your bank is being fined for exactly the same transaction, and, again, it just feels like deja vu all over again. And I hope and trust, but please tell me, that these fines are not simply a cost of doing business for Wells.

Mr. STUMPF. Mr. Chairman, it's not a cost of doing business. This has been—this is a serious trust issue with our customers. But I also want to say that there are 268,000 people who came to work this morning at Wells Fargo trying to do their very best to serve customers, and they do it wonderfully every day. And I don't want our culture to be defined by these mistakes, and we take accountability for them.

Chairman HENSARLING. I understand that, Mr. Stumpf, but it appears to be a little late. And, particularly, when you got caught doing it 5 years ago, and you get caught doing it once again, somebody has to be held accountable.

I now yield to the ranking member.

Ms. WATERS. Thank you very much.

Mr. Stumpf, you have said repeatedly that you were not aware of this widespread fraud in your bank until late in 2013, and it appears that there were activities going on that indicate you may have known much earlier than that.

For example, in 2007, just months after you became CEO, the sales quality manual for the community banking division was updated with your executive guidance, as the manual states. That sales guide reminded employees of what should have been obvious, that they needed to obtain a customer's consent before opening an account. And so, am I to understand that you discovered that there was something going on and there was a need for you to do this?

That manual also said that sales practices that showed "questionable activity" would be sent via high priority to bank executives. So it appears that you knew something in 2007, that unauthorized accounts were a big enough problem that you had to correct your employee manual.

And, as early as 2008, I have documents from court filings showing your employees were contacting your ethics hotline reporting bank fraud and complaining to managers over unauthorized accounts. And so it looks as if you certainly knew in 2008.

What's more, I have here a consent order with the Fed from 2011 that puts your company on watch for sales quotas and compensation schemes that pushed employees to break the law.

Does this sound familiar?

Mr. STUMPF. Ranking Member Waters, I acknowledge that we had a 2011 order from the Federal Reserve. And I think we have always known, as in any sales organization, you're going to have to be diligent, because not every team member will do everything right every day. So we have controls built in, we have ethics lines. And I knew and I still know that you put people to work every day and mistakes are going to happen.

It was not until 2013 when I learned that this problem had been growing, it had been more prevalent and in a certain part of the company, which happens to be in the wonderful part of California in which you live.

So these are things we've been working on. All of our strategies around training team members, who get 2 weeks of classroom training before they go out into a branch, is about doing things right, about ethics.

And I'd also just want to remind the committee that the vast majority of our people who had the same opportunities, the same training, and the same goals, did it right every day for our customers. In fact, our customer loyalty scores now are the highest they've ever been in our company's history.

Ms. WATERS. Let me just point out some other activities that should sound familiar to you.

While you were under the consent order for the mortgage arm of Wells Fargo, this fraud was surging in the retail arm of Wells

Fargo, but you didn't connect the dots on these high-level trends across the bank. Did you know in 2011 that perhaps your sales incentives were driving this fraud?

Mr. STUMPF. Congresswoman, I knew that—at least, I know today that we should've done more sooner. But maybe—and not only maybe—some of our people—and, again, it's 1 percent, but that's a big number for a big organization. Anytime—any one time we have 100,000 people in our branch network, and if 800 people, for whatever reason, either misunderstood or used this as a way to be dishonest and break our code of ethics and do something wrong for a customer and something wrong for us, that's why we're removing sales goals. They'll be gone as of this weekend. In fact, we don't even think they're an important requirement anymore for us to continue to grow.

Ms. WATERS. Mr. Stumpf, some people assume that you changed your customer agreement to add forced arbitration clauses for checking accounts and that these clauses prove to be incredibly helpful when you use them to dismiss multiple customer lawsuits. Is that true?

Mr. STUMPF. That is not true. I actually think arbitration does make sense. But, in this case, for any customer who might have been harmed in this situation, we're also paying for a mediation process so they have a mediator.

Ms. WATERS. All right. Thank you very much. My time is up, and I will get to this later on if I can. Thank you. I yield back.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from Texas, Mr. Neugebauer, chairman of our Financial Institutions Subcommittee.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

Mr. Stumpf, here we go.

You serve as both the chairman and the CEO of Wells Fargo. Is that correct?

Mr. STUMPF. Congressman, that is correct.

Mr. NEUGEBAUER. And, as you're aware, Section 972 of Dodd-Frank requires an issuer of securities to disclose the annual proxy statement, the reason why the issuer has chosen to allow the same person to serve as the board chairman and the CEO. This year, Wells states that your dual role is a result of your extensive experience and knowledge regarding the company and provides the most efficient leadership of the board and the company.

Mr. Stumpf, do you think it's a good idea for the same person to serve as both chairman of the board and CEO?

Mr. STUMPF. Thank you, Congressman, for that question.

In our company, we have 14 outside directors. We have a lead director. All directors are New York Stock Exchange-independent, by their standards. I am not a member of any standing committee of that board. The independent directors and the lead director help set the agenda for the boards. They always have meetings that are in executive session without me.

And as you probably read about what happened this weekend—because we filed an 8-K yesterday about actions that they took as an independent board, and I was not part of that. So the board acts quite independently.

Mr. NEUGEBAUER. The current situation is that you've recused yourself from board decisions on this situation?

Mr. STUMPF. Congressman, you're right. I have either recused or I've not been invited. I'm not part of that. And I serve at the pleasure of the board.

Mr. NEUGEBAUER. So you gave me a good idea of how your board is structured, but the original question was, do you think that's a good idea, for the CEO to be also the chairman? Would the board and the stock shareholders, the customers, be better served if there was some separation in that area?

Mr. STUMPF. Thank you. For our company, I believe we have the right structure. But, again, I serve at the will of the board, and the board can make a decision on that.

Mr. NEUGEBAUER. Now, Mr. Stumpf, you testified that you learned of these violations sometime in 2013. When did you inform the board that this was an issue?

Mr. STUMPF. Yes, so the board had high-level ethics line comments or questions or high-level kinds of activities around people who left the company, involuntary terminations, really through the 2011–2013 timeframe. After we learned—

Mr. NEUGEBAUER. Wait, wait, wait, let me have you repeat that. You said the board was having some discussions as early as 2011 about this?

Mr. STUMPF. I was saying that the board, from 2011 to 2013, would get reports at a committee level, at a high level, about ethics lines requests or information at, not a granular level, but at maybe the company level—

Mr. NEUGEBAUER. But you didn't find out about it until 2013?

Mr. STUMPF. And, in 2013, it became—I became aware that there was an issue in the southwestern part of the country. And by 2014 then—this was late in the year—by 2014, we started to provide more information to more committees of the board. And then by 2015, the board had a—the risk committee of the board had a complete report on that issue.

Mr. NEUGEBAUER. So, as chairman of the board, the CEO, when did you tell the board, we have a problem?

Mr. STUMPF. It was in 2015 that we had a full report. Again, as I said in my testimony to the Senate and here today, in 2014, we were starting to get more granular information that this was a risk area for the company to focus on.

Mr. NEUGEBAUER. Did you ever disclose this issue on a 10-K filing?

Mr. STUMPF. We have—our 10-K—all of our K or Q filings are facts and circumstances, what we knew at the time. And as recently as our second-quarter Q this year, when we use our disclosure teams and our compliance teams to look at this issue, the facts and circumstances, we believed, were not material.

Mr. NEUGEBAUER. I'm not for Congress setting the corporate structure, but I do think there is some question here whether, in this particular situation, the company would've been better served with those roles being separated.

With that, I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentlelady from New York, Mrs. Maloney, ranking member of our Capital Markets Subcommittee.

Mrs. MALONEY. Mr. Stumpf, we know now that whistleblowers first contacted the Consumer Financial Control Board about the fraud at Wells Faro in mid-2013. And you said in your Senate hearings last week that you first found out about the fake accounts in late 2013. And the L.A. Times article about the scandal was published on December 21, 2013.

I have right here your form for filing, which I'd like to submit for the record—

Chairman HENSARLING. Without objection, it is so ordered.

Mrs. MALONEY. —that shows that on October 30, 2013, you sold $13 million worth of Wells Fargo stock on the open market. That is by far the largest open-market sale of Wells Fargo stock that you made in your 9 years as CEO.

So my question is, did you dump $13 million of Wells Fargo stock, which you did through your family trust, right after you found out that your bank had been fraudulently opening hundreds of thousands of scam accounts ripping off your customers?

Mr. STUMPF. Thank you for the question.

First of all, the vast majority of our people go to work every day and try and do the right thing—

Mrs. MALONEY. Excuse me. That is not my question.

Mr. STUMPF. But I will get to your—

Mrs. MALONEY. Excuse me. Excuse me. My question was, did you dump the stock after you found out about the fraudulent accounts? Because it seems that the timing is very, very suspicious, and it raises serious questions.

Mr. STUMPF. I did not sell shares at the time because of anything related to—

Mrs. MALONEY. But your Form 4 says you did sell the shares.

Mr. STUMPF. I sold the shares. Today, I hold 4 times as many shares as I'm required. I want to stand with our—

Mrs. MALONEY. Did you sell these shares or not?

Mr. STUMPF. I sold those shares, and I sold them with proper approvals, with no view about anything that was going on with sales practices or anything else.

Mrs. MALONEY. Well, it seems very, very suspicious that your largest sale was right after your $1.8 trillion bank was turned into a school for scoundrels.

You acknowledge that your bank fired over 5,300 people who got caught willfully defrauding your customers. And a recent lawsuit alleges that you fired even more people because they refused to willfully defraud customers. And then you blame the low-level people, you fire them. You make profits, then you dump the stock.

So I just have to say that it seems that when you found out about the fake accounts, instead of helping your customers, you first helped yourself.

So, moving right along to the next question, Mr. Stumpf, you've said that Wells Fargo is conducting a review of all accounts going back to 2009 in order to identify any scam accounts. But last week, in the Senate hearings, you were asked if you would extend the review period to before 2009, and you refused to commit to extending the review period back to even earlier.

So if you were presented with hardcore evidence that Wells was engaged in some of these practices, these illegal scams prior to 2009, would you change your mind about extending the review?

Mr. STUMPF. Thank you for that question.

We have agreed with our regulators to go back to 2011. We voluntarily said last week that we will go back to 2010 and 2009. I've told our team to leave no stone unturned. And if we find a situation where a customer is harmed that goes back prior to that, we will make it right for that customer.

Mrs. MALONEY. Thank you, because I have the evidence right here. And I'd like to submit to the record a court case in Montana in which six Wells Fargo employees were fired for, among other things, ordering debit cards for customers without their permission, which is clearly illegal. And, according to the court documents, these illegal sales go back to 2007.

Chairman HENSARLING. Without objection, it is so ordered.

Mrs. MALONEY. So now we have evidence of illegal sales practices going back to 2007. Will you agree to extend the review period back to 2007 to cover this evidence that we are submitting today?

Mr. STUMPF. Again, Congresswoman, we're going to go back to 2009. If we can find—and we're going to contact every customer. If we find—

Mrs. MALONEY. But this is evidence that it went back to 2007. And we thank you for going back to 2009. My question is, we have clear evidence that it goes back to 2007. Will you live up to your commitment of helping your customers who were defrauded, with clear evidence, back to 2007?

Mr. STUMPF. We will go back, and if we find any evidence of any customer who was harmed in 2007 through our review, through 2009, we will take care of each customer.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from North Carolina, Mr. McHenry, vice chairman of our committee.

Mr. MCHENRY. Thank you, Mr. Chairman.

So I have the honor of representing the suburbs of Charlotte, North Carolina. North Carolina had an incredible banking culture over decades. Yet, in Charlotte, First Union, a homegrown bank with a great reputation, went through challenging times in the economic crisis, as you well know. But, before that time, they teamed up with a bank based in Winston-Salem: Wachovia.

And, as you know, in acquiring what was then called Wachovia, which is really First Union and Wachovia, the pitch was that your culture from California was very similar to this North Carolina culture, this banking culture. And as you well know, John Grimes Medlin, who was a great chairman of Wachovia, sort of imbued in Wachovia this culture that a banker is a civil servant as well. There's this obligation to society they have and their community.

You eulogized him.

Mr. STUMPF. Yes.

Mr. MCHENRY. Paid tribute to that culture.

Mr. STUMPF. Yes.

Mr. MCHENRY. So I want you to think about that culture. Because what is so sad to me is that pitch of culture doesn't conform with my experience with my constituents in North Carolina. It doesn't conform to what I know about First Union, what I know about Wachovia, and this cultural pitch that you had in acquiring them in the financial crisis. I know you have a huge head count in North Carolina; we're grateful for it. But what's sad to me is the impact of this on them and those employees you have in North Carolina.

I wanted to look at your code of conduct that you tout. So let's look at your code of ethics and business conduct. You said in your message as CEO, "We are all responsible for maintaining the highest possible ethical standards in how we conduct our business and serve our customers."

The code of ethics, in fact, says, "Our code applies to all team members, including officers, as well as directors of Wells Fargo and Company and its subsidiaries." It also says, "We are all accountable for complying with the code as well as all company policies and applicable laws." And, finally, "It's critical that all team members have a solid understanding of our company's code of ethics and business conduct and understanding that noncompliance with the policy may result in disciplinary action up to and including termination of employment."

You clearly have failed. You've clearly failed in your own ethical standards internally. You have broken, and your company has broken, longstanding law. You've broken longstanding ethical standards that you have within your company. This has nothing to do with this debate about Dodd-Frank or anything else. You've broken a longstanding law, and you've defrauded your customers.

How can you rebuild trust? And how can you get through this thing? What standards are you holding yourself to that sends the message to the rest of these folks in your organization who look to you for leadership and guidance? What are you doing to restore that?

Mr. STUMPF. Well, thank you, Congressman.

The culture of the company is strong. And I don't—I know—

Mr. MCHENRY. It's really hard to say that when you're before Congress for the second time, and behind you was all the settlements you've had for problematic relationships you've had with your customers by taking their money—right?—counter to the law, counter to your ethical standards.

So it's great that you say you have a strong culture, but why are we here today? How are you addressing that?

Mr. STUMPF. Yes, we are addressing it.

First of all, with respect to culture, we have 268,000 people who have made their life's work and careers out of helping customers. There are people today who aren't—

Mr. MCHENRY. That's why I raised this in the way that I do, by severe disappointment, severe disappointment. That's all. You broke the law. We make the law in Congress. This is not new stuff, that all of a sudden Congress changed some rules and you can't have your employees create fake accounts and take fees from customers unknowingly, unwittingly. There has never been a time in human history when that has been ethical, right?

Mr. STUMPF. Congressman—

Mr. MCHENRY. So for you to say the culture's okay, it seems to me that you're just tone deaf to this.

The final thing you need to think about and your board of directors need to think about is this: The impact you have is not simply on your institution but the wider conversation on how my consumers can access credit. And the implications on what you've done and your leadership has done has this broader societal impact that is very negative.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentlelady from New York, Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Mr. Stumpf, now that you were on the Senate side and you testified and the Senators asked you, of the 5,300 Wells Fargo employees who were fired for their misconduct, how many of them were fired because they failed to meet sales quotas? At that time, you stated that you didn't know.

Now that a week has passed and you have had a chance to consult your records and speak to your staff, are you prepared to tell us how many employees were fired for failing to meet their sales goals?

Mr. STUMPF. Thank you, Congresswoman.

Of the 5,300, which is about 1,000 people per year out of our team—and I don't want to minimize it; it was 1 percent, because we have about 100,000 people in our bank branches at any one time—all of those people, through our investigation, were terminated because of their unethical behaviors. We found them, we decided that we don't—we can't have them here, they are not consistent with our culture and our ethics.

Ms. VELAZQUEZ. Out of that 5,300 employees—

Mr. STUMPF. Yes.

Ms. VELAZQUEZ. —were there any employees who were fired because they didn't meet their sales quota?

Mr. STUMPF. They were—from my understanding—

Ms. VELAZQUEZ. I'm not talking about the 5,300. Outside of that.

Mr. STUMPF. Oh, outside. Outside of that, my understanding is that people should not be fired, terminated, for missing sales goals. I'm not saying it didn't happen in some cases—

Ms. VELAZQUEZ. Why should I trust that was the case?

Mr. STUMPF. And we're doing a review of employees who come forward who might have been terminated for that.

Ms. VELAZQUEZ. Okay. So my next question is, if your review shows that there were employees who were fired because they didn't meet their sales quota, would you be rehiring those individuals?

Mr. STUMPF. Yes, well, first of all, we don't have sales quotas; we have goals. And there are other goals that our people also have as part of their performance management. We're reviewing that, and we're going to try to make it right for every team member.

Ms. VELAZQUEZ. Mr. Stumpf, I'm sure you are aware that Wells Fargo is the most active SBA 7(a) lender in the country.

Mr. STUMPF. Correct.

Ms. VELAZQUEZ. As ranking member of the House Small Business Committee, I am very concerned that the illegal practices uncovered by the CFPB on the consumer side may have spread to the small-business side. Were your frontline employees under similar pressure to cross-sell products to the bank's SBA 7(a) clients?

Mr. STUMPF. First of all—thank you, Congresswoman—we are the Nation's largest small-business lender. I am very proud that we do a lot of work helping men and women across this country start businesses and so forth.

That's a very different business, and I don't know of any product sales goals—which, again, we've eliminated in our retail bank—in that business. It's a very different business.

Ms. VELAZQUEZ. So the 7(a) program is just a fraction of your overall small-business lending portfolio. Can you provide us today with assurances that these illegal practices did not affect any of your small-business clients at Wells Fargo?

Mr. STUMPF. Yes, I don't have that information in front of me. I'm happy to work with my staff or team and get back to your staff and cooperate on that as best I can.

Ms. VELAZQUEZ. Given the fact that you lack the leadership to give us assurances that this was not the case, I'll be writing to the SBA Administrator so that they can review all of the 7(a) portfolio to make sure that we protected small businesses as well as taxpayers.

My next question to you is, now that you have decided to end product sales goals and financial rewards, have you considered raising the salaries of your retail banking employees in order to make up for this loss in compensation?

Mr. STUMPF. Yes. We are working on a new incentive program. It'll be out by the first of the year. And we want to make sure that our team members are totally aligned with our customers. And we want to make sure that compensation for our team members—again, the vast majority do it right—are not hurt in this process.

Ms. VELAZQUEZ. I know that you're not aware, but it's very difficult for any person in this country to live on a $25,000 salary.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from New Jersey, Mr. Garrett, chairman of our Capital Markets Subcommittee.

Mr. GARRETT. Thank you, Mr. Chairman.

So, Mr. Stumpf, let me start by making a few observations, and then I'll end with a couple of questions.

First and foremost, I find it, as we all do, extraordinarily troubling that as I look through the history, the timeline of the scandal, a timeline that stretches over years, we see, as has already been testified to, 5,000 Wells Fargo employees were dismissed for their involvement in opening unauthorized accounts.

What's also interesting and troubling is the firings did not happen all at one time. My understanding, as we've heard already today, is that roughly 1,000 employees per year, in 2011, 2012, 2013, 2014, and 2015.

It's extraordinary. How Wells Fargo management did not actively and decisively move to stop those activities after the first 100 or 500, 750, or 1,000 employees were fired is beyond me. The fact that it was allowed to go on and on and on for years is apparently a failure of corporate governance, and a failure, quite candidly, of your management to do what is foremost, and that is to protect the customers who have trust in you.

What concerns me even more, however, is that it appears that most of the 5,000 employees who were fired were low-level or mid-level employees. I think the chairman just found out the highest level was a branch manager. And it doesn't even include those who resigned due to the culture at Wells Fargo. As I say, meanwhile, to the best of my knowledge, no senior executives have been held accountable in the same manner that the lower-level employees were. I would not be surprised if a number of those people ended up losing their homes or going into massive debt after they were dismissed.

No, I'm not defending their actions, just making a point that we have a problem in this country, where it would seem, as we've seen previously, that the well-connected here in Washington, the elite, if you will, and the well-connected on Wall Street, seem to play by one set of rules, while everyone else has to play by another.

Yes, I know you just lost, reportedly, I hear, $41 million of your salary, but if I understand that correctly, that's only a quarter of your pay over the last decade or so. And so you will forgive all of us if we don't really feel that sorry.

The second point I'd like to make is that, under Dodd-Frank, Wells Fargo remains fully eligible for taxpayer bailout going forward under Title II of the law should you run into trouble going forward. Taxpayers have already spent a lot of money bailing out poorly run Wall Street firms over the last decade. Mr. Stumpf, I hope you're aware that the anger now directed at you by my constituents and others around the country isn't just over the actions of the employees; it's the fact that they seem to be forever on the hook to underwrite whatever kind of risky or, in this case, fraudulent activity Wells or other large banks engage in.

Fortunately, earlier this month—I'll just make a sidenote—we passed out a bill out of this committee, the CHOICE Act, which will ensure that if Wells Fargo does run into trouble again, it's only its shareholders and its management that would pay the consequences and the taxpayers will no longer be on the hook.

The third and final point I'll make—and I know they're not here, but, once again, the financial regulators apparently were—more than "apparently"—completely asleep at the wheel as this massive fraud was occurring.

If you look at one of those, the CFPB, the CFPB has only one job in a regulatory framework, and they completely blew it. It took a reporter from the L.A. Times to uncover what was going on at Wells Fargo. And so I hope my friends on the other side of the aisle will keep that in mind as they may pat the CFPB on the back for a job well done.

In the time remaining, let's get to the securities questions. The Securities Exchange Act requires a public company to keep its disclosure in place—that's under SOX—requires the CEO and the CFO to attest to financial statements. You referred to some of that.

Are you saying that all of those quarterly reports you were filing, that the information you had in 2011 and 2012 and 2013 and 2014, none of that information was material?

Mr. STUMPF. At the time, given the facts and the circumstances, we filed accurate reports, and we did not believe it was material.

Mr. GARRETT. And when you got the PricewaterhouseCoopers analysis—when was that, by the way?

Mr. STUMPF. That was late in 2015, early 2016.

Mr. GARRETT. And, as soon as you had, has that been filed as a material statement?

Mr. STUMPF. We considered the facts and circumstances, and we believed that not to be material.

Mr. GARRETT. It's not material. Why not?

Mr. STUMPF. Remember—or at least—the PwC material looked at 93 million accounts that were opened over 4 years. They could not rule out, through large data analytics, about 1½ percent of those accounts. That's still a lot because of the size of the organization.

Mr. GARRETT. Well, that, to me, Mr. Chairman, if that's not material, this occurring over a 5-year period of time, a systemic problem in the organization, I don't know what is.

I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from California, Mr. Sherman.

Mr. SHERMAN. Mr. Chairman, the American people need an assurance that this cross-selling mania that has afflicted Wells Fargo is not to be found at the other big banks. And I would urge you to have hearings where we hear from the CEOs of Bank of America, Citigroup, and others.

And, until then, I hope that you would join with me in a letter of inquiry to ask what new account-opening quotas they had for their bank tellers, how many people they fired for not meeting their quotas, or how many people they fired for opening phony accounts.

We have Wells Fargo before me, but I don't think, Mr. Stumpf, that you should be alone in this joyous experience. Your colleagues should at least come forward with some assurance.

We are now engaged in an important national ritual where the CEO comes before the Representatives of the American people to apologize, to take full responsibility, to do so humbly.

Mr. Stumpf, welcome to Washington. What plane did you fly in on? What airline?

Mr. STUMPF. Virgin American.

Mr. SHERMAN. And when you came to the Senate?

Mr. STUMPF. I think it was United, but it was one of the two.

Mr. SHERMAN. Okay. It shows Wall Street has learned something. Thank you.

Mr. STUMPF. Thank you.

Mr. SHERMAN. Now, you have these forced arbitration clauses in your agreement with your customers. You said, oh, they can have mediation too. Some of them want their day in court.

Are you going to hold them to these forced arbitration clauses and screw them again out of their day in court, or are you willing to waive those clauses and say, if you were caught up in this, you get your choice, whether you have arbitration or not?

Mr. STUMPF. Thank you, Congressman. I believe in arbitration. I think it's a fair way to resolve disputes.

Mr. SHERMAN. Well, but your customers may want something else. Are you going to deprive them of that?

Mr. STUMPF. No, we're not. We're going to have them—we're going to pay for a mediator, and we—

Mr. SHERMAN. They want their day in court. Are you going to screw them out of that?

Mr. STUMPF. We're taking this very seriously. I told—

Mr. SHERMAN. Will you let them go to court if they want to go to court? Yes or no?

Mr. STUMPF. No, but with an explanation.

Mr. SHERMAN. "No, but." Okay, thank you. That is a no.

This sham was not an attempt to steal a few million dollars in fees from your customers, although that's important, because you could say that a few million dollars wasn't material. What was material is the price of your stock. You opened 2 million phony accounts and then went and told—and it had to be material, because you were bragging about it to the people investing in your stock that you had higher penetration rates, more accounts per customer, that the number of banking customers that had credit cards had grown from the mid-20 percent up to 42 percent. So it had to be material. You were talking about it.

The peak firings, according to your own documents, was in 2013. So you knew you had a problem then.

Mr. STUMPF. Correct.

Mr. SHERMAN. Why didn't you tell shareholders, our penetration rates are phony, our new accounts are phony accounts, and when we tell you we're deepening our relationship with our customers, we're doing so by putting them through the wringer? What internal audit system did you have that assured you that you didn't have a material problem?

Mr. STUMPF. Congressman, I have to push back here. This is the behavior of people that we found, that we did not want. And the vast majority of everything we do is right by our team members and customers.

Mr. SHERMAN. Mr. Stumpf, you were firing, according to your own documents, the highest number of people in 2013, but bragging about your penetration rates, the number of accounts opening, in 2014. So you knew it was material to shareholders and you knew it was a phony number that you'd fired people for falsifying.

Mr. STUMPF. Congressman, may I just have a second? Because we have gone back and looked. The 2 million accounts could not be ruled out. We don't know if those are good accounts or not good accounts, and we have already looked at 20,000 credit cards.

Mr. SHERMAN. Reclaiming my time, sir, you fired 5,300 people. You took 5,300 good Americans and turned them into felons with a system that you created, benefited from, and drove your stock price up by bragging about your levels of new accounts.

Mr. STUMPF. Congressman, I have to disagree with that.

Mr. SHERMAN. I'm not surprised. We have institutions that are too-big-to-fail. In 2008, we found that they were too-big-not-to-bail-out. Attorney General Eric Holder has told us that they are too-big-to-jail, saying that he fears bringing a criminal indictment. We now learn that they're too-big-to-manage, and too-big-to-regulate. It's time to break them up.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Missouri, Mr. Luetkemeyer, chairman of our Housing and Insurance Subcommittee.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Today we are here to confront, in my judgment, a total travesty in the financial market. The consumers in this case were failed on all accounts. Their financial institution with whom they entrusted their families' finances failed them. The Federal regulators who were charged with overseeing their protection failed them. The Federal regulators in charge of Wells Fargo failed to stop the ripping off of consumers, and the consumers lost. And slapping a bank with a fine isn't going to make that go away. Only 5 percent of that fine is going to go back to the consumers who were harmed.

Mr. Stumpf, giving back your bonus isn't going to make that go away. More rules and regulations aren't going to make this go away. The fact is regulators sat in that bank for years and did nothing. Meanwhile, thousands of employees were being fired for these bad practices, yet nothing was changed to address the issues. The regulators need to be doing their job as well from day one. Instead, the institution pushed forward with a whatever-it-takes approach to meet sales targets, and regulators sat idly by, either oblivious or uncaring of these bad practices, even after reported in the news. And to top it off, regulators neglected to fulfill their enforcement obligations after the fact. Instead, they opted for a quick settlement and waived their right to pursue additional action for other violations so they wouldn't be viewed as late to the game. Wall Street needs to be held accountable, but so does Washington. That's what we're here today for.

So my question to you, Mr. Stumpf, first is, how many regulators do you have in your bank on a daily basis?

Mr. STUMPF. I don't have a precise count of that.

Mr. LUETKEMEYER. Just roughly.

Mr. STUMPF. I think there is—maybe the OCC, our prudential regulator, I'd pick 80, for example.

Mr. LUETKEMEYER. Okay. The CFPB has some folks in there pretty regularly as well, do they not?

Mr. STUMPF. I don't know the number on that.

Mr. LUETKEMEYER. Okay. I'm just kind of curious. As a former bank regulator, as well as a banker, this is a really, really disappointing situation for me—

Mr. STUMPF. I couldn't agree more.

Mr. LUETKEMEYER. —from the standpoint that I tell people I'm shocked and dismayed. I'm dismayed that the bank allowed this to happen, because you did have a culture in place that allowed this to happen. And I'm shocked that regulators sat on their thumbs this long and did nothing. And while you're being fined, which I think is appropriate, the regulators ought to be fined as well. For them to take the fine and keep it is a travesty. They need to be fined as well and let that money go back to consumers, because they were asleep at the switch as well. There is so much blame to go around on this, it's unbelievable.

A while ago, you made the comment that you have a good culture in your institution, that this shouldn't be happening. Well, Mr.

Stumpf, your own testimony says that you're firing a thousand people a year, a thousand people a year. There is only one way that can happen, in that there is a culture there that allows that to happen year after year after year. There is a laissez-faire approach to what you're doing in your bank. Somewhere along the line somebody just ought to call a timeout and say, enough is enough, this can't continue. And yet year after year, you're firing people, trying to hope this thing goes away, and the regulators are watching it and still sitting on their thumbs. These actions must have consequences, and for not only you, but they need to have consequences for the regulators as well.

Mr. STUMPF. Congressman, thank you for that question, because I want to tell you that we did do things. In 2011, within the business, they moved the compliance—or the concern for this issue into a compliance area. By 2012, they were reducing goals and doing more ethics training. By 2013, corporate resources were brought in. And we worked with the OCC. In 2014, more reductions in goals. In 2015—and the OCC also was in 2013—we did our study. This does not represent the culture. In fact, we do an outside company—

Mr. LUETKEMEYER. I respectfully disagree with you, Mr. Stumpf. I've been in business like this all my life. You can't tell me that when you have to fire people year after year after year after year that there isn't a problem. Now, for a year or two, that's one thing, but for 4 or 5 years? Your own testimony says this.

I have another question. I need to go on. In my examining days, I examined a bank one time and found a teller skimming money out of her cash drawer. I took it to the president and he said, well, you know, she is a good employee, as long as she keeps it to a minimum, I think we're going to be okay. My jaw hit the floor. This reminds me of that situation. As long as they keep it to a minimum, I think we're going to be okay. My comment back to him at that point was, have you reported this to your blanket bond insurance company that has a dishonesty clause on it?

Do you have a blanket bond or do you self-insure?

Mr. STUMPF. We have a fidelity bond, and that's why we draw a very bright line. When people do the wrong thing, they cannot be here.

Mr. LUETKEMEYER. Okay. My question is, when did you report this action of your employees to your blanket bond company?

Mr. STUMPF. I don't—we have a group that does that, our corporate relations with our legal team. And I can assure you that—we can have our people get that to you. But there is a very bright line.

Mr. LUETKEMEYER. This is a really, really big question, because if you didn't report that immediately when you found this going on, and you allowed for year after year to have a thousand people—

Mr. STUMPF. We do that.

Mr. LUETKEMEYER. —your blanket bond company is going to be going bonkers over this. We will have a request for that and I hope you will answer that.

Mr. STUMPF. We'll work with your team.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from New York, Mr. Meeks.

Mr. MEEKS. I can't believe some of what I'm hearing here. So let me understand, you've been the CEO since 2007. You've been the chairman of the board and the CEO since 2010, is that correct?

Mr. STUMPF. That is correct, Congressman.

Mr. MEEKS. And in the time that you have been the chairman, I have a chart here that shows you've been penalized almost systematically every year since you have been in charge. Every year: $1.2 billion in April of 2016; $53 million in October of 2015; $4 million in June of 2015; another $24 million in January of 2015; $5 million in September of 2014. And I could go on and on: $869 million in September 2013, while you were the CEO, right?

And you're going to tell me that there is not a culture of something wrong at Wells Fargo, when you are the head—you get credit, you get credit as CEO when you bring in all this money, because that's how you get your bonuses. Is that not correct? You get a bonus from your board because "X" amount of dollars come in. But yet you are telling me that you don't have the responsibility of losing your position when you have a culture of being fined and costing the bank year after year, month after month? There is no responsibility? You can just stay to be the chairman and the CEO? Is that what you want us to believe?

Mr. STUMPF. Congressman, that is not the case. I serve at the pleasure of the board. I am willing, I've told you—

Mr. MEEKS. Then the whole board needs to go, if they are going to allow someone to be in charge when time after time—you just talked about firing 5,300 employees. When you found out that they were doing something wrong, they were fired—

Mr. STUMPF. Correct.

Mr. MEEKS. —because they were doing something wrong. Well, something is going wrong at this bank, and you are the head of it. So shouldn't the board then turn—from your own admission, if the buck stops with you, as you came out here and said, I apologize, the buck stops with me, and you have to also admit that criminal activity was going on in your bank, then you should be fired because it stops with you.

Mr. STUMPF. Again, Congressman, the board has that power. And my energy right now is to lead this company forward. I also want to remind—

Mr. MEEKS. But you came here and you started out by saying, I apologize, et cetera. If somebody walked into Wells Fargo tomorrow and robbed your bank or defrauded your bank and then after they are caught they say, well, I'm sorry, I'm going to take full responsibility for robbing this bank and I am sorry that I robbed this bank, so please don't prosecute me because I am sorry now that I robbed this bank, would you allow the person just to walk out after robbing your bank because he is now sorry that he robbed this bank after he took the money already?

Mr. STUMPF. Congressman, I see something very different between being honest and breaking our code of ethics and taking advantage of customers.

Mr. MEEKS. You didn't break the code of ethics? Do you realize that you have not only given—will you admit that not only does your bank have a black eye, but that your bank, Wells Fargo, has given the entire financial services industry a black eye? Your responsibility.

You heard Mr. Sherman say—and I agree with him—that he wants everybody to come in here. Why? There's only one reason why. Your bank, you, CEO, chairman, basically for me, was on top of what basically has been a criminal enterprise. Because when I look at consistency, time after time after time and time again, you have to get fines. Now, it must mean that you're making a lot of money, because it's easier to pay the fine because you know that nothing else is going to happen to you. So you pay the fine, you get away, you make a lot of money.

Now, I'm upset. I'm from New York. I believe in financial institutions. That's why I'm so mad. I believe that they make our country better, until they rip us off. And they ripped us off tremendously, taking advantage of customers and consumers when we had the financial crisis. I've got individuals right now who are on the street, on the street. They are not back in their homes. They had these fraudulent mortgages. Nobody has said, oh, I'm sorry that we gave you these fraudulent mortgages, we're going to put you back in your home and we're going to make sure that everything is okay. No one has done that for them. You haven't volunteered to do that.

Will Wells Fargo put people back in their homes?

Mr. STUMPF. Congressman, if I could just respond for a second, please. There is no question we didn't do everything right and we've made mistakes. We're upping our game.

Mr. MEEKS. So who should pay for it? If you didn't do anything right, who is accountable for it?

Mr. STUMPF. We're going to make it right for every one of our customers.

Mr. MEEKS. Your VP made a $125 million bonus package. Your institution is making over $22 billion a year. Who is paying for it? Who is taking responsibility for it? Don't come tell me you're sorry.

Mr. STUMPF. We're taking care of every one of our customers who was impacted.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Wisconsin, Mr. Duffy, chairman of our Oversight and Investigations Subcommittee.

Mr. DUFFY. Good morning, Mr. Stumpf. I want to tell you that I'm a 20-year customer of Wells Fargo. I actually started at Norwest.

Mr. STUMPF. Oh, thank you.

Mr. DUFFY. My wife was with Wells Fargo. We got married and it made it easy to join our accounts. I've had a pretty good experience with your bank, that's why I've been there for 20 years. The people I've dealt with have treated me incredibly well and that's why I'm there.

But what I'm hearing today is incredibly disturbing. And so I just want to make sure you and I are on the same page. How do you classify what Wells Fargo did with this potentially 2 million account holders?

Mr. STUMPF. Well, the 2 million account holders were—accounts were about—the PwC looked at 93 million accounts. The 2 million are—

Mr. DUFFY. No.

Mr. STUMPF. I'm sorry?

Mr. DUFFY. Was this fraud? Was this just an HR problem? Was this theft? How do you see this?

Mr. STUMPF. The 2 million accounts could not be ruled out as—

Mr. DUFFY. I'm asking about, well, how do you classify, when you took $22 to $25 from whatever the number is, maybe it's $1 million, maybe it's $2 million, how do you classify that?

Mr. STUMPF. Well, I think it was dishonest, it broke our code of ethics, and the people who are responsible—

Mr. DUFFY. Was it theft?

Mr. STUMPF. Pardon me?

Mr. DUFFY. Was it theft? Did you steal?

Mr. STUMPF. Our people did not do what was right.

Mr. DUFFY. That's not my question. Did you steal? I want to know if you and I are on the same page. Did Wells Fargo employees steal from 1 million to 2 million of their customers? Yes or no?

Mr. STUMPF. In some cases, they did.

Mr. DUFFY. They did?

Mr. STUMPF. Yes.

Mr. DUFFY. And so as Wells Fargo, back to 2011, is stealing from their customers—and by the way, banking is based on trust.

Mr. STUMPF. Correct.

Mr. DUFFY. Right? So I don't care if it's 10 percent or 1 percent or 1/2 percent of the people that you do business with, if you're stealing from them in 2011, a thousand people are fired for stealing, and what do you do? You don't fix the problem. And a thousand people are fired in 2012, and you don't fix the problem. And in 2013, 1,200 people are fired, and we still have a problem, and you're stealing from people. So how do you—I guarantee you that any bank in my community, if they were stealing from someone at the lower level, fired and fix the problem on day one.

Mr. STUMPF. That's what we're trying to do. In fact—

Mr. DUFFY. No, no, no, no. Don't tell me, "trying to do." We're 5 years on.

Mr. STUMPF. Let me just say something about how we understood this problem. We didn't—when somebody would open an unauthorized account, a savings account or a checking account, it was not until—and when an account gets opened and not funded—it's really important, please. When it's opened and not funded, it gets auto-closed. We didn't believe, as we looked at that, until sometime in 2015, that there could be the possibility of a zero account that could affect a customer.

Mr. DUFFY. You have got to be kidding me.

Mr. STUMPF. No, that was absolutely our analysis.

Mr. DUFFY. You told us earlier the board members—you were not saying that you knew, but board members knew in 2011. They were looking at this. And if they're looking at 1,000 people fired, that they don't know why they're being fired, that they don't look in to say, what were these people doing that caused them to be canned? And they look, they just pull the curtain back a little bit and they go, man, whether you want to call it defrauding our customers or stealing from our customers, Wells Fargo has a big problem.

So that you tell me that it took 1 year, 2 years, 3 years, to 2015? I don't buy it. What I think is Wells Fargo was making a lot of money off what you were doing, and I think that you were hoping that you wouldn't get caught. And so it's a risk of doing business. You know what? We're willing to fire a few people so I can come in here and say, weren't we great? We fired a couple of people, we were trying to make it right, but we kept the practice in play because we were making big profits.

Did you end the practice? Is this over?

Mr. STUMPF. Yes. We're stopping all of our sales goals, but let me just—

Mr. DUFFY. How did you stop it? How could you stop it now, but not in 2011 or 2012 or 2013 or 2014 or 2015?

Mr. STUMPF. Well, we should have done more earlier. We should have done more earlier, but it's really important I make this point, please. The $2.6 million of fees that were on accounts, these 2 million accounts that we could not rule out, it cost us $10 million to open those accounts and close them. Forget even the cost of the team member and the dismissal. This is a loser for us. It only helps when customers use products.

Mr. DUFFY. Oh, it's a loser for you, I guarantee that.

Mr. STUMPF. It only helps when customers—I'd rather have a customer have two products they use than four they don't. We're totally aligned with customer—

Mr. DUFFY. The concern that we have, Mr. Stumpf—and I told you, I like Wells Fargo, I've been there 20 years—is that you were turning a blind eye to your customers who were being stolen from, people who couldn't afford $22, people who couldn't afford $25, and that you didn't fix that problem. In an institution that is based on trust with your customer, that you didn't take this seriously, that you didn't remedy it, that it has taken this long. Shame on Wells Fargo.

And I didn't get to my question, but I will hopefully at one point hear you testify to how many CFPB employees were embedded at Wells Fargo.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Massachusetts, Mr. Capuano.

Mr. CAPUANO. Thank you, Mr. Chairman.

Thank you, Mr. Stumpf. I want to thank you particularly for doing something here today that no other person has been able to do in the last 4 years. You have brought true bipartisanship to Congress. We're all together on this. We are not happy.

The last—oh, they already started. But the last few minutes, they've been running a graphic in the back, and my colleague had went through some of them. And I think it's important to know what some of the other things you have done, what they were. They weren't just fines. You screwed student loan holders, credit unions, Fannie Mae, Freddie Mac, mortgage holders, African-Americans, Hispanics, healthcare workers, on and on and on.

And by the way, I understand this isn't material. Just 5 months ago you paid $1.2 billion in a fine. This is only 15 percent of that. Ah, who cares. We'll pretend to be sorry, we'll fire some workers, and we'll get through this. You know where I heard that before?

The guys who ran Enron and the guys who ran Arthur Andersen thought the same thing.

We're not your problem. We can't criminally prosecute you. You can keep—hell, you're your own boss. You are the CEO and the chairman. Hold yourself to accountability. Oh, my God, you've been bad. Oh, no, you haven't. That's ridiculous. Your problem is coming. It's not today. You think today is tough? It's coming. When the prosecutors get ahold of you, you're going to have a lot of fun. So I want to thank you for that.

I want to ask you—you have the graphic up here—do you know this guy? See, I'm not a real good researcher. I'm not a prosecutor. This is simple Internet research. That's all I'm capable of doing. Google it. Wells Fargo. Boom, a whole bunch of stuff shows up. This is Mr. Robert Holmes, who apparently robbed your bank in Lancaster, Pennsylvania. He did not use a weapon. He got caught. They got all the money back. He is in jail as we speak on a $750,000 bail.

You, on the other hand, have run an enterprise that has a culture of corruption. You encouraged subordinates to abuse existing customers by opening fake bank accounts. You charged those victims illegal fees, interest, and late charges, and then you sent some of them to collection agencies because they didn't pay them. Then you fired 5,300 workers, as if you care, to cover everybody's tracks. In my opinion, you and your entire leadership team are clearly and unequivocally guilty of at least conspiracy to commit fraud, conspiracy to commit identity theft, clearly racketeering, which is something a lot of my friends know something about, and probably a dozen other crimes.

One simple question: What the heck is the difference between you and Mr. Holmes? Why shouldn't you be in jail? He didn't use a gun. You got the money back. I understand that at his arraignment, he said he was sorry. What's the difference? Why shouldn't you be in jail right along with Mr. Holmes?

Mr. STUMPF. Congressman, I think that when you do something unethical or dishonest, which I've tried to exercise my duties as a leader in our senior leadership team to stop—

Mr. CAPUANO. You haven't done a very good job. You've had 16 violations in 5 years. That's a good job? This is a minor fine. You've had a lot of—this is only the seventh largest fine you've had. You've had six others that are a lot bigger. That's a good job? I guess I forgot. You're the one judging yourself, because you're also the chairman of the board. I actually think I'm the greatest Congressman in the history of the world. I should be Speaker, President, and maybe emperor of the world. That's my judgment of myself. Sound good to you?

Mr. STUMPF. There is no question that we've done things that we need to improve on and we've paid fines. And we're trying to get better in every one of our businesses.

Mr. CAPUANO. So if Mr. Holmes pays a little fine, a few bucks, based on the amount of money he stole and the victims he had, you think he should be let out and have no criminal record?

Mr. STUMPF. Again, being dishonest and breaking the law is something very different.

Mr. CAPUANO. Oh, so it's not breaking the law stealing my identity and opening an account that I didn't ask for.

Mr. STUMPF. And our culture is about not doing that. We train for that not to happen.

Mr. CAPUANO. I don't know what kind of a culture. You have 16 violations and 5,300 employees that you say did it—

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from California, Mr. Royce, chairman of the House Foreign Affairs Committee.

Mr. ROYCE. Thank you, Mr. Chairman.

Mr. Stumpf, the idea of a cross-selling target of at least eight products clearly is part of a long-term practice at Wells Fargo, going back at least to your predecessor, because in 1998, Fortune Magazine quotes doubling the average product purchase to eight as your predecessor's "current obsession."

Morphing the goal to a mandate here seems to be a big part of the problem. And I say mandate, because if people are fired for not hitting that goal, it's a mandate. And that seems to be at the center of a toxic sales culture that you've overseen.

But I'd ask you, was the goal of eight cross-sold products something understood and embraced by management and by your sales force?

Mr. STUMPF. It was a rallying cry to help work together. The average consumer household has about 14 financial products.

Mr. ROYCE. Okay. I understand, but I'm going to ask you a question. In retrospect, do you think that target contributed in some way to the negative change in your sales culture?

Mr. STUMPF. We never had a target of eight. Again, it was aspirational. We had team members who would work with customers on need-based selling. And when they did that right, the customer won and it was good for us.

Mr. ROYCE. Did you read the L.A. Times article when it came out in 2013?

Mr. STUMPF. I'm sure I did. I can't recall it right now.

Mr. ROYCE. Was it something discussed at the board level?

Mr. STUMPF. We did discuss the L.A. Times article.

Mr. ROYCE. Well, here's my question: Did the information in that article give you pause about reporting cross-selling metrics or ratios in your annual reports, in your quarterly reports, in the analyst conference calls that were clearly inflated here by fake accounts generated by your sales force?

Mr. STUMPF. We love cross-selling because it helps define—

Mr. ROYCE. Look, I understand your argument about that. Here's the question: If you know fake accounts are going into that ratio, why would you keep reporting that ratio? Because I've got a copy here of your Investor Day. I've got a copy of what is in your quarterlies. And, you turned to Mr. Duffy here when he was asking the question, and you were saying, well, it isn't that material in terms of our bottom line, in terms of the fee income from these fake accounts.

But what you're reporting on your products per household is a constant upswing quarter by quarter by quarter. It certainly is material, in terms of the stock price. What you were doing in constantly reporting these ever-increasing numbers was driving your stock price up. And the point I'm making is, you have this story in 2013 that shows how much of that was based upon fraudulent behavior. That becomes material, right?

Mr. STUMPF. Well, let me just talk about that specifically. The cross-sell ratio, even if you include all 2 million accounts in that—and we know we can't because we're already finding out in credit card that 75 percent—or less than 25 percent either did not order it or do not remember. We've looked back for all the quarters going back. I can't remember, it was 2010 or 2011, and it has a, I think, 1/200 of one product impact. And it's absolutely immaterial.

Mr. ROYCE. Look, Mr. Stumpf, this is a California company. You've got a lot of California customers. You've got people all over the world dependent upon this company. You've got your employees, and from what I understand, a thousand of them being fired a year connected to this. I believe rebuilding the trust and righting the wrongs is going to take a course of action here that I've yet to see you set.

And through opening unauthorized accounts or playing the shell game with a person's money, your employees and your company negatively impacted the credit of many people in this country. And I just want you to think for a minute about what that meant, in terms of their ability maybe to qualify to get that home or maybe to qualify to get that car or maybe, in terms of the student loan, to send that son or daughter to university. Not to mention, again, working Americans wrongfully terminated by your company. For what? Refusing to break financial laws. Refusing to break ethical laws. That's what we have to come to grips with here. And this is, at the very least, the result of actions over the last 5 years. That didn't happen by accident.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Massachusetts, Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman.

I have a unanimous consent request to enter into the record a letter sent by Ranking Member Cummings, the gentleman from Maryland, ranking member of the Oversight and Government Reform Committee, to Mr. Stumpf requesting related documents by October 13th.

Chairman HENSARLING. Without objection, it is so ordered.

Mr. LYNCH. Thank you, Mr. Chairman.

I would also like to ask the chairman to consider doing a hearing at a later time with a number of the employees, both whistleblowers who were fired and others who were fired for retaliatory attempts to provide information on the fraudulent conduct being conducted at Wells Fargo. I'm aware of at least three U.S. Attorneys who have also issued subpoenas in this case, so I'm hopeful that we may eventually get to the bottom of this. And while the City of L.A., the City attorney there and the CFPB and the OCC have done good work in this case, the fines thus far are pathetic, really, totally inadequate to try to bring Wells Fargo into compliance with the law.

And that is certainly reinforced by the way, Mr. Stumpf, you have diminished the offenses that have gone on at your bank. It is really proof positive that whatever the OCC has done is not adequate to make you realize the level of your offenses here. Again, 5,300 employees were fired. Up to 2 million fraudulent accounts. And this has gone on for at least 5 years.

I want to point out here—and Mr. Duffy has hit on this—this is the banking industry. Actually, it exists based on trust. And what your employees did, at least—well, as many as 565,000 fraudulent credit cards were secretly opened by your employees using the Social Security numbers of your customers. So they opened fake credit cards so they could charge them for that. They assigned fictitious PIN numbers when the customer didn't even know that was going on. They put PIN numbers. And then they assigned email addresses so they could comply with it and get the bonus so that the account was open. And these are your customers.

Now, we've had credit card companies up here who have sent credit cards to noncreditworthy borrowers and seniors who didn't understand what they were getting, but in this case, these are your customers. These are the people who became victims because they did business with your bank. That is unbelievable.

And I know that Mr. Meeks and Mr. Capuano before me have made comparisons to criminal activity, but I do want to note that under the Racketeer Influenced and Corrupt Organizations Act (RICO), you've satisfied that. You've satisfied all the elements of that. Two of the predicate offenses under RICO: Number one is fraud, and there is no question about that. Mail fraud, securities fraud. You've done it all. You've covered basically every aspect of fraud in your bank over the last 5 years.

And secondly, in many cases, these employees, these whistleblowers were intimidated or fired. You have an HR employee here who says you had a system to retaliate in your bank against whistleblowers. And that's another predicate offense under RICO.

So let me ask you, as the CEO and chairman of the board, you had a responsibility to file suspicious activity reports (SARs).

Mr. STUMPF. Correct.

Mr. LYNCH. Right. You have up to 2 million separate accounts being opened, up to 565,000 bogus credit cards being opened by your employees in secret against your customers. And yet when we asked FinCEN, when we asked the Treasury Department for the suspicious activity reports that you filed, they don't match up. You're not in compliance.

Mr. STUMPF. Let me just say a couple of things. We filed—we did everything that was necessary to abide by every regulator and regulation issue—

Mr. LYNCH. Are you saying you filed suspicious activity reports on—

Mr. STUMPF. I can't say on that, because that's—

Mr. LYNCH. Well, it's your responsibility. Let me read you the law. I will close with this.

Mr. STUMPF. It's a responsibility, but that there is actually a prohibition—I have to do what's right according to the law.

Mr. LYNCH. Let me just explain. All right. This is my time. I'm claiming it back.

This is under the Bank Secrecy Act and Anti-Money Laundering statute: "The board of directors, acting through senior management, is ultimately responsible for ensuring that the bank maintains an effective Bank Secrecy Act/AML internal control structure, including suspicious activity reporting and monitoring.''

Mr. STUMPF. And we do that.

Mr. LYNCH. That's your responsibility.

Mr. STUMPF. And we do that.

Chairman HENSARLING. The time of the gentleman has expired. The Chair now recognizes the gentleman from Oklahoma, Mr. Lucas.

Mr. LUCAS. Thank you, Mr. Chairman.

Mr. Stumpf, while my day job is that of a Congressman, I am a farmer by trade and my university degree is in agricultural economics. And looking at your resume, about the time you were entering into the banking industry 30-some years ago, I can remember taking a class on money and banking at Oklahoma State. We had a professor who was very enthusiastic about the market economy. And we discussed how the banking model we use now went back essentially 500 years to Italy, and the concept that under a market economy, bankers were the individuals who determined what savings were worth and pooled those and, by the same token, made risk determinations, figured out what the cost of money should be, and allocated that out through loans. A glowing example. And he would compare Western Europe at the time, North America, much of the rest of the world, how effective that was compared to the demand economy model of the old communist countries at the time, China, Russia, all of those sort of places. A very glowing discussion.

I don't know that I have a particular question for you about what's gone on. I think between the other committee and my colleagues here, that they've done an exceptional job of getting the facts. And I suspect, as a number of my colleagues have discussed quite straightforwardly, that this has legal implications far and beyond the activities of this committee or the other committee and the other body.

But I'd say, Mr. Chairman, the most challenging thing you've done is, by the actions of your company, by your management of the company, you've made it really hard for those of us who are defenders of the market economy to continue to maintain the system that has helped drive this successful enterprise called the United States of America and the free market system. That's probably the most tragic thing about this.

Now, in those econ classes, he used to lecture us about the concepts of enlightened self-interest. That's the nature of any consumer. That's the nature of any businessperson. But then there are the responsibilities that we used to talk about of good corporate citizenship, about self-restraint, about not pursuing greed.

I guess I'd just simply note to you, sir, whatever ultimately legally comes out of this process—and clearly, a number of my colleagues think something will—or whatever your stockholders determine or your fellow board members, you've just made it really hard for those of us who want to maintain that concept of a market economy, who want to continue to make sure that bankers, not some bureaucrat somewhere or the arbitragers of capital, to effectively make this country move forward.

I don't know how you correct this, but I suspect, sir, when you interact with your peers within the industry, you're going to have some challenges for a long time to come, because the brush with which you will be painted will stroke all of them too. And I suspect that's blatantly unfair and it's unfortunate. But then, I'm just a farmer by trade, a multigeneration debtor, working hard to service my debts every year. But you have to think about that. You have to think about that, what this episode has done to your industry and ultimately to me and all of my fellow consumers out there. It's just very unfortunate.

Mr. STUMPF. May I make a comment?

Mr. LUCAS. Please.

Mr. STUMPF. Thank you. And we take this very seriously. And I also come from a farm. I understand what it's like to be on a small farm—or at least ours was small with a large family. I know right from wrong. I know we have a lot of wrongs to right here.

But I also want to tell you that Wells Fargo is a great corporate citizen. We employ 268,000 wonderful team members across the country. We have a culture based on ethics and doing what's right. Not everyone does that. We've made mistakes. We're one of the Nation's largest taxpayers. We're one of the largest philanthropic organizations. We're involved in our communities. And we have a lot of work to do. There is no question about that.

But I stand with our—the people who are doing the right thing, who honor our culture and our ethics. They are terrific people and they are out there with our customers every day. And we have work to do, I understand that.

Mr. LUCAS. A disservice has been done to them.

With that, Mr. Chairman, I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Yes, Mr. Stumpf, this is one of the most outrageous acts that any banking executive has done in my lifetime that I know of. How in the world could you in good conscience set up these fraudulent accounts? What was going through your mind when you were doing this?

Mr. STUMPF. Congressman, I didn't set up any of these accounts. I—our team worked together at the business level, then at the corporate level to find these—

Mr. SCOTT. Wait a minute, Mr. Stumpf.

Mr. STUMPF. We found these accounts and we found these people and we said, that behavior is not acceptable.

Mr. SCOTT. Mr. Stumpf, you took advantage of unsuspecting loyal customers. People in almost every single district that's represented on this Financial Services Committee. You did that. And you are the chief executive officer. You set the tone. And you should be downright ashamed of yourself. And you should apologize right now if you have any strain of respect for the people of the United States, for the customers that you have defrauded with this, for the rancid example that you are setting. And not only that, for the damage that you yourself with your action is being done to the entire banking industry. Because you know what, all this cross-selling, now you have caused an extraordinary spotlight to be focused on every bank in this country. You have done that.

Mr. STUMPF. Congressman—

Mr. SCOTT. And you should apologize.

Mr. STUMPF. I have said in my opening testimony I am sorry. I am accountable for this. I'm very sorry that we broke trust with our customers, our communities, the American people. I am deeply sorry for that. I'm going to do everything I can to repair that.

Mr. SCOTT. And you know what hurts me so much? I'm one of your customers. I have an account in Wells Fargo in the bank in Atlanta, Georgia. I was on the phone with my district director about this. And she has told me that in our constituent services, when it comes to the mortgage assistance, particularly with the bill that we passed here, the Hardest Hit bill, and which we're offering and helping those people with mortgages, to be able to pay up to 24 months of free mortgages, and she says, we have no better cooperation from the staff of banks than we have from Wells Fargo.

Mr. STUMPF. Thank you.

Mr. SCOTT. I'm your customer. And what's it doing?

Mr. STUMPF. Thank you.

Mr. SCOTT. But the example that you set is just absolutely terrible.

Now, what I want to ask you is—because my number one concern is my constituents in Georgia. Let me ask you, could you tell us exactly how many customers of yours in my home State of Georgia had fraudulent accounts set up in their name without their consent? How many in Georgia?

Mr. STUMPF. I can get that for you if I have the right—sorry. I know I'm using up your time here.

Mr. SCOTT. Well, maybe the chairman will give me a little extra here. But it's important for us to know how many in—

Mr. STUMPF. In Georgia—

Mr. SCOTT. Yes, sir.

Mr. STUMPF. —we had 55,579 accounts that we could not rule out as possible. Again, now, I just—

Mr. SCOTT. 55,000?

Mr. STUMPF. I need to—if you may let me, we're finding out that on the credit card side, less than 25 percent did not want those or did not remember.

But here's my commitment to you, Congressman: We're going to work with every one of these accounts and make it right for every customer. That is our commitment. I'm interested in results, not in process here. Each account, we're going to take care of it.

And I don't care whether there was—the biggest thing here is secondary harm. I want to make sure that—I think it was asked by another Congressman or Congresswoman about that issue. We take this very seriously.

Mr. SCOTT. My time is scratching down. Here's the fundamental question I want to ask you: Do you think what you did was criminal?

Mr. STUMPF. I'm not a criminal attorney.

Mr. SCOTT. No, but do you think that?

Mr. STUMPF. I led the company with courage and with—

Mr. SCOTT. If another bank president had done this, or chief executive officer, would not you say it's criminal?

Mr. STUMPF. I didn't break our code of ethics and I didn't do anything dishonest.

Mr. SCOTT. Thank you, Mr. Chairman.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from New Mexico, Mr. Pearce.

Mr. PEARCE. Thank you, Mr. Chairman.

Thank you, sir. I appreciate you being here. I suspect it's not all fun.

So you've talked about the 5,300 who were terminated. How big a percent of the people in the company who were terminated—surely out of 268,000 people, you'd get more than 5,300 terminated. So what percent of the terminations did that actually represent?

Mr. STUMPF. I don't have that. I can work with our team and see—

Mr. PEARCE. Don't worry about it. That's okay.

Mr. STUMPF. I don't have that.

Mr. PEARCE. So just looking at this from a 30,000-foot viewpoint, and keep in mind I'm like Mr. Lucas, I grew up on a small 5-acre farm. Dad was a sharecropper before he went to work as a roustabout. We had a blue-collar company, just working there in the oil fields of southeast New Mexico. So all the numbers that get thrown around here are a little bit big.

But I can't fathom somewhere in the process that you had 5,300 people terminated and that doesn't come to your attention as a CEO. You get calls on the ethics line saying, hey, we're doing unethical stuff, in 2008, according to one of the other people. According to your comments, people inside your company are breaking the law, they're creating criminal acts, and that doesn't come to your attention. You get $10.8 billion in settlements, and that doesn't come to your attention.

So, if I'm sitting here thinking about this stuff just coming in a clear just quiet room, board, seeing these things, at some point somebody's going to say, Houston, we have a problem. But it doesn't appear that anybody ever said, Houston, we have a problem. The L.A. city attorney brings charges and nobody on the board says, Houston, we got a problem. In your assessment, looking back, what was it that would cause all those things to go under the radar and not be recognized, not be seen?

Mr. STUMPF. Thank you for that question. As we learned more about this issue, we made investments. We made investments in training, we reduced sales goals, we brought in a regulator.

Mr. PEARCE. I understand. You've already—you've been through that.

Mr. STUMPF. Okay.

Mr. PEARCE. What kept you from seeing? What kept this from rising to the—I'm sure that today, that you probably consider the problem somewhat different than you did in 2011, 2012, 2013, 2014, 2015. Why did not you see the importance that you would attribute to it today at any stage of the process?

Mr. STUMPF. Congressman, it's a good question. I've said in my testimony. I've said—

Mr. PEARCE. I read your testimony. I did not see the answer. So since you appear not to want to see it, I'm sitting here—and a balance scale, as a business manager, is always there. Do we want to take that job cleaning out that well and we can't clean it out and we get a bad reputation? Well, it's worth a lot, maybe we will or maybe we won't.

Are we going to overlook the numbers of terminations? We're getting the calls. Don't we really want to investigate? Stock price is doing okay. My compensation is okay. You get the balances there. Your compensation in that period of time is approximately $200 million. That would cause one to say, I think things are running okay. Yes, maybe we got that little problem over there.

But another thing on the side of the scale that says I don't want to look at this or I can't see $10 billion in settlements, that it just doesn't come to my attention, 5,300 terminations doesn't come to my attention, because we have 260,000 employees. Obviously, we're doing things 99 percent right. Forget the 2 million people that we've defrauded. Mostly we're doing okay.

And so I see size and complexity being a great problem. When you can't see 5,300 people being terminated, when you can't see $10.8 billion in settlements, then you've got a problem in size and complexity. And I would say that there is no community banker in this country that would not have seen people doing illegal acts.

And so maybe it was your stock compensation. Maybe it was the size and complexity. But, sir, I think today, listening to things that everyone has said, you have proved that you did not offer leadership in this. You have kind of shirked around and said the board can do anything it wants at any time. I, sir, think you ought to submit a resignation, and your board cannot hold off action on that.

Thank you. I yield back.

Mr. STUMPF. Mr. Chairman, may I just make a comment about that?

Chairman HENSARLING. The witness may comment.

Mr. STUMPF. We did take accountability. We did invest in things to help reduce this, and we saw the numbers coming down.

Mr. PEARCE. The problems continued, sir. The problems continued right on through your actions. In 2011, you did this; in 2013, you did that; and the problems continued.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Texas, Mr. Green, ranking member of our Oversight and Investigations Subcommittee.

Mr. GREEN. Thank you, Mr. Chairman. I thank the ranking member as well. I'm grateful that you have given us a very positive response and we are holding this hearing.

Mr. Chairman, with $5.6 billion in earnings in the second quarter, Wells Fargo is not in this because of need. This is about greed. It's about the same kind of greed that created credit default swaps, that created negative amortization, that created no-doc loans, that created prepayment penalties that coincided with teaser rates, the same kind of greed called exotic products that created the housing bubble. This greed has caused this cross-selling to become the equivalent of an exotic product, a product that has now created a cross-selling bubble for Wells Fargo.

The cross-selling bubble exists because you were marketing yourself as a company in a growth mode by virtue of the new products you were having with your customers. You had customers who were coming in and you were growing. This enticed investors. It enticed consumers to buy your stocks. When your stocks were bought, it benefited you and top-level executives, to the detriment of lower-level entry employees. They got fired, top-level executives get golden parachutes, and it's business as usual.

Well, Mr. Chairman, this will not end by simply having some lower-level employees go to jail. If top-level executives go free and lower-level employees go to jail, it doesn't end it, because there is no reason for this to cease and for top-level employees to be more mindful of what's going on.

So we've reached a point now where the public expects to see more than lower-level people punished: 5,300 working people who, by what I seem to read, were encouraged to the point of having themselves coerced to engage in this activity. These were people who were trying to make a living, not trying to make a big bonus and a big payday. These people deserve a fair day, not just an exit from your company.

And what do I mean by a fair day? I think they deserve an opportunity to be heard in terms of what happened at Wells Fargo to cause them to do what they've done. I think that they ought to be given an opportunity to come before Congress. They ought to be able to explain.

And I would also add this: We have to find out how pervasive this bubble is. We have to. We do have to bring before the Oversight and Investigations Subcommittee other CEOs, top-level executives, and let them tell us. And I think that we have to start with you.

So tell me, please, sir, how commonplace is this cross-selling in the banking industry?

Mr. STUMPF. Thank you, Congressman. For our company, cross-sell is a good thing because it represents the depths of—

Mr. GREEN. If you would, I'm going to have to intercede. I have to intercede, because I'm asking you about the industry now.

Mr. STUMPF. I have no idea.

Mr. GREEN. You have no idea as to how pervasive the product is?

Mr. STUMPF. I don't know what other companies use.

Mr. GREEN. Well, are they using cross-selling? Are you saying you have no belief or no idea that other companies are cross-selling?

Mr. STUMPF. I do not have that.

Mr. GREEN. I must tell you, I cannot believe your answer. You're telling me that you have no idea as to whether or not they even engage in cross-selling?

Mr. STUMPF. I don't know their performance management.

Mr. GREEN. Well, do you know that they engage in it?

Mr. STUMPF. Every bank, every retailer out there has some motivation, some way to make sure they recognize their people.

Mr. GREEN. Do they engage in cross-selling?

Mr. STUMPF. Well, I don't know. I don't know their situations. I'm honestly—

Mr. GREEN. You don't talk to your colleagues? You don't talk to other bankers? You have no idea as to whether they engage in cross-selling?

Mr. STUMPF. I don't know what they use.

Mr. GREEN. Well, listen, I thank you for your answer—let me finish.

Because, Mr. Chairman, this is the evidence that we need to bring the others in. We have to ask them what they're doing, given that this gentleman refuses to give us what I believe to be a correct answer.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Florida, Mr. Posey.

Mr. POSEY. Thank you, Mr. Chairman.

Mr. Stumpf, members of this committee have already expressed the outrage that we all feel, that this atrocity was able to happen. It's absolutely deplorable that your customers were subject to this practice. And I'm sure the fine that Wells Fargo will pay will be insufficient to comfort the customers or adequately compensate them.

At best, at the very best, you and our Federal regulators were asleep at the switch. At worst, it's almost, if not, a criminal enterprise. My biggest concern—and I think it's the biggest concern of every Member on both sides of the aisle here—is that we need to ensure that it doesn't ever happen again. That means we have a shared interest in understanding what caused and what perpetrated the unprecedented level of fraud. And I have just a couple of questions that I think will help drive us in that direction to understand it.

First, Mr. Stumpf, I understand that Wells Fargo sets goals for new banking products each employee was expected to sell daily. Is that correct?

Mr. STUMPF. I don't believe that's the case. I know, as part of our reward system and our performance management, that products were part of their performance management, along with customer service, customer loyalty, doing things right. But, again, as of this Friday, we're getting rid of those goals.

Mr. POSEY. Okay. I've read a range of reports that put the sales goals somewhere between eight to five new sales each day, compared to the reported industry standard of three to five per day.

Briefly, I was going to ask you if you could give us an idea of how the goals were determined?

Mr. STUMPF. Within our business. I wasn't part of that process. And I don't know if that's an—you made reference to an industry standard and what ours is. I wouldn't have specific—

Mr. POSEY. Okay.

Mr. STUMPF. I can try to get back to you on that.

Mr. POSEY. Are you aware if the expected targets vary between bank branches of different size, location, or constituencies?

Mr. STUMPF. I believe that is the case, yes.

Mr. POSEY. You think they did.

Mr. STUMPF. I believe that was—I don't know when that was introduced, but I believe in the past, at locations that would have more activity, we'd either have more bankers or more—

Mr. POSEY. Thank you—thank you for the straight answer.

Mr. STUMPF. Okay.

Mr. POSEY. As a followup, did the bonuses associated with those goals vary between those branches or did Wells Fargo use a single, uniform system?

Mr. STUMPF. Again, that's a level of detail I don't know. I can try to get back to you on that.

Mr. POSEY. Okay.

Now, so far in the investigation of bad actors, have you found any correlation between the likelihood of employees committing fraud and the demographic or socioeconomic characteristics of the people being served?

Mr. STUMPF. Yes, first of all, I am—and I don't know—I'm not trying to be careful on words here. I don't know what "fraud" exactly—I know what's right and I know what's wrong, and I don't know what the intent of all these people were.

But, to answer your question specifically, there was no, that I understand, racial or ethnicity difference other than what the communities are, because we try to have—

Mr. POSEY. All right. Okay.

Mr. STUMPF. —people in our banks who represent the communities.

Mr. POSEY. All right. So we'll take racial and ethnicity off the table here.

As someone who also represents a district heavily populated by seniors, I'm worried that Wells Fargo may have intentionally preyed upon those they saw as vulnerable. Do you believe seniors were purposefully targeted as a result of employees stretching to meet their sales goals?

Mr. STUMPF. In fact, we've looked at—because we actually capture date of birth, so we could tell that. And for deposit accounts, no, there was no disproportionate—it did not—in fact, it was younger people, not seniors, if there was any emphasis at all or any—

Mr. POSEY. Okay.

Mr. STUMPF. Yes.

Mr. POSEY. To be clear, I don't think sales goals are inherently evil. Anyone who has owned a business understands the need to incentivize employees to succeed and reward their successes. Unfortunately, your company forgot the most important part of any business, more important than sky-high stock prices, year-end bonuses, or fat retirements: It's the people that you serve.

I'm increasingly concerned that this misguided idea of success that puts actual customers in the category of least concern is perpetrated by more than just Wells Fargo, by the way. To the best of your knowledge, was this practice of creating fake accounts exclusive to Wells Fargo?

Mr. STUMPF. Again, I don't know. And I only know what I know about our company.

But I'd also like to make—if I just, in your few seconds left. The investment—the reason people buy Wells Fargo and invest in us is our—is a whole lot more. It's about our broad product model. It's about our—

Mr. POSEY. Let me ask just one quick—

Mr. STUMPF. —distribution in the United States, about our—

Mr. POSEY. —question with my time. Can you tell me any action the CFPB has taken that would stop something like this from happening again?

Chairman HENSARLING. Brief answer from the witness.

Mr. STUMPF. We've worked with the CFPB. We have made an agreement with them, and we're going to continue to work with them on this issue.

Mr. POSEY. But any action that they've taken that would stop it from happening again?

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Missouri, Mr. Cleaver, ranking member of our Housing and Insurance Subcommittee.

Mr. CLEAVER. Thank you, Mr. Chairman.

Mr. Stumpf, thank you for being here. I know you're not—this is not one of your better days, but hopefully you understand—I have a plane to catch. I may not finish my time. And I dare not get on a plane and go back to Kansas City and conduct myself in a way that everything is fine and we'll all join hands and sing "Kumbaya" and fix the problem.

One of the reasons that everybody in this place is upset is that each of us represents about 840,000 people, and probably every one of them is angry, especially those who had problems getting loans and people who were ripped off during the crisis from 2008 and 2009. And so I think many of them think that they had a preview of this—Gordon Gekko: Greed is good, greed is right, greed works—from the movie, "Wall Street." And I think that's one of the problems we have here.

Now, you've already been "Warren'd" before I had my opportunity, so I'm not going to "Warren" you, but I do need to ask you a couple of questions, maybe just one.

There were $2.6 million in overdraft charges that incurred on linked accounts and late fees. There were thousands of consumers on fire, figuratively, and your bank had tubs of water, but the people there decided to drink it and let the people burn, including the people who had gotten fired.

My question is, how far up the chain have you been able to determine that this scheme, this fraud occurred?

Mr. STUMPF. We know that 5,300 people broke our trust, were not honest. And we know that we are going to do a complete review of anybody who would have been part of this. And if they were dishonest and broke our code of ethics and took advantage of our customers, they will be held accountable. And we've returned that money with interest with an apology.

Mr. CLEAVER. Yes, I know, but I'm trying to find out how far up the chain have you determined, thus far, that the scheme went.

Mr. STUMPF. Well, first of all, it was—most of our people do it right, and this was just the opposite of what we train for, just the opposite of what we talked about. So when—

Mr. CLEAVER. I think—

Mr. STUMPF. —they say it's a scheme,—again, it's 1 percent of our people. And I know that's a lot of people, given the size of our company, but—and we'll do a full review, and we're going to do a review of that.

Mr. CLEAVER. God bless you, but what I'm trying to find out is how far up the chain.

Mr. STUMPF. We're not going to let the chain impede. The board's going to do a review of the company and make sure everybody is held accountable.

Mr. CLEAVER. Okay, so—okay. Thank you. I appreciate that.

Mr. STUMPF. Thank you.

Mr. CLEAVER. Now, how far up the chain?

Mr. STUMPF. So far, of the people that we have found, it is branch managers, their manager in some cases, and a manager of a manager. So that's the work we've done so far.

Mr. CLEAVER. So the manager of a manager would be what, a vice president?

Mr. STUMPF. Yes, I don't know exactly the title, but I think it was called an area president.

Mr. CLEAVER. Area?

Mr. STUMPF. Yes, I think it was area president.

Mr. CLEAVER. Okay. So have any of those folks been fired?

Mr. STUMPF. Pardon me?

Mr. CLEAVER. Have any of them been fired?

Mr. STUMPF. Yes

Mr. CLEAVER. All the vice presidents?

Mr. STUMPF. Well, I don't know—again, I don't know if this person was a vice president. I don't know what the title was. But I know it was banker, then branch manager, manager of the branch managers—I think they're called district—and then an area manager.

Mr. CLEAVER. So, no matter how high it goes, they're going to be fired.

Mr. STUMPF. They're going to be held accountable. I can't say what—

Mr. CLEAVER. Okay.

Mr. STUMPF. I don't want to prejudge the—

Mr. CLEAVER. No, I understand. I understand. So, no matter how far it goes up, though, they're going to be fired.

Mr. STUMPF. As far as they go up, they're going to be held accountable, whatever that means.

Chairman HENSARLING. The time of the gentleman has expired.

Mr. CLEAVER. That's why everybody's beating you up.

Mr. STUMPF. Pardon me?

Chairman HENSARLING. The Chair now recognizes the gentleman from Pennsylvania, Mr. Fitzpatrick.

Mr. FITZPATRICK. I thank the chairman.

Mr. Stumpf, I want to follow up on Mr. Cleaver's questions.

First of all, I represent a district outside of Philadelphia, Pennsylvania. And I, like probably most of my colleagues here, have received letters from your customers, from our constituents, from former employees of the bank. And they have a lot of questions of their own, which we have to help them try to answer.

First, I want to ask sort of a foundational question. This is a question that you've been asked many times already today, and last week in the Senate, about when you first heard of this situation, this so-called situation with your customer accounts. And you've given us approximate dates, which we appreciate.

But, first and foundationally, if you could tell the committee, tell the American people, when you first heard about the problem, where were you? Who told you? What did they say to you? What did you do about it? The first moment.

Mr. STUMPF. Okay. So I'll answer your question, and thank you for that.

I've always known, as I think most Americans know, that not everybody will do everything right every day. And we have 100,000 different people in this retail banking business. So we knew and I knew that this had to be managed, and it was being managed in the business.

Sometime later in 2013, before the L.A. Times story came out—because that did not surprise me, because I had heard that we were seeing an acceleration of this activity in a certain marketplace. And I can't recall if my chief legal counsel told me. I can't remember if it was in a meeting with the business leader at the time or compliance. And that's when I first knew that this was becoming a bigger issue.

So resources were brought in, to bring corporate resources in, to assist the business line. And then we spent—or the business and the corporate group, called CORE, spent time working on that issue, and we saw the issue come down.

It was not until 2015—and we should've learned earlier. We should have—we did—

Mr. FITZPATRICK. Mr. Stumpf, you're not answering the question.

Mr. STUMPF. I'm trying—

Mr. FITZPATRICK. When you first heard, where were you, who told you, and what did you do about it? When you first heard.

Mr. STUMPF. Again, I don't remember where I was sitting, what I was doing, where I—but I recall hearing it sometime in the summer/fall timeframe of 2013. I can't—I don't remember the exact minute or the person.

Mr. FITZPATRICK. Mr. Stumpf, there have been so many people who've been hurt by what we know right now, not just your customers you're going to lose—

Mr. STUMPF. Correct.

Mr. FITZPATRICK. —many customers. You'll never get them back. There have been lower-level and mid-level employees who've been injured. You mentioned earlier in your testimony, 268,000 people went to work today—

Mr. STUMPF. Correct.

Mr. FITZPATRICK. —in Wells Fargo to do the right thing, and, for the most part, we all believe that. You also mentioned there were some 5,000 employees who lost their positions.

As employers, we're responsible, when you bring somebody young into an organization, somebody perhaps right out of high school or right out of college—

Mr. STUMPF. Correct.

Mr. FITZPATRICK. —we have special responsibility to that employee to train them, to make sure that they're being trained in the ways of ethics in banking. How many of those lower-level employees who were part of the 5,500 who lost their jobs?

Mr. STUMPF. Yes, the vast majority—and I don't have exact numbers, but I believe about 7 percent or so would've been at the teller population, and the remainder, the other 93 percent were someplace—and that's my understanding—were banker, senior banker, branch manager, and so forth.

And, incidentally, we do give 2 weeks of training for all of our team members before they go out into the—because you're right, we have a special responsibility to help them understand our culture. They sign a code of ethics, and we—

Mr. FITZPATRICK. Are they being told in those employee trainings about the so-called goals, quotas?

Mr. STUMPF. They're told about all the responsibility of their job, including—I've done townhalls, which I do every quarter. I did one in Philadelphia just a couple of months ago. And I've been talking in every one of those—generally, I talk about doing the right thing, putting customers first, ethics.

Mr. FITZPATRICK. Mr. Stumpf, there have been reports from multiple whistleblowers from the bank that they provided information up the chain of command and were ignored. As a matter of fact, some of them were fired. Are you familiar with those cases?

Mr. STUMPF. I have heard about those. Those are regrettable. We have a nonretaliation policy on whistleblowers.

Mr. FITZPATRICK. Being fired in the Federal Government for being a whistleblower is a very serious matter. Hopefully, you're taking it as seriously as anybody else would?

Mr. STUMPF. We're taking that very seriously. We have a nonretaliation policy.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentlelady from Wisconsin, Ms. Moore, ranking member of our Monetary Policy and Trade Subcommittee.

Ms. MOORE. Thank you so much, Mr. Chairman.

And I want to welcome our witness here today. I've learned so much here. And I know when you go to the Wells Fargo website, there your picture is, John G. Stumpf, the vision and values of Wells Fargo. And it features you.

You said that you started in Wells Fargo in 1981?

Mr. STUMPF. 1982.

Ms. MOORE. In 1982. Okay. My math is not that good. And you succeeded Mr. Kovacevich. And they had already started a—so you were trained, and you knew what the culture of this Norwest company—I guess there was a merger of Wells Fargo and Norwest.

And so did you receive training or do you know if the employees received training on this Going for Great program that we've talked about here today, where most of your customers only had five accounts in your bank and that there was an effort to get at least eight, sort of, accounts for the customers? Was that part of the culture?

Mr. STUMPF. Yes, thank you for the question.

As I mentioned before, that was an aspirational goal. Most of our customers have—most households have 14—

Ms. MOORE. All right. Okay. Because I don't have much time.

Mr. STUMPF. Okay.

Ms. MOORE. And so, as your predecessor noted, there is just abundant growth potential in the Wells Fargo customer base and that one of the sayings around that place was, "Hey, we inspect what we expect." Were there constant monitorings to see if people were meeting these goals? That was—it said, "We inspect what we expect." What does that statement mean?

Mr. STUMPF. Yes, that statement means that we expect our people to live according to our vision and our values, our ethics, and our culture. And if they don't—

Ms. MOORE. Well, good. I am so happy. I'm going to congratulate you on draining the swamp of these 5,300 low-level employees because they almost brought down one of the greatest companies that our country has ever known. I remember Wells Fargo in the old wagon train days. So I'm happy that you got rid of those employees. And I am sorry for your loss of your $41 million, and I'm sorry for the loss of the investors whose stock dropped.

But I am wondering what the relief is for one of my constituents. I have her letter, and I ask unanimous consent to enter it into the record. She worked at Wells Fargo—

Mr. FITZPATRICK [presiding]. Without objection, it is so ordered.

Ms. MOORE. Okay. Thank you.

She started making $13 an hour, and she ended making $15 an hour. And she was one of those whistleblowers who complained to the manager, and then they changed her performance numbers and pushed her out. And so she's a person who kind of lost her job and other stuff that happens to you when you make $13 an hour—$15 an hour, I'm sorry, and you're pushed out by people because you don't want to—because you don't fit in with the expectations and the culture.

What is the remedy? Is there a fund for these employees, the good ones, not these 5,300, what was it, $12-an-hour, $13-an-hour employees? What is the remedy for my constituent at Wells Fargo? I know—

Mr. STUMPF. We want to know about everyone, and we're going to review their files for anyone who had anything to do—if they were—

Ms. MOORE. It says she has a case with the Wisconsin Equal Rights Division. How come she couldn't just come to you and tell you—

Mr. STUMPF. And we have people that she can talk to.

Ms. MOORE. No. The people she talked to fired her.

Mr. STUMPF. We have corporate resources here. If you could give me that name, Congresswoman, I'll let our people know—

Ms. MOORE. Okay. I want to ask a question. I have 49 seconds.

I was very disturbed to hear about—you said that the numbers were just not large enough to rise to the level of being material for security law purposes. I guess I don't really understand that.

Would you, as an investor, invest in, sort of, the Bernie Madoff-type enterprise, it just seems like it was, these huge dividends? Would you make this kind of investment yourself?

Mr. STUMPF. This is not any—this is a quality company that made some mistakes, but our investment thesis is all about our capital, our growth, our—

Ms. MOORE. I have 9 seconds left, and I just want to ask this one question.

You have stated previously that you think the Dodd-Frank Act overregulates. Do you still believe that?

Mr. STUMPF. I have never said that.

Ms. MOORE. Oh, really?

Mr. STUMPF. I don't recall saying that

Chairman HENSARLING. The time of the gentlelady has expired.

Ms. MOORE. Thank you so much, Mr. Chairman.

Chairman HENSARLING. The Chair now recognizes the gentleman from Indiana, Mr. Stutzman.

Mr. STUTZMAN. Thank you, Mr. Chairman.

And, Mr. Stumpf, I got my first loan from Norwest bank for a motorcycle when I was 20 years old, and I've been a happy customer of Wells Fargo for over 20 years.

Mr. STUMPF. Thank you.

Mr. STUTZMAN. And I have been frustrated with Wells Fargo as of late because of the new website. And I've voiced that. And I think part of this—I think you need to do something about it, because the transparency in the website right now, I can't find some of my accounts.

And I think that there needs to be, at this point, a time where you can give customers confidence, through the website, to make sure that every account can be seen. Because I got notices all of a sudden of accounts that I didn't recognize because I didn't see them on a daily basis. I found them after I called Wells Fargo and talked to them.

But what my question is to you—you know, and I—your story is remarkable. You came from a dairy farm, I believe, in Minnesota.

Mr. STUMPF. Correct.

Mr. STUTZMAN. And if you'd have taken a different choice—I grew up on a dairy farm, still part of our family farming operation. I'm curious to know what you would do today if you'd have taken a different path, a dairy farmer in Minnesota, and you have been trying to buy land and you were trying to buy some more cows. And you realize that your credit score, something is wrong with it, and you have not been able to get your credit score. But all of a sudden you find out that maybe your credit score was dinged because your bank was opening accounts.

When accounts are opened, it dings your credit score, correct?

Mr. STUMPF. That is correct.

Mr. STUTZMAN. That's right. So 2 million people potentially had their credit score dinged because someone else was opening accounts in their name. Is that correct?

Mr. STUMPF. That is not correct. There were about 565,000 consumer credit cards, which we already now have contacted 20,000 of those, and less than 25 percent saying—and I don't want to minimize the numbers. These are still big numbers. Even one is too many. But we're going to go back, and my instruction is make it right for every one of those customers.

Mr. STUTZMAN. Here's what I was surprised to just watch a little bit ago. When Mr. Cleaver was asking you what was the highest-level officer at Wells Fargo to be fired and you didn't really know. You kind of said area manager—

Mr. STUMPF. I know that—excuse me. I know the title, I know the functional title. I don't know if that person is a vice president, a senior vice president. I just don't know that. I do know that it's a branch manager's manager's manager. And we're also not done with our investigation.

Mr. STUTZMAN. I understand. But this broke for the public within the past month. You apparently knew about it, what, in 2012? In 2013?

Mr. STUMPF. We knew that not everyone does it right. It was sometime in 2015 we did our PwC study, and those results came in early in 2016.

Mr. STUTZMAN. But you're the CEO. When 939 employees are fired for improper sales in 2011, in 2012 another 1,000, all you have to do is stand up in front of your company—and I know it's a large company—and say, "This is going to stop," and it should have—it should be stopping.

I'm curious to hear from employees who were fired what their experience was, and I hope we do a hearing with some of those.

But let me ask you this. Wells Fargo is a huge company. Is it too big to manage?

Mr. STUMPF. No, it is not. This was a focus problem. And we do a lot of areas really, really well, like model risk and market risk and capital liquidity. We know we have work to do in operational and compliance risk. We should have invested more.

Today I've told our folks, no stone unturned, no dollar unspent, get this right. And we're getting rid of sales goals.

Mr. STUTZMAN. I know you said that today, but where was the outrage from you a couple of years ago when you first heard about it?

Mr. STUMPF. We were—

Mr. STUTZMAN. There's outrage on this committee, and rightly so. I'm outraged about it. But I don't sense the same outrage from you, when you have—when we're seeing your—the lady here, her name is Ms. Tolstedt, I believe, she's walking away with millions of dollars. The American people and your customers are going to be very upset when they see exactly what happens here.

Final question. And I hope that you will—I didn't hear the question from this committee, but will you get the number to this committee of CFPB regulators who were embedded at Wells Fargo bank?

Mr. STUMPF. I can talk to our team, and we'll be as cooperative as we can. I don't know whether that's covered under confidential supervisory information, but I'll be as helpful as I can be on that issue.

Mr. STUTZMAN. Please do that. I think that, not only have you and Wells Fargo let customers down, but so has the CFPB, and people across this country are mad at both.

Mr. STUMPF. Thank you.

Mr. STUTZMAN. Thank you, Mr. Chairman. I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Minnesota, Mr. Ellison.

Mr. ELLISON. Mr. Chairman, I ask for unanimous consent to enter into the record a report entitled, "Banking on the Hard Sell: Low Wages and Aggressive Sales Metrics Put Bank Workers and Customers at Risk."

Chairman HENSARLING. Without objection, it is so ordered.

Mr. ELLISON. I would also like to enter into the record an op-ed I wrote in The Daily Beast just the other day entitled, "John Stumpf's Wells Fargo Racket Shows Why Bank Workers Need a Union."

Chairman HENSARLING. Without objection, it is so ordered.

Mr. ELLISON. And I would also just like to note for my colleagues, the Progressive Caucus held a June 10th briefing, listening to the workers that we've been talking about today. We'd be happy to do another one. But on June 10th, we had workers come in and testify to the very thing that we've been talking about today, which is these high-pressure sales techniques.

Mr. Stumpf, if you're a worker at Wells Fargo, you are expected to seek out and reach sales goals. You mentioned that, right?

Mr. STUMPF. We had sales goals and—

Mr. ELLISON. That's a yes or no, sir.

Mr. STUMPF. Yes—

Mr. ELLISON. Yes or no, sir, because I don't have a lot of time. I'm not trying to be unkind to you, but I'm not going to let you waste my time. Okay, so yes or no?

Mr. STUMPF. Yes, we had sales goals.

Mr. ELLISON. Okay. Thank you.

So could you tell me, do you all have something known as prospecting calls that were expected for bankers to make?

Mr. STUMPF. I don't know that level of detail.

Mr. ELLISON. Okay, so you don't know whether there were prospecting calls?

Mr. STUMPF. I don't know.

Mr. ELLISON. Would you be surprised—do you deny that there were prospecting calls?

Mr. STUMPF. I do not know that level of detail in our retail bank.

Mr. ELLISON. Were you aware that each banker was expected to make at least 100 prospecting calls a day? Are you aware of that?

Mr. STUMPF. That—I'd had—that's the first time I've ever heard that.

Mr. ELLISON. Mr. CEO/Chairman, are you aware that there were weekly meetings held by—no, morning huddles to talk about these sales goals? Are you aware of that?

Mr. STUMPF. I realize—I know that some—

Mr. ELLISON. You've got to answer yes or no, sir.

Mr. STUMPF. But it's yes with an explanation.

Mr. ELLISON. Well, okay. So morning huddles or not, yes or no, did they occur?

Mr. STUMPF. Yes, with an explanation.

Mr. ELLISON. All right. At these morning huddles, were there questions asked of workers, how are they going to sell more credit cards, and were they given goals for specifically selling a number of credit cards?

Mr. STUMPF. I don't know that everyone holds—I have to give you an explanation, sir.

Mr. ELLISON. Home equity loans, were they given goals in—

Mr. STUMPF. I don't know that. I don't know that every branch held a morning huddle. I know our team works together.

Mr. ELLISON. Was there publishing of charts on who sold how many products in your bank?

Mr. STUMPF. That's a level I do not know that detail.

Mr. ELLISON. Was there publishing of charts on who did not make their sales goals?

Mr. STUMPF. Again, I don't have that level of detail.

Mr. ELLISON. Workers say that there were.

Mr. STUMPF. Okay.

Mr. ELLISON. Now, if a worker did not reach their sales goals, were they put on initial written warnings?

Mr. STUMPF. I don't know the process—

Mr. ELLISON. If they did not—

Mr. STUMPF. And we got rid of sales goals now.

Mr. ELLISON. Excuse me. If they did not—if workers did not meet second sales goals again, were they given second warnings?

Mr. STUMPF. I don't know that level of detail.

Mr. ELLISON. Okay. If they were not given second warnings, were they written up, given written admonishments for not making sales goals?

Mr. STUMPF. Congressman, you're asking a question I can't answer.

Mr. ELLISON. Okay. So, yes, you're the CEO and you don't know this.

And were they given performance improvement plans if they did not make sales goals?

Mr. STUMPF. Congressman, I don't know that level of detail.

Mr. ELLISON. All right.

And how do you generate these lists for workers to have to make calls? How were the lists generated?

Mr. STUMPF. Congressman, I don't know if there were lists. I just don't know that level of detail.

Mr. ELLISON. Okay. So you're the CEO, and you don't know if there were sales—if there were prospecting lists that each worker was made to make cold calls on.

Mr. STUMPF. I don't know that level of detail, Congressman.

Mr. ELLISON. Okay.

And if sales weren't important, why were workers given credit card and home equity loan goals to meet?

Mr. STUMPF. Yes, I don't know what their goals were. We want to deepen—

Mr. ELLISON. Why did you—

Mr. STUMPF. —relationships.

Mr. ELLISON. Why were workers encouraged to open numerous accounts for customers?

Mr. STUMPF. Our team members are encouraged to sit down with a customer, talk about their financial dreams, and help provide the right products and services.

Mr. ELLISON. So if a worker got a person to open up an account, isn't it true that account—let's say a debit account—that there has to be a certain minimum balance in that account and there is a fee to hold that account if there's not the minimum balance met? Am I right about that?

Mr. STUMPF. I don't believe you are right about that, Congressman.

Mr. ELLISON. If there's an account—

Mr. STUMPF. I don't believe that's correct.

Mr. ELLISON. If there's an account, does there have to be a certain number of uses of that debit account per month?

Mr. STUMPF. I believe that's one way to avoid—to not have a fee.

Mr. ELLISON. And if it's not met, is there a fee associated with that?

Mr. STUMPF. I believe there's a minimum balance—

Mr. ELLISON. What is that fee? What is the minimum balance fee?

Mr. STUMPF. I don't know what those numbers are.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from South Carolina, Mr. Mulvaney.

Mr. MULVANEY. Thank you, Mr. Chairman.

I can't tell you how disappointed I am to even have to be here today. As one of the many members of this committee who spends every single day in here defending the banking system, defending capitalism, and defending free markets, to have to sit here and watch you essentially validate everything that the other side has said about you and your business and your industry, I don't know, for the last three or four generations is extraordinarily disappointing to me. The damage that you have done to the market, to your industry, far exceed the damage that you've done to your own business. But, again, there's nothing I can do about that.

I want to ask you, I think, just one question. I know a little bit about business, not nearly as much as you do. What little I do know I didn't learn from college or business school, I learned from my dad, who was actually raised very similar to you. He was from Minnesota, born to a lower-middle-class family, went to Winona University.

He was a little bit older than you, but not much. And I remember him telling me one time when I was first getting into business, he said, you know what, you can learn a lot about an enterprise, about an organization by looking at the leader, and that the organization will take on the personality of the leader or the owner or the person in charge.

And if you walk into somebody's—you walk into a lobby and you're received nicely by the young man who's sitting there answering phones, it's probably a really good indication that the lady who owns the place is a really good person. Conversely, if you walk in and you get treated like crap and with disdain, it probably says a lot about the people at the top of the chain.

I happen to think that the folks who work with me in my office reflect that. You come into my office, you get treated well, because that's important to me. The place that you ran, Mr. Stumpf—and I don't know that much about Wells. I knew a little bit about Wachovia and Wells—First Union because of where I grew up. You all were rotten.

We've heard some stories today that everybody's heard about. I'm sitting here looking at the story from 2009 about the lawsuit that got filed. It says: Wells Fargo, Ms. Jacobson said in an interview—this is The New York Times—saw the Black community as fertile ground for subprime mortgages, as working-class Blacks were hungry to be part of the Nation's home-owning mania. Loan officers, she said in an affidavit, stated that employees referred to Blacks as "mud people" and to subprime lending as "ghetto loans"—I can't tell you how hard it is for me to even say that—that you all targeted Black churches. I'm not going to defend that. That doesn't even deserve a defense.

I'm going to ask you one question. Does this organization reflect you?

Mr. STUMPF. Well, I—

Mr. MULVANEY. You're in charge.

Mr. STUMPF. I am deeply sorry, and I've read that article you just said, and that has no place in our culture, no place in what we've done. And we are today the largest lender to low- and moderate-income people on housing. We make more loans to African-Americans, Latinos, persons of color, and we're proud of that.

And that place—and that kind of language and that kind of behavior is not who I am. I've learned my life lessons, also, from my parents. My dad is 94, and he's still a wonderful guy and is still a big influence on our life, and so is my mother. And I try to lead with courage and conviction.

Our company is based on those values of ethics, of doing what's right. And the company, of course we've made mistakes. Not everybody lives up to our vision and values. But the vision and values our 268,000 people aspire to and do every day is consistent with what I want to live my life and what our culture is of our company.

Mr. MULVANEY. Thank you, Mr. Stumpf. I appreciate that.

For the minute I have left, I want to say something to my Democrat colleague, who I know will see this and, believe me, if the roles were reversed, I might see this as an opportunity to try to push a political initiative, a political agenda, to bang the drums for more heavy regulation. Everything that we're talking about here today, including what I just read, which I won't read again, happened since the CFPB and Dodd-Frank. It happened after we supposedly fixed all of this with regulation.

And maybe, I would suggest this, you can't fully regulate bad actors. I'm not here in a position to say if Mr. Stumpf is a bad person or not. That's not up to me. I'm trying not to be in the position of judging other people. That's for his board. I know how I would vote if I were on the board. In fact, he wouldn't even be here if I were on the board of that company. But you're never going to be able to fully regulate bad actors. And I hope we look at this with a certain level-headedness as we move forward.

Thank you.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Colorado, Mr. Perlmutter.

Mr. PERLMUTTER. First, Mr. Chairman, I ask unanimous consent to introduce into the record the community banking reports from May 24, 2016, from Wells Fargo—

Chairman HENSARLING. Without objection, it is so ordered.

Mr. PERLMUTTER. —and the report from May 20, 2014.

Chairman HENSARLING. Without objection, it is so ordered.

Mr. PERLMUTTER. Mr. Stumpf, about 8 years ago, you were before this committee, and I was so proud of you and proud of Wells Fargo and the fact that I thought you guys operated as a bank and really looked after me, a customer, somebody who has been with the bank. Look at these young guys—I've been with one of the predecessor banks for 40 years.

Mr. STUMPF. Thank you.

Mr. PERLMUTTER. And I represented some of the predecessors—First Interstate, Security Pacific, United.

The culture is what I want to talk about, because that really is you, and it is your board of directors.

Mr. STUMPF. Right.

Mr. PERLMUTTER. And I've heard terms today that I don't really align with the banking business, if you will. I look at banks as something different. We came in with $800 billion to save the banking system when it was collapsing because it's something different.

But I hear you use words today—and this is where I think the root of this problem is—"sales organization," "retail sales," "stores." I've never, ever in my life referred to my branch bank in Applewood, Colorado, as a store. You don't sell Veg-O-Matics. You don't sell grapefruit. You take people's money, you safeguard it, and you lend it out to people who may need it for interest, maybe me.

And to get into—this is where Mr. Green was going with the products. I don't know how many products you have. I looked at my account. I do like the online banking, by the way, because I can look at all my accounts. I turn out, as Mr. Royce says, I have eight accounts, personal accounts, with you. How I have eight, the great eight—

Mr. STUMPF. Thank you.

Mr. PERLMUTTER. —I don't know, but I do.

So talk to me about why you're calling these things "stores," why you use words like "retail sales" and "cross-selling." You're a bank.

Mr. STUMPF. We are a bank, and the idea here is that we want to make sure our team members, when you come into a bank or any one of our customers do, that we treat them with respect and that we provide products and services that help them. When they do more with us, we give them a better deal. They get more value. It helps them, and it helps us.

And whether we call them a store or a branch or a location, it's what—it is the hearts and minds of our people who are inside there. And—

Mr. PERLMUTTER. And I'll accept that. But I still think you're a bank. And we treat—

Mr. STUMPF. We are a bank.

Mr. PERLMUTTER. —banks differently than we treat grocery stores, because you're the heart of the financial system.

Mr. STUMPF. And—

Mr. PERLMUTTER. But here's where I want to go. So I go into my bank, and there has been some turnover there. They always treat me well. They're always very nice young people. Sometimes they're saying, do you need this, do you need that. I generally am saying no.

When you talk about these goals that are established, why are you even setting goals? The goal should be, if your customer needs something, try to help them.

Mr. STUMPF. Correct. We're getting rid of product sales goals and the goal—

Mr. PERLMUTTER. But why did you have the goals in the first place?

Mr. STUMPF. Well, it was an idea that—for people to make sure that they use the right way of sitting down so they have a conversation with a customer. I don't want to have people in our branches or our banks to be apathetic and just not care when people came in. I want them to sit down and have a conversation about where that customer is on their financial journey so they can meet a need with a product. And when it works well and it deepens relationships, everyone wins.

No one should ever, whatever the goals are, be forcing a product or saying why don't you do this or why didn't you buy this. That's not the way we train. That's not the way we incent for. But even today, we have taken that off the table, because we're learning that customers grow with us when they're happy, when they're satisfied. And our satisfaction scores and our loyalty scores have never been higher. That's a better way of doing business.

Mr. PERLMUTTER. All right. And I—look, I'm just up here as a Member of Congress who has worked with banks before, but I'm just telling you, you have to stop saying, "Our stores generate more deposits than our competitors." You have Denver up here on your chart. That creates the wrong culture.

Mr. STUMPF. Okay.

Mr. PERLMUTTER. And I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from North Carolina, Mr. Pittenger.

Mr. PITTENGER. Thank you, Mr. Chairman.

Mr. Stumpf, good afternoon.

Mr. STUMPF. Good afternoon.

Mr. PITTENGER. Mr. Stumpf, I'm from Charlotte.

Mr. STUMPF. Okay, great. We love Charlotte.

Mr. PITTENGER. Well, you have a very major presence in our community. I think there are some 23,600 employees who work there.

Mr. STUMPF. Correct.

Mr. PITTENGER. They are my constituents. I do have deep respect and appreciation for the corporate citizenship that you all have been in Charlotte. You have been exemplary in terms of what you've done in our community. You take active roles, your employees do, in many nonprofit organizations. And that leadership is commended. And, of course, we cherish the Wells Fargo golf tournament.

So you have a major presence in our community. And that's why today is such a sad day. I know it is for you. I am sure, as you look back on these 35 years and where you are today, you think, "what if?" What if I'd have done this, what differences could I have made? Where was I blindsided, what mistakes? Where did I err?

And so I think—I'm asking you to look at it as if you were sitting in our seat. We represent these people, as was said earlier, some 750,000 to 800,000-plus people. And you heard a lot of outrage, a lot of righteous indignation because we haven't seen what we've all expected.

In the South Park Wells Fargo facility that you have, there is written behind the teller station, the counter, a statement by Mr. Wells. It came from, I believe, 1864. Do you recall that statement? I think it's very prominent and perhaps it is in other Wells Fargos. It seems to be the motto of your bank.

Mr. STUMPF. Are you asking me a question?

Mr. PITTENGER. Yes, sir.

Mr. STUMPF. Yes, I don't—he's made a lot of statements, but "treat every customer with respect," and I can't recall—

Mr. PITTENGER. Well, what we have there at the South Park, it says, "We have one very powerful business rule. It is concentrated in one word: courtesy."

So I think, as you look at all of—there's a lot embedded in that word, "courtesy," but I think that's the challenge we have today. What could have been done differently? Certainly, the regulators were there, yet this was reported by a news agency.

What would you have done differently today? As you look back on the changes and the mistakes that were made, as the CEO, what happened in that corporate culture that did not allow that information to come to you in a more timely fashion that would have caused you to take even greater direction and leadership?

Mr. STUMPF. Yes, I think it's a good question. I've probably asked myself that a thousand times, a million times. And while I want to defend our culture and our people, I recognize that we could've done more earlier. And I don't know that there's any one point, but surely we should have realized earlier that product sales goals could elicit behavior that's inconsistent with our culture. Even if it happened, like this case, with 1 percent of our team, it's way too much. It's simply not worth it. And, frankly, it's not even consistent with where we're going, given the business today.

So, I don't know if I can be clearer than that. And there's a lot of people doing a lot of introspection within the company today to make sure that we never, ever put a customer or a team member at—we want, always, customers to be the foremost of what we do.

And if "courtesy" is the right word—we think of "relationship." We love long-term, mutually beneficial relationships with our owners, our team members, and, most importantly, our customers

Mr. PITTENGER. Yes, sir.

I think those of us who understand free markets—I was on a bank board of a small bank, but we understood the customer, we understood the importance of the financial industry and what it does to facilitate economic growth. And that's why we're so challenged today, because we see there has been a strangling of regulations on the financial industry.

And yet, with that, we're having to deal with you and with this bank and with this problem that's going to have ripple effects. And the messaging is going to be there that there needs to be even more oppressive regulations.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Connecticut, Mr. Himes.

Mr. HIMES. Thank you, Mr. Chairman.

Mr. Stumpf, we focused a lot today on accountability. I want to go back to something that, like Congressman Lucas' concerns, troubles me, which is kind of the focus on culture and the materiality of what happened here.

We're hearing that there's not a problem with the culture, and you're hearing an awful lot of disagreement up here. And we're hearing, certainly in the Senate hearing, that this wasn't material.

And I guess if you, sort of, exquisitely, finely define materiality by the way maybe the FCC defines it, maybe $185 million in fines is not material, but this is about much more than a legal definition of materiality. And we need to hear you say that you understand the magnitude of what has occurred here.

It's more than $185 million; it's about the trust and the faith and the belief in the system. It's not about the ups and downs of one company. It's about people's faith in the banking system. It's about their faith in the market economy. It's about whether competition is perceived as a good thing by the American public or a bad thing. This is really about people's faith in organizations like yours and like the one that you're testifying in front of today.

But let me start with the numbers quickly here. What matters to an investor, of course, is the value of the company they own. And your shareholders have already paid out $185 million, including, by the way, the State of Connecticut's pension fund.

Mr. Stumpf, do you know what the market cap, the value of your company is today?

Mr. STUMPF. I didn't look this morning, but I think it's $220 billion or $230 billion—

Mr. HIMES. $228 billion.

Mr. STUMPF. I was—

Mr. HIMES. On September 7th, when this all started, it was $253 billion. And there has been no other material impact, so just this event has cut $25 billion off of the value of Wells Fargo. That's a big number.

Do you know what the value of Ford Motor Company is, Mr. Stumpf?

Mr. STUMPF. I do not follow Ford.

Mr. HIMES. $50 billion. So just since the 7th, you have and your organization and the culture have obliterated a full half of a Ford Motor Company. That has to be material, doesn't it?

Mr. STUMPF. Congressman, I take this as much more than $185 million in fines. I don't want to diminish this. I am deeply sorry that we didn't do the right thing. And I understand that re-earning the trust of our customers and the American people is going to be our biggest challenge.

Mr. HIMES. I appreciate that. And I do want to get away from the numbers, because, again, I'm troubled by this whole culture thing.

Do you think that you can fully measure Wells Fargo's value with the hard assets, the dollars and cents, the number of accounts?

Let me ask it another way. Are intangible things, like Wells Fargo's reputation and brand, an important part of the company's value?

Mr. STUMPF. There's no question. I think the most important—

Mr. HIMES. So, yes. The answer is yes. Do you believe that Wells Fargo—

Mr. STUMPF. With an explanation, though, if I may.

Mr. HIMES. Yes, okay. Go ahead.

Mr. STUMPF. I think, frankly, what is in the hearts and minds of our people and the trust with our customer is by far the most important thing, because they make all the rest happen.

Mr. HIMES. Do you think that Wells Fargo's reputation has been damaged in a material way by this?

Mr. STUMPF. I think there has been damage, yes.

Mr. HIMES. Okay. What I worry about is bigger than Wells Fargo. It's the fact that the system comes apart if people don't have faith and trust.

Mr. Stumpf, can you see what I'm holding up right here?

Mr. STUMPF. I'm sorry, but I think it's—

Mr. HIMES. It's a $1 bill. It's the almighty dollar.

Mr. STUMPF. Yes.

Mr. HIMES. It's a piece of paper with some green ink on it.

Mr. STUMPF. Yes.

Mr. HIMES. Does this thing have any intrinsic value? Can I eat it if I'm hungry? Can I use it to cut wood if I—

Mr. STUMPF. No.

Mr. HIMES. Does it have any intrinsic value at all?

Mr. STUMPF. It represents a promise.

Mr. HIMES. It's a promise.

Mr. STUMPF. Yes.

Mr. HIMES. So it relies on the faith and the belief in the American people that this has some value. Otherwise, it's a piece of paper with green ink on it. Is that not correct?

Mr. STUMPF. I totally agree with you, Congressman.

Mr. HIMES. And can I not expand that point to the banking system? If Americans really started getting anxious about the fact that you don't have enough money in your banks on any given day to cover their deposits, we'd have a problem, wouldn't we?

Mr. STUMPF. There's no question about that.

Mr. HIMES. And the only thing standing between us and this meaning being meaningless and between them believing that the banking system doesn't work is trust and faith in the fact that it does.

Mr. STUMPF. Congressman, you are absolutely right. Trust is the absolute critical element here, and we have a lot of work to do to work on that.

Mr. HIMES. So your investors are equity investors. They accept risk, including the possibility that something like this could happen. If you don't want this kind of risk, you buy bonds or treasuries or whatever it is.

I would implore you, as somebody who I think understands that the market economy is important and that the financial services industry is important, I would implore you to please don't continue to focus on this idea that this is not material. I think we're now agreeing it is material.

Mr. STUMPF. I've never said—oh, go ahead.

Mr. HIMES. And please work with your colleagues to repair some of the damage that has been done to the faith and the trust that we both here today have acknowledged is the only underpinning of the system that has done so well by you, sir.

Mr. STUMPF. Thank you for your comments. And I couldn't agree more. This is bigger than the $185 miilion in fines—in fact, I don't even think in those terms—regaining trust.

Mr. HIMES. Thank you.

I yield back, Mr. Chairman

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentlelady from Missouri, Mrs. Wagner.

Mrs. WAGNER. Thank you, Mr. Chairman.

Mr. Stumpf, you've come before this committee today to answer for the appalling actions taken by your company, Wells Fargo. I have a number of questions, but I want to start by expressing my outrage that your company was taking advantage of your customers, our constituents, for years and years and years. I don't understand how your employees could create millions of unauthorized accounts without someone raising a red flag and, if that happened, how you failed to act on that knowledge.

You had a responsibility to your customers, and you failed bigtime. Placing one's money and wealth in the custody of an organization like Wells Fargo is one of the biggest displays of—what are we talking about?—public trust. And you, sir, and your company have betrayed that trust and taken advantage of consumers in order to meet sales performance goals and fraudulently improve earnings and share prices. This is wrong, this is immoral, and this may even be criminal. And as you stated, sir, the buck stops with you.

Not only did Wells Fargo and your employees fail these customers, but our regulators failed as well. They neither identified nor prevented this malpractice from occurring in the first place. It wasn't the OCC or the CFPB that first uncovered these deceptive sales practices that were taking place, but it was, in fact, the L.A. Times, the media, that first brought your company's shameful practices to light.

And while it is the regulators' job to prosecute the banking institutions that break the law, it is our job, as Members of Congress, to prosecute the regulators who were, in fact, asleep at the wheel.

From what we know—and there is a lot that we don't know, sir—this widespread abuse was occurring as long ago as 2011, some have said maybe back as far as 2007, with 1,000 employees being terminated every year for creating fraudulent accounts. Yet this behavior persisted for years without management intervening.

And even when regulators began to investigate, Wells Fargo did nothing to notify customers and shareholders. Your company abused its customers. While you have apologized, that apology carries no weight with me, sir. You still have a lot to explain to this committee and, frankly, to my constituents.

Mr. Stumpf, how many of your customers have been impacted by your fraudulent activities?

Mr. STUMPF. Well, I don't know—I know what the PwC numbers showed. It was—

Mrs. WAGNER. What is that number?

Mr. STUMPF. It's—there were 2 million accounts that they could not rule out, and now we're going back and contacting those customers. Within our credit card business, as I mentioned, we've already talked to 20,000 of them and—

Mrs. WAGNER. How many in Missouri, Mr. Stumpf?

Mr. STUMPF. I can get you that.

Mrs. WAGNER. As quickly as you can, please. How many customers have been abused in my home State of Missouri?

Mr. STUMPF. There were 1,191 accounts.

Mrs. WAGNER. What portion of these customers were defrauded after you became aware of the fraudulent activities?

Mr. STUMPF. I don't know what—I don't have a timeline on that. I just know it was broken out by credit card versus—

Mrs. WAGNER. So 2 million customers, you're going back, you're going to find out if there were more, and you don't have a timeline? You have a timeline for the employees that you fired year after year after year, but you have no timeline of the number of fraudulent accounts by year?

Mr. STUMPF. I don't—I can work on that and get that to you. I don't happen to have it in my book right now here for you.

Mrs. WAGNER. You keep saying, sir, that you're going to make it right.

Mr. STUMPF. Correct

Mrs. WAGNER. Those are your words. You're going to make it right. I'd like to know when. When will these customers be made whole, Mr. Stumpf? When will we know and when will they know whether their credit scores have been affected? When?

Mr. STUMPF. Yes. Well, we're starting to work on that right now, and we've already talked to 20,000 of our customers, and we're hearing that 75 percent—or, less than 25 percent either didn't want the card or didn't know they had the card. And then we're going to—

Mrs. WAGNER. 20,000 out of 2-million-plus customers? You're just getting started now?

Mr. STUMPF. No. The—

Mrs. WAGNER. It took 5 years, sir, just to identify and begin rectifying the problem, and Wells Fargo only just announced their sales incentives will eliminate in October.

Mr. STUMPF. Ma'am, it just—

Mrs. WAGNER. When will customers—will they have to wait 5 years, sir, or longer in order to get relief?

Mr. STUMPF. The 20,000 we've talked so far is out of the 565,000 consumer credit cards. Other ones did not have, from my understanding, a bureau involved. But we're going to talk to all of our customers. We're going to contact them all.

Chairman HENSARLING. The time of the gentlelady has expired.

Mrs. WAGNER. Thank you, Mr. Chairman.

Chairman HENSARLING. The Chair now recognizes the gentleman from Delaware, Mr. Carney.

Mr. CARNEY. Mr. Stumpf, I represent the whole State of Delaware. It's over 900,000 people, one of the bigger districts here in the Congress. We are a banking center, as you may know. We don't have a huge Wells Fargo presence, but could you look in your book, please, and find out how many fraudulent accounts were attributed to people who live in the State of Delaware—

Mr. STUMPF. Okay.

Mr. CARNEY. —so I know what we're talking about?

Mr. STUMPF. I can tell you how many accounts that the PwC analysis could not rule out. These aren't, again—

Mr. CARNEY. And your commitment is to make it right for each of these accounts in some way?

Mr. STUMPF. That's exactly right. And in Delaware—let me see if I have this number right.

Mr. CARNEY. So while you're looking at it—

Mr. STUMPF. Yes, one hundred and—excuse me—4,255 accounts.

Mr. CARNEY. So my responsibility is to make sure and your commitment is to make sure that each of those accounts will be—you will make right by those people.

Mr. STUMPF. We're going to contact every deposit account. We're going to talk to every credit card customer that we can make contact with. We'll try to contact all—in your district, or in your State, there looks like there's 1,793 cards. And, again, I don't know how many of those won't be wanted versus wanted. And we're going to look for the secondary harm.

Mr. CARNEY. Thank you very much.

So part of our responsibility as Members of Congress in this hearing is to figure out what went wrong, whether people are being held accountable, and, most importantly, what we should be doing going forward.

And the thing that I'm struggling with is how long this went on before you were able to stop it. You've heard that question on and on again.

Mr. STUMPF. Correct.

Mr. CARNEY. And it does for me, as Mr. Stutzman asked from the other side of the aisle—and, by the way, I agree with Mr. Capuano. There are very few issues in the 6 years that I've been there where both sides of the aisle are on the same page. When Mr. Meeks and Mr. Capuano and Mr. Posey and Mr. Duffy are outraged on the same subject, you know that something really is going on here.

So what about that question about whether this is an institution that's too big to manage?

Mr. STUMPF. Again, as I mentioned to another—

Mr. CARNEY. Mr. Stutzman asked the question.

Mr. STUMPF. Yes. And I think this is a focused problem. We can get our arms around this, and we will. We have—

Mr. CARNEY. So how can you manage such a large organization with 260-whatever thousand employees, and not be able to answer the questions that Mr. Ellison posed to you about things that were happening on the frontlines? How do you control that activity, which was, really, what was going on here?

Mr. STUMPF. Again, we have leaders in those businesses that could answer those questions. I don't have that level of detail. I can surely get that.

Mr. CARNEY. I would appreciate it if you would. One of the things that I've worked on here—and I'm not going to be here after this next election—since coming is on mortgage finance reform. And entered into the record by Mr. Meeks was a list of Wells Fargo settlements by State and Federal regulators, and there's a whole list of these $5 billion-plus related to mortgage fraud, if you will.

Could you explain to me how your chain of control got out of hand with respect to these violations?

Mr. STUMPF. Let me—regarding the mortgage—

Mr. CARNEY. Much more impactful on the economy, frankly, than these fraudulent accounts, although the fraudulent accounts are really important.

Mr. STUMPF. I don't want to minimize any of our mortgage settlements, but we are, by far, the largest mortgage originator. In fact—

Mr. CARNEY. Which is why I asked the question, right? If you have the level of fraud that was going on with Fannie Mae and Freddie Mac.

Mr. STUMPF. We've made settlements with a number of agencies, as other companies in our industry have. Our settlements have been—we've had far fewer issues, even though we're the largest mortgage originator—and I'd like to make this point—

Mr. CARNEY. The settlements were over warranties and representations made to Fannie and Freddie, which basically indicated the mortgages were what you said they were, correct?

Mr. STUMPF. I believe what you are referring to is an FHA issue that we settled in the last 6 months about—

Mr. CARNEY. That was $1.2 billion. The Fannie and Freddie settlements were $869 million to Freddie and $591 million to Fannie Mae. And essentially, as I understand these settlements, they're over information that was misrepresented to the GSEs.

Mr. STUMPF. I don't have that level of detail right now, but I know this: Since 2009, we've made 11 million mortgages in America to help people get lower rates or buy homes, and that has been very important to our customers.

Mr. CARNEY. With an institution that large and that difficult to manage, how do you make sure that these kinds of things don't happen on the mortgage side as well?

Mr. STUMPF. We have a terrific team on the mortgage side. We've done a lot of work to improve there, and we have great leaders in those businesses, and we're trying every day to get better.

Mr. CARNEY. Well, I'd like to have some additional information if you could provide it—my time has run out—on the basis of these settlements.

Mr. STUMPF. I will do whatever I can with our team to get back to you. Thank you.

Mr. CARNEY. Thank you.

Mr. NEUGEBAUER. [presiding]. The time of the gentleman has expired.

The gentlemen from Kentucky, Mr. Barr, is recognized for 5 minutes.

Mr. BARR. Thank you.

I share in my colleagues' outrage over the unethical and illegal sales practices at Wells Fargo, which opened up over 1.5 million fake bank credit card and Web services accounts in the names of real customers, costing those consumers millions of dollars in fraudulent overdraft and inactivity fees, and potentially hurting their credit scores, through no fault of their own.

And while Wells Fargo does not have a major retail presence in Kentucky, it's likely, it's very likely that many of my constituents in the 6th Congressional District in Central Kentucky were defrauded through Wells Fargo's credit card programs. And if you could reference your materials again, and identify the number of my constituents who may have been impacted.

Mr. STUMPF. Okay. Let me get that. And while I'm getting that, I'd like to make it clear that of the 1.5 million deposit accounts, very few, if any, had any credit impact. We didn't report that to the credit bureau. So we're really talking about credit cards here.

Mr. BARR. Potentially the accounts in Kentucky.

Mr. STUMPF. There were 629 accounts that could not be ruled out. We didn't know—

Mr. BARR. For those 600 of my potential constituents, you've testified today that what happened at your institution over the last several years was not consistent with your culture and ethics.

Mr. STUMPF. Correct.

Mr. BARR. But I have to think about those 600 Kentuckians.

Mr. STUMPF. No question.

Mr. BARR. And my constituents, who may have had an account opened without their knowledge, without their consent, middle-income, hardworking Kentuckians. And that may have resulted in overdraft fees, inactivity fees, and it could very well have damaged their credit score, and, again, through no fault of theirs. So you've said that you want to make this right, but I would say that my constituents, who have been damaged by your conduct, would say that culture that allowed that to happen, that's a rotten culture.

So, let's not lose focus on these victims. Let's not lose focus on those defrauded Wells Fargo customers. And you said your bank will make this right for your customers, and this committee's job is to hold you accountable to make this right. So will you commit to me—and we all have caseworkers and it won't surprise me at all if we get a call from a customer who has been wronged.

Will you commit to me, and your government relations team commit to me, on the record, that you will work with us and our constituents to make this fully right for them?

Mr. STUMPF. Yes. So let me just—the answer is yes with an explanation. We are committed to making it right for every single one of our customers. In fact, we are working with—we're going to have a consultant that the CFPB has to approve. We're going to have mediation. We're going to go back—and I'm interested in results. I'm not interested in—I'll have our team work with your team.

Mr. BARR. I appreciate that, because clearly, there was a lot that went on wrong with your bank. No one did enough. No one did enough fast enough to fix it.

Secondly, I want to tell you who I also think about in addition to those constituents who have been harmed. I think about the community banks and credit unions in my district. And I've talked to many people who worked for small institutions in rural Kentucky who are your competitors. And the fact that this scandal has painted a bad picture for the entire banking sector. And frankly, the institutions in my district that are those community banks and credit unions, they don't have your culture, but now they have a tarnished reputation because they've been swept into this with you.

And we've been fighting for regulatory relief for these small community banks, and these credit unions, that, frankly, represent competition to big banks like you. And so what I worry about are these small community banks and credit unions that are now going to have to deal with the ramifications of the bad acts of your institution.

Can you comment on your colleagues in the banking sector that now are going to have to live with the regulatory onslaught that is likely going to sweep them into this when they are not at fault? And, frankly, they don't have a culture like yours?

Mr. STUMPF. Again, I am sorry for what we did. I'm sorry that we didn't move fast enough. Again, the vast majority of our people, even in our regional bank, especially in our regional bank, did exactly what was right. They followed our culture. This is about people who did not do the right thing, or at least about behavior that was not right, and I accept responsibility for that, and I'm sorry about what happened.

Mr. BARR. And one final question is, you testified today that you should have known sooner that product sales goals would have elicited bad behavior. Was it your policy at the time that all of this was going on to notify customers when an account was opened?

Mr. STUMPF. When an account was opened that was not funded, we had it automatically, within 60 or 90 days, removed from the account file. It was not until 2015 that we finally put it together, that there could be a fee doing this. So that's when we did the full-blown study back to 2011.

Mr. BARR. I would think that best practices going forward, at least, and in the past, should have been to notify a customer when you open an account.

I yield back.

Mr. STUMPF. In fact, we do that today. Within one hour of an account being opened today, they get a notice that an account has been opened. And we won't even pull a credit bureau unless we have a signature.

Mr. NEUGEBAUER. I now recognize the gentlewoman from Alabama, Ms. Sewell, for 5 minutes.

Ms. SEWELL. Thank you, Mr. Chairman.

So it looks as if Wells Fargo has done somewhat of a deep dive on the, I guess it's 1.5 million checking accounts and half a million credit cards?

Mr. STUMPF. Correct.

Ms. SEWELL. So can you tell me, with any specificity, what demographics was most affected? Was it California? I represent Alabama.

Mr. STUMPF. Yes.

Ms. SEWELL. So could you tell me how many folks in the State of Alabama were affected by this?

Mr. STUMPF. I can tell you, it does not—it was more in the West and the Southwest, but let me get to my numbers here.

Ms. SEWELL. And while you're looking, I also want to know whether or not you have identified any commonality between those folks who were affected, either geographical, demographics, race, ethnicity, etc.

Mr. STUMPF. It's a good question.

Ms. SEWELL. —income level. Have you sort of isolated as to who was most affected by the fraudulent actions?

Mr. STUMPF. That's a good question. Of the 2 million accounts that we could not identify, we couldn't rule them out, there was no—in fact, the deposit side skewed to younger people, not older people. And we don't take—we don't use race or ethnicity, we don't capture any of that information. Only age is what we capture. But I do have a number for—

Ms. SEWELL. What about income? Obviously, when people are opening up credit cards, they have to say what range of income. Any of those identifiable commonalities between those?

Mr. STUMPF. I should have mentioned that. On the deposit side, I don't think we do that. On the credit card side, I don't have that information, but I can surely get back to you on that.

Ms. SEWELL. I'd like to—

Mr. STUMPF. Or at least have our team talk to you about that.

Ms. SEWELL. And you were looking up Alabama to see in the State of Alabama how many customers were affected?

Mr. STUMPF. And Alabama had 22,795 accounts—accounts, not necessarily customer accounts—that they could not rule out. I don't know how many of those are going to be—

Ms. SEWELL. So 22,700?

Mr. STUMPF. And 95.

Ms. SEWELL. And 95. And I can assume from all your testimony repeatedly here today that the customers in my State will be made whole or made right, as you like to say.

Mr. STUMPF. That is our goal for every customer, and I can—

Ms. SEWELL. Now, my real question is this: Being made right includes more than just being made whole for the damage that was done personally to the customer. The reality is that you've violated the public trust. It seems to me being made whole also should go to all of the bonuses that were received off of fraudulent information over the time period that has been identified.

Now, how much money have you made over the 5 years of 2009 to 2015 in just bonuses? I'm not talking about your compensation, just bonuses?

Mr. STUMPF. I don't recall exactly, but let's say—

Ms. SEWELL. Would it surprise you to know that you were paid $12 million in bonuses for at least the last 3 years?

Mr. STUMPF. Let's say it's $18 million or $20 million. I don't recall the exact number.

Ms. SEWELL. So I guess my frustration is that being made right is not just about the personal damage that was done to the customer base. It really is about the public trust, and—

Mr. STUMPF. It is.

Ms. SEWELL. —that to me goes to every level of your company being unjustly enriched by a fraudulent scheme such as this. And

I'd like to know what your thoughts are about how Wells Fargo plans to make right to the public on such a magnitude?

Mr. STUMPF. Yes. Thank you for that. First of all, I think it's important to note that fraudulent or unused accounts hurt customers and they hurt us. In fact, the $2.6 million of fees that we found for this 4 years cost us $10 million to produce. That's a losing operation. There was—people invest in our company for a whole lot of reasons, and one is about deep relationships of customers who use products. So an unwanted product, an unused product is just—

Ms. SEWELL. With all due respect, sir, I understand that it hurts you, but I'm here to tell you that the customer base and the 22,000 folks in Alabama are much more egregiously hurt than you.

Mr. STUMPF. There is no question, and I agree with you.

Ms. SEWELL. And I just want to go back to the comments of my colleague, Mr. Ellison, who was really trying to capture the bad business practices of your sales force. Now, do you still have that line of business? Is that line of business still a part of the portfolio of Wells Fargo?

Mr. STUMPF. We have a great retail banking business. We love it. And we're getting rid of sales goals. In fact, our customer—

Ms. SEWELL. What else are you doing to make sure that this does not happen again?

Mr. STUMPF. If I can just quickly answer that. For any credit card opened or, any deposit account opened, there has to be a signature today. If there's not a signature of a customer, it can't get opened. We're also doing mystery shopping, to make sure our people are doing the right thing.

Ms. SEWELL. What's to stop a fraudulent signature?

Mr. STUMPF. Because you have to put in your PIN. Only the customer knows that.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Rothfus.

Mr. ROTHFUS. Thank you, Mr. Chairman.

Mr. Stumpf, these charges against Wells Fargo violate any legal or ethical standard. We know that Wells Fargo employees, over years, opened 2 million accounts for customers without authorization. To hit sales targets and draw additional fees, bank employees falsified accounts and engaged in egregious deceptive practices. This was theft, plain and simple. That the offending Wells Fargo employees did what they did, in a systematic way, represents a gross violation of trust.

When I first heard about these activities, my first thought was this falls into the, "You've got to be kidding me" category. One is left asking, how does this happen?

Over the course of the last 5 years, Wells Fargo was firing 1,000 lower-level employees each year. We learned in last week's testimony that it was not until 2014 that various committees on Wells Fargo's board were informed. It's incredible that this did not rise to the attention of the board immediately, and it's incredible that it did not end sooner.

By any standard, these actions were wrong: 5,000 people, perhaps more, lied, cheated and stole from customers whom they thought would trust them. How many people in Pennsylvania were affected by this?

Mr. STUMPF. I'll take a look at that. As I am doing that, I just want to make a couple of comments. Many of these people, over 10 or 15 percent, were bankers or bank managers. These weren't all lower-level people. They were in the mid-30's to 60's.

Mr. ROTHFUS. How many levels in the organization chart at Wells Fargo are there?

Mr. STUMPF. It depends on the operating business, so there could be—

Mr. ROTHFUS. Are there 10 layers?

Mr. STUMPF. It could be 8 or 9 or 10 layers.

Mr. ROTHFUS. Eight or nine or 10. So a third-level employee wouldn't be considered a lower-level employee?

Mr. STUMPF. The fact that these were—

Mr. ROTHFUS. How many people in Pennsylvania?

Mr. STUMPF. In Pennsylvania, 79,918 accounts we could not exclude. Again, that's about the 2 million. There's—you know, we're looking at—also understanding, right, on credit card, only 20—only 25 percent could not remember or did not order—

Mr. ROTHFUS. How many branches does Wells Fargo have?

Mr. STUMPF. In our total company?

Mr. ROTHFUS. Across the country.

Mr. STUMPF. 6,200.

Mr. ROTHFUS. How many branches are identified as being involved in this scandal?

Mr. STUMPF. I don't have that number. I don't know if there was a team member—

Mr. ROTHFUS. Is this a coast-to-coast scandal?

Mr. STUMPF. Well, first of all, it's exception—it's behavior that we did not want, and I don't know if it affected every State or every region. I just don't happen to have that information.

Mr. ROTHFUS. In the last 5 years, how many branches have you visited personally?

Mr. STUMPF. I don't keep a count of that, but I'm—pick a number, maybe 1,000.

Mr. ROTHFUS. Do you make it a practice to go behind the counter—

Mr. STUMPF. Absolutely.

Mr. ROTHFUS. —and work as a teller or as a representative?

Mr. STUMPF. To work as one?

Mr. ROTHFUS. Yes. Have you ever seen the show like Undercover Boss, where the CEO comes in and does the frontline work?

Mr. STUMPF. Yes. I'm not trained or allowed to do that, but I walk behind the teller line and I meet our people. I talk out in front with our bankers. There's—

Mr. ROTHFUS. You wouldn't have waited on a customer and maybe stood in the shoes of one of those frontline employees, maybe tried the cross-selling practice?

Mr. STUMPF. I've talked with them. And the vast majority of our people are excited. Our culture and our—in fact, we have engagement scores. Every year, we do—about 93 or 94 percent of our people participate in the regional bank in a Gallup survey that brings into account are you happy in your job? Do you get rewarded?

Whatever. And our people are 14-to-1, 15-to-1 engaged, some of the highest scores in the industry.

Mr. ROTHFUS. Some of those employees had an issue. How many whistleblowers are there, do you know?

Mr. STUMPF. I do not have that number.

Mr. ROTHFUS. Do you appreciate the kind of courage that it takes to be a whistleblower?

Mr. STUMPF. Well, absolutely. Our people can call an ethics line, and they can do it—

Mr. ROTHFUS. You have no idea how many whistleblowers there are?

Mr. STUMPF. I don't have—

Mr. ROTHFUS. CNN is reporting dozens. Do you think that's accurate?

Mr. STUMPF. I don't know. And we're going to work on—every name that we get, we're going to work on.

Mr. ROTHFUS. Do you have any idea of how many of these people are no longer employed at Wells Fargo?

Mr. STUMPF. I don't have that number for you.

Mr. ROTHFUS. Any idea how many would have been demoted?

Mr. STUMPF. I didn't get—

Mr. ROTHFUS. Any idea how many may have been demoted, if any?

Mr. STUMPF. I don't have that number for you, sir.

Mr. ROTHFUS. I would suggest that, again, given the courage it takes for somebody who spots something like this to speak, and the historic protections that should be attributable to whistleblowers, that this would be a top priority.

Mr. STUMPF. And we have an anti-retaliation program.

Mr. ROTHFUS. How many people at Wells Fargo are now working on the whistleblower issue?

Mr. STUMPF. I don't know that issue. I could have my team work with your staff and tell you.

Mr. ROTHFUS. Do you have any idea how many honest Wells Fargo employees may have lost out in a race with some of the fraudsters?

Mr. STUMPF. I don't have that answer for you. But we've got 268,000 terrific team members.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Illinois, Mr. Foster.

Mr. FOSTER. Thank you, Mr. Chairman, for holding this hearing so we can examine the abusive and fraudulent practices that were so pervasive at Wells Fargo. I'd like to start by reiterating what many of my colleagues have said, that this corporate malfeasance is exactly why we need a strong and independently funded CFPB. As Director Cordray testified in the Senate last week, the CFPB learned about the fraud at Wells Fargo through its whistleblower line. It's my understanding that he offered to be here today, but it appears that his testimony was not needed to understand the role that his agency played in bringing the fraud to light. And I suppose that we don't need his testimony because the CFPB has returned more than $12 billion to 27 million Americans, and this case adds to that record.

The CFPB did not learn about the fraud because Wells Fargo self-reported. In fact, the record suggests that you, Mr. Stumpf, were informed about the fraudulent accounts anywhere between 2 and 4 years before self-reporting by Wells. In the wake of this incredibly egregious institutionalized conduct, you have now come to Washington to say you're sorry. Well, of course, your apology is appropriate, as is foregoing a portion of your compensation, but that does not address the core problems in the culture of the institution and the governance rules that allowed it to develop.

As someone who started a manufacturing business and served on its board, I understand that corporate culture starts at the top and eventually permeates the entire organization; but your response to the gross misconduct that drove results that you prided yourself and the bank on has been underwhelming, to say the least, because it's clear that the simple motivations of keeping the trust of customers, of shareholders, and the jobs of 5,300 frontline employees has not been enough incentive to drive a culture of compliance among management.

So my first question to you, Mr. Stumpf, given this situation, which actually should be a case study for corporate mismanagement in every business school and law school in the country, is what specific governance rules should have been in place that would have prevented these abusive practices?

Mr. STUMPF. Thank you for your question. I acknowledged before that we should have done more earlier. We should have brought our corporate resources in earlier, and we should have obviously gotten rid of sales goals earlier, because they were misunderstood or misrepresented by some of our team members. I think that would have been good governance.

Mr. FOSTER. Okay. I think I'd like to actually focus on specific proposals. I think we've all been impressed by this list of settlements and penalties that have been imposed on Wells since the financial crisis that has been scrolling on the monitors here. And, without objection, I'd like to enter that into the record.

Chairman HENSARLING. Without objection, it is so ordered.

Mr. FOSTER. And one specific proposal that has been made is that regulators' penalties for illegal practices should be paid first out of the bonus pool for top executives, so that you and every one of your top executives would have your bonuses at risk for any malfeasance in any corner of the organization, rather than having the regulatory fines being taken largely out of the hides of shareholders.

So my question to you is, if everyone knew that the regulatory fines were to be paid out of the bonus pool, would that have helped change the corporate culture that led to these abuses?

Mr. STUMPF. I can't speculate on that. I know that in my case, the board is independent, and the board actually took my recommendation and passed that. We filed an 8-K on that yesterday. And I'm going to do all I can to lead this company going forward.

Mr. FOSTER. And we all can speculate on what fraction of that compensation clawback would have happened without the attention in the press and by Congress on this. For example, if you knew that the bonus pool would take a hit for any regulatory fines, wouldn't that actually create an incentive not to develop a bank which was effectively too big to manage?

Mr. STUMPF. First of all, I disagree that we're too big to manage. We need to focus more on this issue, on operational issues and on compliance issues. But, again, we do many, many areas really well. And I'm sorry that we didn't get everything right along the way. And we've made settlements, we've tried to make it right for customers.

But recognize also, we do a lot of really good things. We're a great corporate citizen, and 268,000 team members really try to get it right every day for all of our customers.

Mr. FOSTER. As we look for bipartisan solutions to try to prevent this sort of thing from happening again, I find that a very interesting suggestion.

And just a last quick question. Many of the actions that were taken here hurt the credit scores of customers, which made it difficult for them to buy mortgages. And are you specifically looking to find out if any of your customers have been denied mortgages because of action you've taken?

Mr. STUMPF. We're going to dig into that and make it right. We will.

Mr. FOSTER. Thank you.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from New Hampshire, Mr. Guinta.

Mr. GUINTA. Thank you, Mr. Chairman.

Thank you, Mr. Stumpf, for being here. I share in the frustration and the anger and the displeasure of my colleagues on both sides of the aisle relative to this particular issue. And I have listened over the course of your testimony, and there are a number of what I would consider inconsistencies, either based on what you've said today, what was in your oral testimony, or what you had stated in the Senate hearing last week.

So I want to clarify a few things. In your oral statement, you said that you made a recommendation to the board that it take certain actions regarding your salary and other pay.

Mr. STUMPF. That is my testimony and that's accurate.

Mr. GUINTA. When did you make that recommendation?

Mr. STUMPF. It was—today is Thursday. It was sometime before the independent board met without me. I don't recall. It might have been—it was before or during the board meeting. But I referred—I made comments about that to our lead director that I wanted to do that.

Mr. GUINTA. Are we talking about last week or this month?

Mr. STUMPF. Last week.

Mr. GUINTA. Last week. Before or after the 20th?

Mr. STUMPF. What day is today?

Mr. GUINTA. The 20th was Tuesday. Today is the 29th.

Mr. STUMPF. It was sometime after—it was sometime on the weekend, I believe, to the best of my recollection.

Mr. GUINTA. So it was after the Senate hearing?

Mr. STUMPF. It was after the Senate hearing.

Mr. GUINTA. So before, you had said to the Senate Banking Committee that you didn't want to prejudice the compensation committee or the board process.

Mr. STUMPF. Correct.

Mr. GUINTA. And since the 20th, you did exactly that. So what has changed from the 20th to today, the 29th?

Mr. STUMPF. I felt that it would not prejudice them. I didn't want to prejudice them, but I thought it was—and they can do more if they want to. They have all the rights and responsibilities.

Mr. GUINTA. No, I understand that. What I don't understand is on the 20th, you said to the Senate you did not want to prejudice them, and then 4 days later, the 24th, which is the Saturday over the weekend, you did a reverse course. So what happened between the 20th and the 24th for you to change your mind on that issue?

Mr. STUMPF. I decided that this was a good way to show, at least a step, a start to show my level of commitment.

Mr. GUINTA. Why wasn't that important then before the 20th?

Mr. STUMPF. I was preparing for other things and it didn't cross my mind at that time. I developed that thinking sometime over the weekend.

Mr. GUINTA. That's a pretty big compensation hit, right?

Mr. STUMPF. Again, it's what I thought was right for me to recommend to the board at that time. And they can do more. They have all the independence. And I didn't believe that—I thought that was the right thing for me to do.

Mr. GUINTA. What about the clawback of Ms. Tolstedt's pay? When did you make that recommendation?

Mr. STUMPF. That recommendation—she does not report to me. That recommendation was made by her boss.

Mr. GUINTA. When were you aware of that recommendation?

Mr. STUMPF. I was aware of that sometime—

Mr. GUINTA. Before the 20th?

Mr. STUMPF. It was sometime over the weekend also, I believe. I don't recall the exact days. Maybe—

Mr. GUINTA. Both were after the 20th?

Mr. STUMPF. Yes.

Mr. GUINTA. I want to go to a different issue. Do you currently have sales goals at Wells Fargo today?

Mr. STUMPF. They end in our regional bank tomorrow, because—and the reason we didn't take them out before, we have—the vast majority of our people do the exact right thing. We don't want to hurt them from a compensation perspective. And we thought we could do this, and do it right, and put other goals like customer loyalty and other things that our customers really appreciate by January 1st. We now know that we can do it by October 1. So we don't want to hurt them, and we also want to make sure our customers get treated well.

Mr. GUINTA. Let me move on to the CFPB. You've been asked several times how many employees of the CFPB were embedded at Wells Fargo. And I think what you said is something to the effect that you will do your best to work with us, but you didn't say clearly whether you would actually provide us that number. So I'm curious, would you provide us with that number when you get it?

Mr. STUMPF. Again, I don't know that answer. I'll work with our team. The best I can do is promise you that I'll work—I'll consult my team—

Mr. GUINTA. I understand you don't know the number today. I'm saying, when you work with your team to identify the number, will you then share it with Congress?

Mr. STUMPF. Again, I don't know if that's a—if that's a confidential supervisory matter or information.

Mr. GUINTA. CFPB employees are public employees, aren't they?

Mr. STUMPF. I don't want to make a promise to you that I can't keep. So I will promise that I'll take a look at it.

Mr. GUINTA. Would you speak with your leadership and try to get us something in writing as to whether you can provide us that answer?

Mr. STUMPF. I will work with them as soon as one of these things get done.

Mr. GUINTA. Thank you, sir.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Maryland, Mr. Delaney.

Mr. DELANEY. Thank you, Mr. Chairman.

Thank you, sir, for being here. A lot of focus has been on your cross-sales or your cross-sell culture at the institution. It's something that the institution has been very proud of. When you acquired Wachovia back in 2008, your former chairman, Dick Kovacevich, who I think was probably the architect of your cross-sell program, said, we are combining the industry's number one ranked customer service culture of Wachovia—and I was a very substantial Wachovia customer in my prior life in business and I had nothing but a terrific experience—

Mr. STUMPF. Thank you.

Mr. DELANEY. —with the industry's number one sales and cross-selling culture of Wells Fargo. This is 2008. Analyst reports across the last decade would talk about the cross-sell culture of Wells Fargo. But several analysts also pointed out that there was risk inherent in this and, in fact, that this culture might be undermining the customer experience, including a well-known banking analyst who said, "Wells Fargo suggests that a successful bank is one that keeps seeking new customers and selling as aggressively as possible more products to them and not getting bogged down in customer service."

So the question I have is, your board of directors—because when you have a very large enterprise like you do, the governance process is incredibly important. Did the board of directors ever discuss, at the board level, whether the cross-sell culture had gotten out of control at the bank? Because you were clearly outperforming your peers, and you were proud of that, and you bragged about it and you had a swagger about it. And the law of large numbers just leads us all to believe that it is very hard to significantly outperform your peers, particularly when they are very big and they are also sophisticated operators like your competitors are.

Did your board ever talk about this issue? Did they ever actually sit around and examine whether this culture had gotten out of control, particularly after 4 or 5 years of having to let go so many people?

Mr. STUMPF. Congressman, I don't know all of the things that our board talks about, because I'm not in all the meetings, but I will say this: Cross-sell is our shorthand for depth of relationship. We love that. When customers do more, they get more value, it helps everyone.

Mr. DELANEY. But you also make more money when you cross-sell. There are two ways of looking at cross-sell. It's either really good for you or it's really good for the customer, depending upon whether they needed the product or not. I'm really getting at the board's responsibility, because your board is responsible to make sure that you're setting the right tone at the top.

Mr. STUMPF. Correct.

Mr. DELANEY. You're also responsible for that. I'll come back to that in a second. But the board is responsible for actually examining the business practices of the bank. So did your board—you're the chairman of your board.

Mr. STUMPF. Correct.

Mr. DELANEY. So you may not be there. They have executive sessions where they may ask you to leave. You're certainly not there when they discuss your compensation. But for most of the meetings, you're there. You set the agenda. You probably sit in on most of the committee meetings. I chaired a public company board for many years.

Did you ever—did the board ever talk about whether the culture in the retail banking business, and all of the accolades you were receiving for your cross-sell success, and the fact that several analysts had focused on the fact that you were overly aggressive with respect to this, did they ever actually ask the question, should we look into this? Did they ever exercise their fiduciary responsibilities around this issue, in other words, ensuring that your customers were getting an appropriate service, which they obviously weren't?

Mr. STUMPF. Yes. And yes, the answer is yes. They—

Mr. DELANEY. So you can get us evidence that the board actually has examined this issue across the last several years?

Mr. STUMPF. Yes, I can do that.

Mr. DELANEY. Did you ever give speeches where you said it is as important to make sure we're putting our customers' interests first as it is to achieve our cross-sell objectives?

Mr. STUMPF. I don't recall; I give lots of speeches. But I always talk—when I am with team members or out in the public, I try to talk about the fact that what's good for customers is good for us. And I think it's really important, because you're asking some really good questions here, that the idea that somehow having a customer have more products that they don't use helps us is absolutely wrong. It only helps if they use them.

Mr. DELANEY. Well, if they pay for them, it helps you.

Mr. STUMPF. Virtually all of them are free.

Mr. DELANEY. Getting back to the tone at the top, can you find any evidence and share with us where you actually said, it is as important to make sure we put our customers' interests first as it is to achieve the sales goals we've set for this institution?

Mr. STUMPF. In fact, I don't know, I can't recall all my words, but I do know this: Every talk I talk about, it's about customers and putting them first.

Mr. DELANEY. Now, your largest shareholder has a famous expression where he says: It takes your whole life to build your reputation and you can lose it in 5 minutes. Do you think you and your institution have permanently lost its reputation?

Mr. STUMPF. We have a lot of work to do to build it back, and I'm committed to do all I can to make that happen.

Mr. DELANEY. Thank you.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Texas, Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

Mr. Stumpf, just like many hardworking Americans and members of this committee, I am really angry. And I also am a customer of your bank. But I'm amazed at what you do not know about your business. I am really amazed. And I've heard more, "I don't know's" from a CEO than I think I've ever heard in my life.

I came to Congress to deregulate, and because of your actions, it's really making it extremely difficult for me to advocate for Main Street or community banks. So I have one simple question for you: When are you going to resign?

Mr. STUMPF. I serve at the pleasure of the board. I am giving all my energy now to leading this company through this.

Mr. WILLIAMS. But you can resign without the board telling you, so I just wanted to know that answer.

I'm also angry because a large number of Wells Fargo employees opened accounts for existing customers without their knowledge, which is pure wrong, it's just wrong. And I'm angry because Wells Fargo agreed to pay $190 million in collective fines and restitutions, which we talked about today, and you don't even have to admit any wrongdoing. And I have news for you, people don't care about your hurt, they care about their hurt, and I'm tired of hearing about that today. And I'm angry because, under the Dodd-Frank Act, Wells Fargo would still be eligible for taxpayer-funded bailout. And I'm angry because I'm a strong supporter of banks, both big and small, but today you really make it hard. What you've done has really hurt Main Street.

And finally, Mr. Stumpf, I'm angry because I'm a business owner. I own a business right now. I'm a borrower. I've been in debt more than I've been out of debt in my life. For 44 years I've owned my business, and it sickens me to think that you took advantage of customers in the manner that you've done. Customers are important. They don't make that many customers.

And, Mr. Chairman, I have also learned—if I've learned anything over the last 44 years, it's two things: The customer is always right. And you've tried to teach us your business today; we don't need to hear that.

And reputation, which we've already talked about, is all you have when you go to bed at night. And when you lose your reputation, you've got nothing. And frankly, it's going to take Wells Fargo a long time before they can restore customer confidence in that reputation we're talking about.

So let me start off with this: In the past, I've been part of a banking board like many have in here, big banks, small banks. So I understand what that entails. I certainly understand the charge that is given to that board to make the bank successful, but ultimately you answer to the shareholders. But as we heard you discuss with the Senate Banking Committee earlier today, top executives knew about the fraud under your watch in 2013. So, again, as someone who has sat on a board, I find it troubling that no action would be taken at all.

So we've established that no action was taken by you or your board in 2013, but what about your outside auditors which we've talked about? Can you tell this committee again—and you've touched on it a little bit—who they were and if you advised them of this two-year-old systemic fraud?

Mr. STUMPF. So I'll get to your question. And our outside auditor is KPMG. They do a wonderful job. And this is on us. We should have done more earlier, and there's no question about that. And I don't, in any way, want to minimize whatever portion of those 2 million accounts were unauthorized. We take that seriously. And they are the ones we put first.

Mr. WILLIAMS. So let me move on. As CEO and chairman of the board of Wells Fargo, how often did you meet with your board of directors?

Mr. STUMPF. We have eight board meetings a year.

Mr. WILLIAMS. Did anyone on your board tell you to stop the incentive program, that they didn't like it, they didn't think it was good?

Mr. STUMPF. There is a committee of the board that is human resources and compensation, and that's not chaired by me. I'm not a member of that committee.

Mr. WILLIAMS. So you don't know?

Mr. STUMPF. I do know that we have incentive programs and we have controls and we have self-worth, and I don't—that's what I know about that committee and about our business.

Mr. WILLIAMS. Did anyone on the board raise any concerns with the incentive program?

Mr. STUMPF. There were people—as we started to understand this issue, the board took direct action to make sure that, along with management, we understood where the customer harm was, and to make sure that the sales process, that we did not have unethical behavior going on.

Mr. WILLIAMS. I'm running short on time. I'm from Texas.

Mr. STUMPF. I lived in Texas for 6 years.

Mr. WILLIAMS. How many people in Texas were affected by your mismanagement?

Mr. STUMPF. There were 149,857 accounts that we could not rule out as a possibility of being unauthorized.

Mr. WILLIAMS. Thank you, Mr. Chairman, I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

Pursuant to clause (d)(4) of Committee Rule III, the gentleman from Washington, Mr. Heck, will be recognized for an additional 5 minutes upon the conclusion of the time allotted to him under the 5-minute rule. The gentleman from Washington is recognized.

Mr. HECK. Thank you, Mr. Chairman.

Mr. Stumpf, after sitting here patiently for nearly 4 hours, my takeaway, frankly, sir, is that you are in denial. And I say that because I can't reconcile much of what you have said with the known fact pattern. You have said, I didn't know, in essence. You said, a very small percentage of our dedicated workforce was actually engaged in this behavior. You said you're sorry; in fact, you're very sorry. And you said, we're going to fix it.

But the facts are that 5,300 of your employees were fired for inappropriate behavior. And they were fired because they, in effect, misappropriated millions of dollars in fees without the agreement of your customers, an act which you yourself agreed with Congressman Duffy constituted stealing. And all of this and the publicity surrounding it led to a $25 billion reduction in the market capitalization of your company. I cannot reconcile what you said with those facts and I can, therefore, only conclude that you are in denial.

Some here, several, have said you should resign. Frankly, I don't personally see how you survive. I don't know this. But I too have been on a board of directors, and it's virtually inconceivable to me that your board of directors would see fit to claw back $41 million in bonus and incentive pay without also concluding you're no longer the correct person to lead this organization.

But the truth is, it's not your survival that I am concerned about. I am concerned about your company, your bank, your institution, the 268,000 people that you employ, and more importantly, the millions and millions of depositors. I'm more concerned about the trust level in Wells Fargo and in the financial sector, banks and credit unions, because it is, in fact, vital and the heartbeat of a market-based and capitalist economy. And I'm very concerned about what you and the company have done in the way of damage to that.

I'm not going to suggest that you resign. I don't think it'd do any good, because I think you are in denial. But I am going to remind you of some things that you have said. I know right from wrong. I tried to lead with courage. I'm going to make it right. You also said that you feel privileged to lead Wells Fargo.

Mr. STUMPF. Right.

Mr. HECK. And on that, sir, I'm going to take you at your word. And so my hope, my request—and this is not a question. In fact, I would suggest that it's beyond a hope, it's a prayer—that in the quiet and solitude of your home and in discussions with your family, you ask yourself what's in the best interest of Wells Fargo? What's in the best interest of Wells Fargo, sir, not you.

I do have a quick question. I think some other people have noted that it looks like you're repeating some mistakes in the facts of this case, falsified applications, consumers being pushed into products they don't want, and all driven by aggressive sales goals that are almost identical to your practices that led to a record fine against you in 2011. In fact, in 2012, you paid violations for violating the Servicemembers Civil Relief Act (SCRA) for foreclosure of homes in violation of Federal law.

I am privileged beyond measure to represent 20,000 uniformed personnel at Joint Base Lewis-McChord. You're under investigation again, sir, for violating the Servicemembers Civil Relief Act for foreclosing on cars. Also prohibited. We don't want men and women in uniform—

Mr. STUMPF. Correct.

Mr. HECK. —worrying about that when they're putting their life in harm's way. And I'm going to predict that you're going to pay another fine for violation of SCRA in the millions of dollars.

So rather than ask a question, I'll just say, this pattern just keeps repeating itself. You pay a fine, you promise to fix it, and then lo and behold, a few years later, we're back at it, the same thing again.

And with that, Mr. Chairman, I would like to yield the balance of my time to the ranking member from California.

Ms. WATERS. Thank you very much, Mr. Heck, for yielding this time to me.

As you know, as the ranking member, I have the responsibility for some kind of leadership here, and I'm very pleased that I was able to work with the chairman of this committee, Mr. Hensarling, today to get this hearing. But as I have sat here, recognizing the size of Wells Fargo, $1.9 trillion in assets, with over 6,200 bank branches, 268,000 employees, it's really striking me how huge this bank is.

I'm also concerned about whether or not, as chairman and CEO, you can really know what is going on at the bank. I am concerned about the length of time it took you to know what's going on, and I'm concerned that maybe you don't have a handle on your management and what the reporting process is that would make you aware of what's going on.

You praised Ms. Tolstedt for her management of the division, even though she had fired 1,000 employees for this fraud in 2011, and yet supposedly it took you 2 years to know about what had happened. She didn't tell you. She withheld the information. And you indicated in her glowing retirement that she had done a great job.

I'm really concerned about whether or not—in fact, you understand that we have been sitting here fighting to implement Dodd-Frank and trying to work out some of the problems that have been identified with Dodd-Frank. But you are on the board of directors of the Financial Services Roundtable. It's an advocacy group for the banking industry that has worked to defund the CFPB, hobble its structure, and remove its ability to curb abusive practices. Now I want to know perhaps what you think, now that Wells Fargo has been caught by the CFPB for all of this fraud, and I wonder if you denounce the Financial Services Roundtable's actions to get the CFPB.

In addition to that, while we've been sitting here, I have learned that maybe not only is Wells Fargo too huge to manage, but maybe the reason you don't know some of the detail is because you also sit on a number of big boards. You're sitting on the board of Chevron for $375,000 in total compensation per year, and you're on the board of Target Corporation for $272,000 in total compensation per year. You have a responsibility to them. You have a fiduciary responsibility. And in addition to that, during this hearing, Bloomberg sent out an alert that you will be facing a $20 million penalty for improperly repossessing cars from members of the military. It appears that the company can't even make it through this congressional hearing without us learning more and more information about what is going on at Wells Fargo.

I appreciate your apology. I appreciate the clawback and all of that.

But, Mr. Chairman and Members who are left, I have come to the conclusion that Wells Fargo should be broken up. It's too big to manage. I served on the conference committee for Dodd-Frank. We talked a lot about the living wills and how to learn more about how these banks are put together and how they operate. And, of course, the five largest banks in this country have failed the living wills test, including Wells Fargo. And so I'm looking at living wills and the inability to pass the test. I'm looking at stress testing. I'm looking at size. I'm looking at this particular fraud that has gone on, and I'm worried for the whole banking community that the public cannot and will not continue to trust our banks, which we need in this economy in order to do the business to make the economy work and run. But they're looking at us and they're saying for all of you, particularly those of you who serve on the Financial Services Committee, you're letting us down, you're not protecting us.

And so, with that, Mr. Chairman, I'm going to be talking with you and the members of this committee who showed their outrage here today. I'm moving forward to break up Wells Fargo bank.

Mr. STUMPF. May I respond to that, please?

Chairman HENSARLING. We'll give the witness an opportunity to respond.

Mr. STUMPF. As I said before, I'm sorry that we didn't get this right. I take this very seriously. I'm not in denial. And we will get this right. We will fix this. We do a lot of things really great. California is our home State. We've been there for 164 years. We are a major employer, a major philanthropic institution, and we are privileged to serve so many great customers there, and we'll do that the best way possible.

Chairman HENSARLING. The time of the gentleman from Washington has expired.

Pursuant to clause (d)(4) of committee rule 3, the gentleman from Arkansas, Mr. Hill, will be recognized for an additional 5 minutes upon the conclusion of the time allotted to him under the 5-minute rule.

Mr. HILL. Thank you, Mr. Chairman. I thank the ranking member for holding this hearing.

Mr. Stumpf, thank you for being willing to appear today. I appreciate your forthright testimony.

I have been a customer of your company and I've admired your company and I've used your company as an example for my own businesses in the past 20 years in developing what I thought were best practices and goal-setting for retail bankers across the businesses that I was associated with in the 1990s and the 2000s. And during that period of what has happened recently, I've recommended your company as a company to do business with and a stock to own.

So that comes with a pretty heavy burden for me. I have the same knot in my stomach that you probably have.

Mr. STUMPF. Yes.

Mr. HILL. Because, in my view as a former person who has worked in finance on and off for 35 years, this just isn't a one-off situation down in the Los Angeles basin that Wells Fargo is struggling with. It really is a systemic compliance failure inside the, I assume principally, the retail portion of the bank.

And I know that it's a huge frustration for those of us on this committee and for your members of your board and your management team, and very hurtful to the customers that have been damaged by it, their reputations, their credit potentially, including the 933 people in Arkansas who have been affected by this, that resulted in 4 people who apparently worked for you in Arkansas who were fired as a part of the sweep across your company.

So you've told us today about line management between you and the branch manager, many layers, branch managers, regional managers, area managers that report up, I assume, to Carrie Tolstedt who has been discussed today. Is that generally right?

Mr. STUMPF. Yes. There's a new leader now in that retail banking business. Her name is Mary Mack. And they have—and she's now in charge of that organization.

Mr. HILL. And did Carrie report to Tim Sloan or report to you?

Mr. STUMPF. She reported to me until maybe about a year ago or so. I don't recall the exact date. But then she reported to Mr. Sloan after that.

Mr. HILL. And the credit card issue I assume doesn't report to her. Does that report to the consumer lending executive or to the community bank?

Mr. STUMPF. That's—that—the—there's a relationship there, but it reports in someplace else. That's right.

Mr. HILL. Okay. So it's a matrix management to the retail side, but through the consumer lending channel is where credit cards—

Mr. STUMPF. I would describe it this way: That the retail bank would talk to customers and then they would send the request over to the credit card group, which would do the underwriting and fulfillment.

Mr. HILL. And all those people that I named all sat on your operating committee of management. And how often does that group meet and is it by teleconference—

Mr. STUMPF. No.

Mr. HILL. —or is it face-to-face?

Mr. STUMPF. It's largely face-to-face. It's every Monday.

Mr. HILL. Every Monday. And so unrelated to the board, which meets just—I think you said in 2015, you had nine meetings of the board.

Mr. STUMPF. I thought it was eight. But it might have been nine.

Mr. HILL. Yes. And you had 14 meetings of the audit committee during 2015, according to your proxy. But that operating committee meets every Monday.

So one question I have is, do you remember this being talked about at that operating level when line managers bring their top concerns to you, and was it in this same timeframe? It wasn't until maybe 2 years after this was really manifesting itself in Los Angeles?

Mr. STUMPF. Yes. It was being managed within the business in 2011. Each business has their own corporate—or their own compliance, their own sales efficacy and so forth. So it was brought out of the sales part into the line's control function. And then by 2012, they were reducing goals. In 2013, is where we brought the corporate resources in, like corporate human resources, corporate investigations and so forth, because we saw a spike in that behavior.

Mr. HILL. Right. So now your lead director. Steve Sanger, who's the former CEO of General Mills, is conducting an independent investigation that he's hired—independent of the corporation, he's hired his own resources, and that's commenced recently. Is that right?

Mr. STUMPF. As I understand it, Steve Sanger, as our lead director, along with the other independent directors, have hired counsel, and they are doing their investigation.

Mr. HILL. When do you expect they'll finish their work?

Mr. STUMPF. I'm not part of that process so I don't know, but I know they're going to do a full comprehensive review.

Mr. HILL. I hope that gets released to the public once the board has seen it and reviewed it, and that it could be posted out on your website. Because I think that sort of independent review renews confidence in the corporate governance system, and I would encourage that to be done.

When I was at the Treasury Department in 1990, 1991, we had a little problem in the government securities business. And your largest shareholder, Mr. Buffett, became the CEO of Salomon Brothers in the midst of that crisis. And Salomon Brothers was found guilty of manipulating the U.S. Treasury market at that time.

Have you talked to Mr. Buffett about this or sought his advice on this matter you're facing?

Mr. STUMPF. I have talked to a lot of our investors, and I have had one conversation with Warren Buffett.

Mr. HILL. Because Warren Buffett, in 2 minutes before the Senate Banking Committee in 1991, probably did the best job, I think, on behalf of corporate America. Do you remember what he said at that time?

Mr. STUMPF. I've read a lot of his things. I think there was something about, I'd rather make less money, and about integrity and—but go ahead and read it to me. I don't remember that testimony.

Mr. HILL. Well, I'm going to paraphrase it. He said—first of all, he wanted every employee to be their own compliance officer, his or her own compliance officer. And he wanted every employee, every day when they came to work, to think about the actions they took on behalf of customers, that they could read that in their own hometown newspaper written by a critical journalist.

But he summarized it, and what I think you need to summarize, if you're going to be successful in this endeavor, he made this quote, which I think people have quoted now for 25 years, "Lose money for the firm, and I will be understanding; lose a shred of reputation for the firm, and I will be ruthless."

Mr. STUMPF. That's what I was trying to refer to and that's what I remember from that, and I agree with him.

Mr. HILL. Well, that's where we are, because I agree with my colleagues, this is hurting the ability of the banking industry to do consultative selling. Something that we all pride ourselves on in financial services is that we seek to understand the needs of our customers and try to meet them. And this damage by what has happened at Wells Fargo is going to hurt that effort on behalf of community banks all over this country and cause sweep investigations of incentive sales programs and cross-selling programs or consultative selling, which is really what we're talking about.

But I hope that we will also ask our regulators where they were at this time. The OCC clearly needs to improve rating for you in compliance and some intensive work you were doing over those 2 years. But I see no evidence so far that the CFPB, which actually has the statutory obligation to be engaged here, was taking action.

So the last thing I'll ask you about is, Mr. Himes talked about materiality. And in any one quarter, accountants and lawyers and bean counters and companies in your finance department tell you what's material and what's not. But we see sometimes the trees for the forest in that situation. And you've got the ability and your board has that ability to address that. In the chairman's letter to your shareholders—you don't need a lawyer to tell you what to write in your chairman's letter. And when you spend 50 percent in fines and penalties of your net income over a 3-, 4-, 5-year period, that's material. Ten billion compared to 22 billion, it's a big deal, no matter how many small bites at the apple that it comes in.

And I hope in your 2016 letter to shareholders, that you and your lead director, Mr. Sanger, will address what I think is a systemic failure in a few areas of Wells Fargo that's tarnished this beautiful almost 2-century reputation of your company.

And, with that, I yield the balance of my time to Mr. Guinta from New Hampshire.

Mr. GUINTA. I thank the gentleman from Arkansas.

Mr. Stumpf, I want to follow up a little bit on the regulators. How many regulators did the OCC have on-site at the time?

Mr. STUMPF. I didn't hear the question. Please.

Mr. GUINTA. OCC. How many examiners did they have at Wells Fargo at the time?

Mr. STUMPF. I think I testified earlier, I think it's around 80.

Mr. GUINTA. Okay. And how many do they have at Wells Fargo today?

Mr. STUMPF. I don't have that number, but I think it's about the same number.

Mr. GUINTA. Same number? How about the Federal Reserve?

Mr. STUMPF. I don't know that number.

Mr. GUINTA. And how about the CFPB today?

Mr. STUMPF. I don't know that number.

Mr. GUINTA. Did anyone at the CFPB instruct you or your team or advise you not to share those numbers with Congress?

Mr. STUMPF. I have not spoken with the CFPB on that.

Mr. GUINTA. Has anyone on your team, to your knowledge?

Mr. STUMPF. Nobody on my team has said anything to me about not sharing any numbers.

Mr. GUINTA. I ask that because—

Mr. STUMPF. On that issue.

Mr. GUINTA. I ask that because you seem very reluctant to share the information with us as to how many examiners from the CFPB either were or are currently at Wells Fargo, and that concerns me.

Mr. STUMPF. I want to make sure I'm very clear on this. I happen to know the OCC number because I was talking with the OCC, but I don't know the other ones.

Chairman HENSARLING. The time of the gentleman from Arkansas has expired.

Now the gentleman from Colorado, Mr. Tipton, is recognized.

Mr. TIPTON. Thank you, Mr. Chairman.

Mr. Stumpf, I have a letter from someone who has never had an account with Wells Fargo, had an account fraudulently opened, and was sent back from your compliance department, the Wells Fargo financial crimes manager, telling someone who wasn't your client that he needed to be able to provide a complete, signed, notarized return affidavit of identify theft, provide documentation, collection letters he may have received, request a letter of verification for Social Security number from the Social Security Administration, send a copy of the police report stating he was a victim of identify fraud, send a copy of his driver's license, send proof of address, send a copy of previous bills, statements, invoices during the time frame of fraud. He didn't even have an account with you. Isn't that a little bit burdensome? And what are you doing to be able to respond to people who have no connection with Wells Fargo but yet are now swept up in the net of the challenges that your organization has created?

Mr. STUMPF. Yes. So on that issue, I would like to see it so our people could take a look at it. I don't know that issue specifically, but that sounds to me a lot like identify theft by someone else.

Most of what we saw, and I can't say exclusively, but of the 2 million accounts that could not be excluded, those were accounts that people already had at the bank and one of our bankers improperly opened a second account that our system closed. So this sounds a lot like identify theft to me. But I don't know that situation in particular. I'd like to look at it.

Mr. TIPTON. I'd like to be able to get a little personal assessment by you of you. Would you label yourself as CEO/chairman of Wells Fargo as aware and engaged?

Mr. STUMPF. Well, I believe I am. I love this company. I've been here a long time, and I spend most of my waking hours thinking about this company.

Mr. TIPTON. I'd like to be able to follow up a little bit maybe on Mr. Neugebauer's question in regards to the board. You said you think about it a lot, all of your waking hours. When did you make the board aware of the issues?

Mr. STUMPF. The board was made aware, generally, of issues by—in committees at high levels in the 2011–2012 timeframe. By 2013, we had talked about maybe in one—I can't remember which committee it was. Surely by 2014. And then when we finally connected the dots on customer harm in 2015, the board was very active on this.

Mr. TIPTON. So you discovered it in 2013. You were aware, you were engaged. We are now in 2016, and now you're rapidly starting to respond. There seems to be a little bit of a disconnect in terms of the response mechanism that you're having there. Mr. Hill had just brought up, and you gave a response, saying that you had a sense of urgency. Who have you fired?

Mr. STUMPF. As I mentioned, we fired managers, managers' managers, and managers of managers. And we're doing a full review of anybody who was responsible for any behavior of any kind that would not put customers first.

Mr. TIPTON. So are you trying to be able to say really that these were just kind of lone wolves acting independently? Or were they following policies that came from the engaged, urgent manager who is the CEO and chairman of Wells Fargo?

Mr. STUMPF. They were doing exactly the opposite of what a CEO wanted them to do. Everything I've talked about, everything that we train, everything that we publish—

Mr. TIPTON. So do you have a problem with monitoring from the top down?

Mr. STUMPF. We should have done more. It was our monitoring that found this behavior. We should have done more sooner. I give you that, Congressman.

Mr. TIPTON. You have an infrastructure that is set up, a chain of command, in terms of your organizational chart. Somebody was overseeing the manager of the manager—however you want to be able to describe that.

Mr. STUMPF. Yes.

Mr. TIPTON. Are there going to be any consequences at that level?

Mr. STUMPF. We're going to let the facts take us where they are, and people will be held accountable. I can guarantee that.

Mr. TIPTON. Do you have any kind of timeframe for that?

Mr. STUMPF. I don't want to foreclose anything that we do to make sure we do it right and people are held accountable.

Mr. TIPTON. There was a report that came out of The Wall Street Journal that said that a person in charge of creating the yearly sales plan for the community banking unit didn't know that the numbers were exaggerated. Can you identify exactly, though, when you're looking at this, where the breakdown did first start?

Mr. STUMPF. I don't—I didn't read that article. I don't know what that's referring to. But I know that a lot of us, including myself, should have done more earlier.

Mr. TIPTON. Thank you.

Mr. Chairman, my time is up. I yield back.

Chairman HENSARLING. The gentleman yields back.

The Chair now recognizes the gentleman from Maine, Mr. Poliquin.

Mr. POLIQUIN. Thank you, Mr. Chairman. I appreciate it very much.

Mr. Stumpf, you're the CEO and the chairman of the board of Wells Fargo. Is that correct?

Mr. STUMPF. That is correct.

Mr. POLIQUIN. How long have you had that position?

Mr. STUMPF. I was named CEO in the summer of 2007 and I was named—

Mr. POLIQUIN. Okay. So roughly—

Mr. STUMPF. —chairman in, okay, beginning of 2010.

Mr. POLIQUIN. Okay. So 6, 8, 9 years in that—roughly in that position?

Mr. STUMPF. Yes.

Mr. POLIQUIN. How long have you been at the bank?

Mr. STUMPF. I've been at the bank—it will be 35 years in—

Mr. POLIQUIN. Okay. So you've been at the bank a long time. And one could conclude, and I think you would agree with me, you know the bank pretty well.

Mr. STUMPF. I love this company, yes.

Mr. POLIQUIN. Yes, okay. You know what really bothers me, Mr. Stumpf, along with other things? It's that I'm looking at this pattern of you folks ripping off your customers, getting caught, paying a fine, and doing the damn thing all over again. Now, we just had on the board a minute ago, 13 instances of this in the last 6 years. And you paid a total of $11 billion in settlement fines.

Now, you just stood here before us and told us several times you know the difference between right and wrong. You're the head banana over there. I look at you, I look at Wells Fargo. I know it's a big organization. 268,000 employees. 268,000 jobs. Thank you for that, sir. But you know something? I don't think management, which means you, knows the difference between right and wrong.

But I'll tell you who does. The people I represent in Maine. I represent 650,000 of the most honest, hardworking people you can ever find anywhere. They know the difference between right and wrong. And one thing I want to just throw out in your lap right now, be very clear. I don't know where this is going. But I will not support in any way, shape, or form any kind of bailout using taxpayer money for Wells Fargo. You will have to get through me, and through a lot of other people on this committee.

Now, here's what I worry about. I don't worry about Wells Fargo. You have 268,000 employees. How many attorneys do you have over there?

Mr. STUMPF. I don't have that number.

Mr. POLIQUIN. Okay. Do you have more than 10?

Mr. STUMPF. Yes.

Mr. POLIQUIN. Do you have more than 1,000?

Mr. STUMPF. I don't—no, I don't—

Mr. POLIQUIN. Okay. You have a lot of attorneys, right?

Mr. STUMPF. Yes.

Mr. POLIQUIN. I don't worry about you folks. Somehow, some way you're going to make your way through this. You know who I worry about? I worry about our 31 community banks, local banks in the district that I represent. Highly rural, Mr. Stumpf. Thirty-one community banks, 500 branches, 9,200 employees. Good paychecks, good jobs with good benefits. We also have 58 credit unions with 196 branches and 2,250 employees. These folks are relied upon in their communities. They take their paychecks, and they trust the teller, and they trust the bank manager. But do you know what happens? When this happens, it flows downhill.

And that's exactly what happened in the financial meltdown 7, 8 years ago, is that all of a sudden because of a small handful of big money center banks that took too much risk with the problem with the regulators, I understand this, everyone was culpable. But all of a sudden, we have this very smothering set of financial regulations that are choking off home loans, mortgages to the folks in my district. They can't get a small business loan to put a new diesel in their lobster boat.

Now you come along. I don't know where this is going to go, but I will tell you this. The probability will be high that your organization and the actions of you in your organization, this systemic pattern of misbehavior and gross mismanagement, and it looks like fraud, is going to find its way to the community banks and the folks who rely on them in rural Maine. You ought to be ashamed of yourself.

What do you tell a family? What do you tell a family who is looking to add their fourth child to their family and they need to put a put a new bathroom in their house in Ellsworth, Maine, and they can't get a loan because of the regulations? And now it's going to get worse. What do you tell them?

Mr. STUMPF. Senator, I'm—

Mr. POLIQUIN. Congressman.

Mr. STUMPF. Congressman.

Mr. POLIQUIN. You're asleep over there.

Mr. STUMPF. I'm so sorry, Congressman. I'm sorry for what we've done. Our people also live and work in these neighborhoods, in these communities, and we're trying to do the right thing. I can't—

Mr. POLIQUIN. You should have been trying to do the right thing, Mr. Stumpf, during these 13 settlements, fines, call them what you want, over 6 years totaling $11 billion. That's the pattern that I see.

Mr. STUMPF. Yes. Well, there's no question that we've had a lot of settlements. And every one we've learned from and we're trying to do a better job. Thank you much.

Chairman HENSARLING. The time of the gentleman has expired.

There are no other Members in the queue. I wish to thank our witness for his testimony today.

The Chair notes that some Members may have additional questions for this witness, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to this witness and to place his responses in the record.

Mr. Stumpf, we will expect you and your organization to respond promptly and to fully cooperate with our ongoing investigation.

Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing stands adjourned.

[Whereupon, at 2:10 p.m., the hearing was adjourned.]

A P P E N D I X

September 29, 2016

Testimony of John Stumpf

Chairman and Chief Executive Officer of Wells Fargo & Company

Before the U.S. House of Representatives

Committee on Financial Services

Washington, D.C.

September 29, 2016

Chairman Hensarling, Ranking Member Waters, and Members of the Committee, thank you for inviting me to be with you today.

I am the Chairman and Chief Executive Officer of Wells Fargo, where I have worked for nearly 35 years. It is my privilege to lead the company, which was founded 164 years ago and has played a vital role in the financial history and development of our country. Today, we are part of so many people's lives. We employ more than 268,000 team members, 95 percent of whom are in the United States. One in every 600 working adults is a member of the Wells Fargo team, and we have a presence in all 50 states.

I am deeply sorry that we failed to fulfill our responsibility to our customers, to our team members, and to the American public. I have been with Wells Fargo through many challenges, none that pains me more than the one we will discuss this morning. I am here to discuss how accounts were opened and products were provided to customers that they did not authorize or want. I am going to explain this morning what happened and what we have done about it. But first, I want to apologize to all Wells Fargo customers. I want to apologize for violating the trust our customers have invested in Wells Fargo. And I want to apologize for not doing more sooner to address the causes of this unacceptable activity.

I do want to make very clear that there was no orchestrated effort, or scheme as some have called it, by the company. We never directed nor wanted our employees, whom we refer to as team members, to provide products and services to customers they did not want or need. It is important to understand that when an employee provides a customer with a product or service that she did not request or authorize, that employee has done something flat wrong. It costs us satisfied customers, and we lose money on these accounts. Wrongful sales practice behavior goes entirely against our values, ethics, and culture and runs counter to our business strategy of helping our customers succeed financially and deepening our relationship with those customers.

That said, I accept full responsibility for all unethical sales practices in our retail banking business, and I am fully committed to doing everything possible to fix this issue, strengthen our culture, and take the necessary actions to restore our customers' trust.

Let me assure you and our customers that Wells Fargo takes allegations of sales practice violations extremely seriously and that we will not rest until the problem is fixed. As I will explain shortly, we are moving to demonstrate once again that Wells Fargo remains the dependable, principled partner that it has been throughout its 164-year history.

I will first provide some context around our business strategy of serving customers; discuss some of the changes we have made to address the problems we uncovered; discuss the terminations about which you have read; and describe further efforts to strengthen our controls and make things right for customers.

Cross Selling Means Deepening Relationships With Customers

A typical American household has multiple financial services and products, and our goal is to have as deep a relationship as we can with those households. Our cross sell strategy is simply another way of saying that we provide our customers a wide variety of products that can satisfy their financial needs. The more products a customer uses, the deeper the relationship of trust and value. Deep relationships with products that are wanted and used are what furthers our business strategy and truly helps our customers to succeed financially.

Retail Banking Has Made Progressive Changes To Detect And Deter Unethical Behavior

Our efforts to detect and deter unethical conduct have progressively evolved over the last five years. They were put in place out of concerns that some employees were not doing what was right for customers and were providing products to customers they did not want. For example, in 2011, we piloted our Quality-of-Sale Report Card in California, and it was implemented in 2012 across retail banking. The Quality-of-Sale Report Card was designed to, among other things, deter and detect misconduct through monitoring of sales patterns that may correlate with unethical behavior.

In 2011, a dedicated team (now called the Sales and Service Conduct Oversight Team) began to engage in proactive monitoring of data analytics, specifically for the purpose of rooting out sales practice violations.

In addition, during 2012, Wells Fargo began to reduce the sales goals that team members would need to meet to qualify for incentive compensation. Between 2012 and 2015, we steadily reduced sales goals by up to 30% for branch-based team members.

Along with the reduction in sales goals in 2013, we introduced an expanded set of training materials for our managers, which managers use to train bankers on ethical practices and prohibited conduct. Further, in the first quarter of 2013, we incorporated the Quality-of-Sale Report Card into the incentive compensation plan for our retail banking district managers.

Starting in 2013, we further strengthened our oversight of potential sales integrity issues and revised our performance evaluation system to put less emphasis on sales goals. These revisions were made to enable bankers to earn acceptable ratings on their performance evaluations, even if they did not meet their sales goals.

In 2013, the Sales and Service Conduct Oversight Team began its first proactive analysis of "simulated funding" across the retail banking business, reviewing employee-level data around account openings. Let me explain: "simulated funding" is a prohibited practice whereby an employee creates an account for a customer and then funds it in order to make it look as if the customer had funded the account. Based on the original proactive monitoring, our Internal Investigations team began an intensive investigation into simulated funding activity in the Los

Angeles and Orange County markets. As a result of these investigations, we terminated team members for sales integrity issues.

Retail Banking, In Conjunction With Enterprise Risk, Expanded Oversight From 2013 To 2015

Further improvements in our sales practice oversight continued in 2013-2015, following the terminations in California that occurred and were reported by the media.

In 2013, we created a new cross-functional oversight team for retail banking sales integrity issues comprised of representatives from our Sales and Services Conduct Oversight Team, Corporate Investigations, Human Resources, Employee Relations, and the Law Department. The purpose of this team was to identify trends around sales integrity issues, and to identify any additional improvements in the process that would enhance our oversight of sales integrity issues, with a goal of preventing future violations.

In 2013 and 2014, we made several changes to our incentive compensation plans to better align incentive pay with ethical performance, and we further restructured how we went about setting goals in our bank branches.

In 2014, the Sales and Service Conduct Oversight Team expanded the simulated funding review to a national scope.

In 2015, we continued to enhance our training materials and practices, continued to make changes to incentive plans, and substantially lowered incentive compensation goals for new team members.

Sales-Related Terminations Took Place Over The Course Of 2011-2015

I want to pause for a moment to discuss the issue of terminations. We do not have tolerance for dishonest conduct or behavior inconsistent with our Code of Ethics. It has been reported in the media that Wells Fargo terminated approximately 5,300 individuals after the CFPB's enforcement investigation. Instead, individuals were terminated over time for sales-related misconduct as a result of investigations opened from January 1, 2011 through March 7, 2016. In any given year, approximately 100,000 individuals work in our retail bank branches, and we have terminated approximately 1% of that workforce annually for sales practice violations.

Wells Fargo Is Working To Make It Right For Our Customers

Despite all of these efforts, we did not get it right. We should have done more sooner to eliminate unethical conduct and unintended incentives for that conduct to occur. Even one unauthorized account is one too many. We should have addressed earlier the possibility that customers could be charged fees in connection with accounts opened without their authorization. Because deposit accounts that are not used are automatically closed, we assumed this could not happen. We were wrong.

In August 2015, we began working with a third-party consulting firm, PricewaterhouseCoopers ("PwC"), and asked them to evaluate deposit products, unsecured credit cards, and other services from 2011-2015 to determine whether customers may have incurred financial harm (specifically, fees, other bank charges, and interest) from having been provided an account or service they may not have requested. Our charge to PwC was clear—using our account records for our products and services, employ data analytics to determine who may have suffered financial harm as a result of an account that may not have been authorized, and to quantify what that financial harm might have been.

I want to highlight that our direction to PwC was to err on the side of the customer and to be over-inclusive in attempting to identify a population of customers that may have suffered financial harm. In other words, if it could not be ruled out that a deposit account or credit card was unauthorized, we designated those accounts for further analysis. We made available to PwC any records they needed. Beginning in September 2015 and continuing well into 2016, PwC conducted extensive large-scale data analysis of the more than 82 million deposit accounts and nearly 11 million credit card accounts that we opened during that time frame.

With respect to deposit accounts, PwC focused on identifying transaction patterns that might be consistent with improper conduct. Out of the 82 million deposit accounts, it identified approximately 1.5 million such accounts (or 1.9%) that could have been unauthorized. To be clear, PwC did not find that each of these accounts was unauthorized. Among these accounts, PwC calculated that approximately 100,000 incurred fees in the amount of about $2.2 million.

With respect to credit cards, PwC identified a population of credit cards that had never been activated by the customer nor had other customer transaction activity. By itself, the lack of activation and use by a customer does not mean that the customer had not authorized the card to begin with. We know that some customers will request a credit card for many reasons, including for emergencies and other reasons, but then they may not activate the card. However, because we could not confirm, based on account activity, that the customer authorized the account in the first place, we elected to consider these accounts for potential remediation. PwC calculated that approximately 565,000 consumer cards, or 5.8% of all credit cards opened, had not been activated nor had other customer transaction activity, and approximately 14,000 of these cards had incurred a fee. These fees totaled approximately $400,000. PwC did not find that these cards were unauthorized.

In February 2016, we began the process of remediating the deposit and credit card customers identified above. For existing customers, we credited their accounts. For former customers, we sent a check. All customers received a letter informing them that they were receiving a refund as a result of fees that may have arisen from an account they may not have authorized. We were transparent with our customers and provided them contact information to discuss the matter further with us.

<u>Wells Fargo Is Engaged In Multiple Efforts To Take Responsibility For, And Rectify, Our Mistakes</u>

We decided that product sales goals do not belong in our retail banking business. Specifically, we recently announced that we would be eliminating all product sales goals for retail banking team members and leaders, including those in branches and retail banking call centers, effective January 1, 2017. We have now decided to expedite that change, and sales goals for retail bank team members will be eliminated effective October 1, 2016. We are doing this in order to better align with the additional training, controls, and oversight implemented since 2011 and focus on rewarding excellent customer service rather than product sales.

We have taken, and continue to take, other significant and meaningful steps to prevent unauthorized accounts from being created. These steps include:

- Working closely with our primary regulator, the Office of the Comptroller of the Currency ("OCC"), to strengthen our enterprise oversight of sales conduct risk. We have established an enterprise Sales Conduct Risk Oversight Office, reporting into the Chief Risk Officer, and have regularly responded to numerous inquiries and provided regular briefings to our regulators;

- Creating a new enhanced branch compliance program that will be dedicated to monitoring for sales practice violations by conducting data analytics and frequent branch visits. Results will be reported to the enterprise Sales Conduct Risk Oversight Office;

- Implementing a process whereby, approximately one hour after opening an account, a customer will receive an email that confirms the opening of the account;

- Revising procedures for credit cards, to require each applicant's documented consent before a credit report is pulled. Consent is manifested by a physical signature or, if the applicant is unable to sign on the PIN pad, by a dual attestation of the banker and the manager or branch designee; and

- To further address possible customer harm, we are contacting all customers with open, inactive credit cards to confirm whether the customer authorized the account. If the customer indicates they did not authorize the card, we will offer to close it (if it is still active) and suppress any bureau inquiry.

I will close by saying again how deeply sorry I am that we failed to live up to our expectations and yours. I also want to take this opportunity to thank our 268,000 team members who come to work every day to serve our customers. Today, I am making a personal commitment to rebuild our customers' and investors' trust, the faith of our team members, and the confidence of the American people.


Wells Fargo Settlements Since the Financial Crisis
$1.2 billion for civil mortgage fraud (2016)
$53 million for credit union mortgage loan losses (2015)
$4 million for identity protection and debt cancellation product practices (2015)
$24
company
Settlement Total: $10.8 billion
$5 million for failing to prevent insider trading among employees (2014)
$869 million for loans sold to Freddie Mac (2013)
$591 million for loans sold to Fannie Mae (2013)
$1.991 billion for mortgage servicing practices (2013)

JASON CHAFFETZ, UTAH
CHAIRMAN

ONE HUNDRED FOURTEENTH CONGRESS

ELIJAH E. CUMMINGS, MARYLAND
RANKING MINORITY MEMBER

Congress of the United States

House of Representatives

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September 13, 2016

Mr. John G. Stumpf
Chairman and Chief Executive Officer
Wells Fargo & Company
420 Montgomery St.
San Francisco, CA 94163

Dear Mr. Stumpf:

On September 8, 2016, the Consumer Financial Protection Bureau filed a Consent Order detailing widespread fraud by Wells Fargo employees who opened more than a million accounts in the names of customers without their knowledge or permission. The Consent Order states that Wells Fargo employees:

> (1) opened unauthorized deposit accounts for existing customers and transferred funds to those accounts from their owners' other accounts, all without their customers' knowledge or consent; (2) submitted applications for credit cards in consumers' names using consumers' information without their knowledge or consent; (3) enrolled consumers in online-banking services that they did not request; and (4) ordered and activated debit cards using consumers' information without their knowledge or consent.[1]

Wells Fargo managers apparently orchestrated these abuses through quotas, threats, and other punitive measures. A former Wells Fargo employee stated: "This was not done by employees trying to hit their sales numbers, it was more of threats from upper management."[2] In addition, a lawsuit filed by the state of California precipitating the settlement alleged:

> Managers constantly hound, berate, demean and threaten employees to meet these unreachable quotas. Managers often tell employees to do whatever it takes to reach their quotas. Employees who do not reach their quotas are often required to work hours beyond their typical work schedule without being compensated for that extra work time, and/or are threatened with termination.[3]

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[1] *In the Matter of Wells Fargo Bank, N.A.*, 2016-CFPB-0015 (2016).

[2] *Workers Tell Wells Fargo Horror Stories*, CNN Money (Sept. 9, 2016) (online at money.cnn.com/2016/09/09/investing/wells-fargo-phony-accounts-culture/index.html?iid=EL).

[3] *California v. Wells Fargo & Co.*, No. BC-580778 (Cal. Super. Ct. May 4, 2015)

Mr. John G. Stumpf
Page 2

To state the obvious, opening more than a million fraudulent accounts using stolen identities would seem to reflect widespread criminal activity. Any Wells Fargo executives who directed these abuses or enforced these quotas should be investigated and prosecuted if warranted.

The consent order states that Wells Fargo terminated approximately 5,300 employees for engaging in these activities between January 1, 2011, and September 8, 2016. In addition, Wells Fargo will be required to pay $185 million to settle claims stemming from these abuses.

However, Carrie Tolstedt, who oversaw the Community Banking group and the employees who engaged in these abuses, will reportedly leave the bank at the end of the year with nearly $125 million in compensation.[4]

The effects of these abuses by Wells Fargo employees on consumers are widespread. The Bureau reports that approximately 85,000 of the more than 1.5 million deposit accounts improperly opened by Wells Fargo incurred about $2 million in unwarranted fees.[5] Overdrafts and failures to maintain minimum balances in these unauthorized accounts also may reflect negatively on customers' FICO and other credit scores, and these abuses may inhibit the ability of Wells Fargo customers to open new accounts in the future. They may also negatively impact the manner in which these customers are screened by consumer reporting agencies.

To investigate these widespread abuses and their impact on consumers, I request that you provide the following information for the timeframe of January 2011 to the present, unless otherwise indicated:

1. All documents and communications produced to the Consumer Financial Protection Bureau in the course of its review of Wells Fargo's sales practices culminating in the Consent Order between the Consumer Financial Protection Bureau and Wells Fargo filed on September 8, 2016 ("Consent Order");

2. All documents and communications, including emails, text messages, memoranda, and policies, referring or relating to the activities described in the Consent Order ("improper sales tactics");

3. All documents and communications referring or relating to how and when Wells Fargo management first became aware of these improper sales tactics;

4. Documents and communications sufficient to detail when and how Wells Fargo took steps to increase oversight and redress the improper sales tactics;

(Complaint for Equitable Relief and Civil Penalties for: (1) Violation of the California Unfair Competition Law for Gaming; and (2) Violation of the California Unfair Competition Law for Failure to Provide Notice of Data Breach).

[4] *Wells Fargo Exec Who Headed Phony Accounts Unit Collected $125 Million*, Fortune (Sept. 12, 2016) (online at fortune.com/2016/09/12/wells-fargo-cfpb-carrie-tolstedt/).

[5] *In the Matter of Wells Fargo Bank, N.A.*, 2016-CFPB-0015 (2016).

5. Documents detailing any Wells Fargo compensation policies permitting "compensation clawbacks" for participation in activities leading to consent orders, settlement agreements, or court orders;

6. Documents and communications sufficient to detail the development of compensation policies permitting "compensation clawbacks" for participation in activities leading to consent orders, settlement agreements, or court orders;

7. All written analysis used to justify Carrie Tolstedt's compensation;

8. All documents and communications, including emails and memoranda, referring or relating to the establishment of Carrie Tolstedt's compensation;

9. All documents and communications referring or relating to whether the compensation of Carrie Tolstedt will be "clawed back" when she leaves the bank and the discussions leading to this decision;

10. Documents and communications sufficient to show the number of customers impacted by these improper sales tactics, and how many of those customers were reported to any credit rating agency or collection agency for an overage, forced closure, or any other credit issue;

11. Documents sufficient to explain the steps Wells Fargo is taking to ensure that the records maintained by consumer credit agencies do not include any improper account actions initiated by Wells Fargo employees;

12. All documents and communications produced to, and received from, third party consultants hired by Wells Fargo to review its improper sales tactics, including any reports of findings;

13. All documents and communications referring or relating to the base and incentive compensation structures for employees involved in these improper sales tactics;

14. All documents and communications referring or relating to changes in base and incentive compensation structure for bank branches and bank branch workers involved in these improper sales tactics; and

15. Documents and communications sufficient to detail the positions and salaries of all employees terminated for the improper sales tactics.

I request that you provide this information and a briefing by October 13, 2016. If you have any questions regarding this request, please contact Todd Phillips of my staff at (202) 225-5051.

Mr. John G. Stumpf
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Thank you for your cooperation with this request.

Sincerely,

Elijah E. Cummings
Ranking Member

cc: The Honorable, Jason Chaffetz, Chairman

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MONTANA
HELENA DIVISION
* * * * * * * * * *

JENNIFER FINSTAD, MICHELLE JONES, MERIDITH MCWILLIAMS, LORI ELLIOTT, KELSEY GEORGE and GEORGIA ARNOLD,	)	Cause No.: CV-09-46-CCL
Plaintiffs,	)	**REPLY SUPPORTING PLAINTIFFS' MOTION TO COMPEL THE DEPOSITION TESTIMONY OF WELLS FARGO & COMPANY EMPLOYEE QUYEN CHAU AND COMPELLING DEFENDANTS TO ANSWER PLAINTIFFS' INTERROGATORY NO. 14**
vs.	)	
WELLS FARGO & COMPANY, and WELLS FARGO BANK, NA,	)	
Defendants.	)	

* * * * * * * * * *

INTRODUCTION

COME NOW, Plaintiffs in the above-captioned matter, and respectfully submit their Reply supporting their Motion to Compel Wells Fargo & Company to answer the questions it instructed Quyen Chau not to answer and to answer

Plaintiffs' Interrogatory No. 14 requesting that Wells Fargo state "with specificity what public laws, regulations, regulatory noncompliance issues, and/or public policy violations . . . were implicated by the activity investigated in this case . . . ." This question is pivotal to Plaintiffs' case, yet Wells Fargo is throwing up roadblocks and red herrings at every turn, refusing to answer the question, and now in briefing informing the Court that the answer to Plaintiffs Interrogatory No. 14 and to the questions posed to Quyen Chau about regulatory noncompliance issues was only with regard to fidelity bonds, citing 12 C.F.R. § 7.2013. (Def's Response Br., p. 5.) Wells Fargo also discusses Suspicious Activity Reports (SARs), indicating that it cannot answer Plaintiffs' questions because it is prohibited from discussing SARs by regulation, even though Wells Fargo raised the issue of SARs, not Plaintiffs. (*See* Def's Response to Pl's Motion to Compel, pp. 6-7; *see also* Ex. A, Chau Aug. 10, 2010 Depo., pp. 69:25 & 70:1-25, attached to Pls' Memo. Supporting Motion to Compel.) As discussed in detail in their memorandum supporting their motion to compel, Wells Fargo is not prohibited from disclosing information that may have been contained in a SAR. (*See* Pl's Memo. Supporting Motion to Compel, pp. 5-8.) Wells Fargo appears to simply be attempting to throw Plaintiffs off track and prevent them from uncovering information critical to their claims.

ARGUMENT

The Montana Wrongful Discharge From Employment Act provides: (1) A discharge is wrongful . . . if: (a) it was in retaliation for the employee's refusal to violate public policy or for reporting a public policy violation." § 39-2-904(1)(a), MCA, Mont. Code Ann. The remedies section of the Wrongful Discharge From Employment Act provides: "[t]he employee may recover punitive damages otherwise allowed by law if it is established by clear and convincing evidence that the employer engaged in actual fraud or actual malice in the discharge of the employee in violation of § 39-2-904(1)(a), Mont. Code Ann.—that is for reporting a public policy violation.

Plaintiff Georgia Arnold filed an EthicsLine complaint with Wells Fargo, questioning the way her manager was asking her and the other employees, including the other Plaintiffs, to telephone Wells Fargo customers about their debit cards and how to handle debit cards that they had not activated or used. Arnolds' EthicsLine complaint sparked an investigation, interrogations, and the termination of nine (9) women, including Plaintiffs. In trying to determine if Plaintiffs' termination from employment by Wells Fargo was wrongful as defined in § 39-2-904(1)(a), Mont. Code Ann., Plaintiffs have taken the deposition of Wells Fargo's senior investigative agent, Quyen Chau, the man who conducted the investigation and interrogated Plaintiffs in this case[1]. Chau has been deposed twice, providing conflicting testimony in each instance. Mr. Chau initially testified on August 10, 2010 that, yes, there were regulatory noncompliance issues, and when questioned as to what those specific issues were, Wells Fargo's attorney instructed him not to answer and discussed the filing of SARs. (*See* Pls' Memorandum Supporting Motion to Compel (Doc. 43) and Ex. A Chau Depo, pp.69-71 attached thereto.) Wells Fargo again instructed Mr. Chau not to answer during the continuance of his deposition on September 9, 2010. (*See* Chau 9/09/10 depo. pp. 148:23-25, 149:1-25, and 150:1-22 attached hereto as Exhibit F.)

Wells Fargo also failed to provide a substantive answer to Plaintiffs' Interrogatory No. 14, which pointedly asked what "public laws, regulations, regulatory noncompliance issues, and/or public policy violations . . . were implicated by the activity investigated in this case and the subsequent June 2009 investigation." Wells Fargo skirted the issue by stating the obvious—that the documents, which were plainly cited for reference purposes only, did not specifically reference any public law, regulation, regulatory noncompliance issues. (*See* Ex. C attached to Pls' Memorandum Supporting Motion to Compel (Doc. 43).) Had the documents themselves indicated what laws, regulations, or policies

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[1] Wells Fargo employee Scot Washington sat in on the interrogations and helped with the investigation, but Quyen Chau is the person who actually interrogated Plaintiffs.

were implicated, it would have obviated the need for Plaintiffs' to ask the question in Interrogatory No. 14 and during Mr. Chau's deposition.

Based on the foregoing, and based on Mr. Chau again being instructed not to answer when his deposition was reconvened on September 9, 2010 (*see* Ex. F, Chau 9/09/10 depo. pp. 148:23-25, 149:1-25, and 150:1-22) it appears that there were indeed public policy violations—very possibly violations of federal or state laws and/or regulations—for which all six Plaintiffs were terminated after Plaintiff Georgia Arnold filed her EthicsLine Complaint.

If Plaintiffs were terminated for the reporting of public policy violations, which based on Mr. Chau's 8/10/10 deposition testimony appears to be the case, then Plaintiffs were plainly wrongfully discharged, and Plaintiffs may be entitled to punitive damages. Yet Wells Fargo has successfully evaded providing a substantive answer by failing to properly answer Plaintiffs' Interrogatory No. 14, and by twice instructing Mr. Chau not to answer. Wells Fargo now attempts to say that it has answered the question of what regulatory noncompliance issues were uncovered in the investigation into Georgia Arnolds' EthicsLine Complaint by citing to 12 C.F.R. § 7.2013:

> **12 C.F.R. § 7.2013 Fidelity bonds covering officers and employees.**
> (a) *Adequate coverage.* All officers and employees of a national bank must have adequate fidelity coverage. The failure of directors to require bonds with adequate sureties and in sufficient amount may make the directors liable for any losses that the bank sustains because

> of the absence of such bonds. Directors should not serve as sureties on such bonds.

It is difficult to fathom how this was an issue involved in Georgia Arnolds' EthicsLine Complaint and the ensuing investigation. (*See* EthicsLine Complaint attached hereto as Exhibit I.) Citation to this regulation appears to be a mere distraction. The issues in this case focused on Wells Fargo's manager of the Helena East Branch giving employees lists and having them contact customers about their debit cards, and proper consent and identification from customers when they were issued debit cards. (*See* Exhibit I; *see also* Exhibit G, Chau 8/10/10, Depo. pp. 68-69 stating, "It's a matter of getting customer consent. We cannot send out products to customers without talking to them, that's the issue here.)

Wells Fargo first instructed Mr. Chau not to answer deposition questions during his deposition taken August 10, 2010. Plaintiffs' counsel asked Mr. Chau "were you aware of any regulatory noncompliance issues involved in this investigation?" Mr. Chau clearly answered "Yes." Plaintiffs' counsel did not ask about Suspicious Activity Reports (SARs). (*See* Exhibit A, Chau Depo., pp. 69:25, 70:1-20, attached to Memorandum Supporting Pls' Motion to Compel, Doc. 43.) Wells Fargo raised the issue of SARs, not Plaintiffs. It is a mystery why Mr. Chau and Wells Fargo's counsel would even raise the issue of SARs when Plaintiffs' counsel did not ask about SARs and did not even know about SARs until Mr. Chau and Wells Fargo's counsel raised the issue in Mr. Chau's August 10, 2010 deposition. *See id.* Wells Fargo could have simply said there were violations of law, stated what the violations were, and not even mentioned SARs. Nonetheless, Wells Fargo stated that the issues were related to SARs, and then Mr. Chau clearly testified that "yes," he was aware of regulatory noncompliance issues.

During the continuance of Mr. Chau's deposition, however, Mr. Chau changed his testimony, stating he was not aware of any regulatory noncompliance issues, but he brought up the issue of SARs again. When asked if he was aware of any regulatory noncompliance issues involved in this investigation, Mr. Chau testified "It has to do with the SAR reporting . . . (Ex. F, Chau Depo., p. 150:1-6.) It was Wells Fargo, not Plaintiffs, who first raised the issue of SARs during the August 10, 2010 Chau deposition, and Wells Fargo's senior investigative agent who again raised the issue during the continuance of his deposition on September 9, 2010. But the SAR issue aside, we now have conflicting testimony from Mr. Chau.

And more importantly, Wells Fargo did not properly answer, nor has it properly supplemented its Answer, to Plaintiffs' Interrogatory No. 14. Based on the two depositions of Mr. Chau wherein Wells Fargo's counsel instructed Mr. Chau not to answer questions, Plaintiffs do not think they will get anywhere taking Mr. Chau's deposition again. Wells Fargo's legal counsel has twice instructed Mr. Chau not to answer questions, and was frustrating the continuance of Mr. Chau's deposition taken on September 9, 2010, instructing Mr. Chau again not to testify, and when Plaintiffs' counsel introduced the text of the Electronic Funds Transfer Act (Act) and its implementing regulations as a deposition exhibit and attempted to question Mr. Chau about the Act and its implementing regulations, Wells Fargo's counsel asked: "Do you want him to read this entire document right now?" Plaintiffs' counsel responded "No, I'm going—," and before she could continue Wells Fargo's counsel interrupted saying:

> "Let me tell you. He has not read this document; he has not gone through Regulation E; he has not discussed with anybody. His knowledge it is pretty much what you've already asked him. I'm going to object to every question to the extent that it requires a legal conclusion, but I'm not going to have him—[.]"

(Ex. F, p. 154:15.) At that, point, wholly exasperated with Wells Fargo's counsel frustrating the taking of Mr. Chau's deposition, and with the now conflicting testimony, Plaintiffs' counsel said "Okay. We're done. This deposition is concluded. Thank you." (Ex. F, p. 154:8-23.) By that time, it was clear that Wells Fargo's counsel was not going to be cooperative, and that Plaintiffs' counsel was running into a wall with regard to taking Mr. Chau's deposition. Plaintiffs have already expended extensive resources attempting to get to the bottom of the regulatory noncompliance issues that are implicated in this case. Incurring any further expense by continuing with a deposition that was being frustrated and interrupted at every turn was untenable. As the Court can see from the excerpts of

Mr. Chau's September 9, 2010 deposition, Wells Fargo's counsel testified and spoke more than Mr. Chau. (*See generally* Ex. F.) Wells Fargo's counsel again instructed Mr. Chau not to testify: "Quyen, just so we're clear, you are not to speak specifically to any SAR issues in this case or any other specific case of Wells Fargo . . ." (*See* Wells Fargo's Response Br. at 3.) Wells Fargo's counsel also clearly interrupted and impeded the deposition. (Ex. F, pp. 143-144, 148, 150-54.)

But Wells Fargo itself raised the issue of SARS, and more importantly, 31 U.S.C. § 5318(g) **does not prohibit Wells Fargo from disclosing information contained in SARs**. It only prohibits Wells Fargo from disclosing that SARs themselves have been filed, and the prohibition only applies in certain circumstances. 31 U.S.C. § 5318(g). Plaintiffs thoroughly discussed this issue in their Memorandum supporting their Motion to Compel, at pp. 5-8. Wells Fargo appears to be purposefully obstructing Plaintiffs from obtaining information by relying on SAR regulations as a basis for instructing Mr. Chau not to answer, when there is not legal authority prohibiting Mr. Chau from testifying. He did not need to say that there were SARs filed. He only needed to state what regulatory noncompliance issues were revealed during the investigation of Plaintiffs that arose from Georgia Arnold filing an EthicsLine Complaint.

Tellingly, however, Mr. Chau testified in his August 10, 2010 deposition and during the continuance of his deposition on September 9, that customer consent was the primary concern in this case. When Mr. Chau was asked, "So this wasn't a matter of getting sales credit," he stated: **"It's a matter of getting customer consent. We cannot send out products to customers without talking to them, that's the issue here.**" (*See* 8/10/10 Chau Depo. p. 69:8-12, attached as Ex. A to Pls' Memo. Supporting Motion to Compel Chau Testimony and Answer to Interrog. No. 14 (emphasis added).) The Electronic Funds Transfer Act, and regulation 12 C.F.R. § 205.5 controls when and how banks may issue "access devices" such as debit cards. Debit cards are defined as "access devices" under 12 C.F.R. § 205.2(a)(1). 12 C.F.R. § 205.5 provides:

> (a) *Solicited issuance.* Except as provided in paragraph (b) of this section, a financial institution may issue an access device to a consumer only:
>
> (1) In response to an oral or written request for the device; or
>
> (2) As a renewal of, or in substitution for, an accepted access devise whether issued by the institution or a successor.
>
> (b) *Unsolicited issuance.* A financial institution may distribute an access device to a consumer on an unsolicited basis if the access devise is:
>
> (1) Not validated, meaning that the institution has not yet performed all the procedures that would enable a consumer to initiate an electronic fund transfer using the access devise;
>
> (2) Accompanied by a clear explanation that the access device is not validated and how the consumer may dispose of it if validation is not desired;

> (3) Accompanied by the disclosure required by §205.7, of the consumer's rights and liabilities that will apply if the access devise is validated; and
>
> (4) Validated only in response to the consumer's oral or written request for validation, after the institution has verified the consumer's identity by a reasonable means.

12 C.F.R. § 205.5. In this case, Plaintiffs' manager was printing out lists and giving them to Plaintiffs and making them place telephone calls to the customers telling them they would send them new debit cards when the customer had not activated or used the originally issued debit card. Clearly, the issue that Plaintiff Georgia Arnold complained of in her EthicsLine complaint was that her supervisor was making them call and issue unsolicited access devices that had already been validated by Wells Fargo, that were not accompanied by the disclosures required in § 205.7, and that were not "validated only in response to the consumer's oral or written request for validation, after the institution has verified the consumer's identity." 12 C.F.R. § 205.5.

On September 9, when Plaintiffs' counsel attempted to elicit more specific information about this case, about the consent issue raised by Mr. Chau on August 10, 2010 and specifically implication of the Electronic Funds Transfer Act and its implementing regulations, Wells Fargo's counsel made it clear that he would object and would not even let Plaintiffs' counsel ask the questions without interrupting. (*See* Exhibit F, Chau Depo. pp 152:13-15, 153:1-25, 154:1-25, 155:1-

25, 156:1-7.) Wells Fargo's counsel clearly instructed Mr. Chau not to testify, impeded the intended line of question regarding the Electronic Funds Transfer Act, and Plaintiffs' counsel therefore ended the deposition.

Plaintiffs do not wish to incur any further expense or expend addition time in again trying to elicit testimony from Mr. Chau. But Wells Fargo has not been forthcoming, has not answered Plaintiffs' Interrogatory No. 14, and there are pivotal questions in this case that Wells Fargo is refusing to answer. Plaintiffs deserve to have Interrogatory No. 14 properly answered in a forthright manner.

WHEREFORE, Plaintiffs respectfully request that Wells Fargo be compelled to answer Plaintiffs' Interrogatory No. 14 and specifically state what public laws, regulations, regulatory noncompliance issues, and/or public policy violations were implicated by the activity investigated in this case and the subsequent June 2009 investigation.

RESPECTFULLY submitted this 17th day of September, 2010.

BY: /s/ Brenda Lindlief Hall
Brenda Lindlief Hall
REYNOLDS, MOTL AND SHERWOOD, P.L.L.P.
Attorney for Plaintiffs

CERTIFICATE OF COMPLIANCE

Counsel for Plaintiffs hereby certifies that the foregoing Reply Memorandum Supporting Plaintiffs' Motion To Compel complies with L.R.7.1(d)(2)(A). The Memorandum, excluding the caption and Certificate of Service is 2,603 words.

BY: /s/ Brenda Lindlief Hall
Brenda Lindlief Hall
REYNOLDS, MOTL AND SHERWOOD, P.L.L.P.
Attorney for Plaintiffs

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF MONTANA

HELENA DIVISION

JENNIFER FINSTAD, MICHELLE JONES, MEREDITH McWILLIAMS, LORI ELLIOTT, KELSEY GEORGE, and GEORGIA ARNOLD,	CAUSE CV-09-46-CCL
Plaintiffs,	
v.	
WELLS FARGO & COMPANY, and WELLS FARGO BANK, NA,	
Defendant.	

VIDEO DEPOSITION OF QUYEN CHAU, VOLUME II

BE IT REMEMBERED, that Volume II of the video deposition upon oral examination of QUYEN CHAU, appearing by video, at the instance of Plaintiffs, was heard at the Office of Lesofski Court Reporting, 7 West Sixth Avenue, Suite 2, Helena, Montana, on the 9th day of September, 2010, beginning at the hour of 12:45 p.m., pursuant to the Montana Rules of Civil Procedure, before Laurie Crutcher, Registered Professional Reporter, Notary Public.

* * * * *

Exhibit F

APPEARANCES:

ATTORNEY APPEARING ON BEHALF OF THE PLAINTIFF:

MS. BRENDA LINDLIEF-HALL, ESQ
Attorney at Law
Reynolds, Motl & Sherwood, PLLP
401 North Last Chance Gulch
Helena, MT 59601

ATTORNEY APPEARING ON BEHALF OF THE DEFENDANT:

MR. OLIVER H. GOE, ESQ. (By video from Billings)
Attorney at Law
Browning, Kaleczyc, Berry & Hoven, PC
P.O. Box 1697
Helena, MT 59624-1697

ALSO PRESENT: Steve Schmitz (In Helena)
Carisa Fisher (In Billings)

I N D E X

E X H I B I T S

WHEREUPON, the following proceedings were had and testimony taken, to-wit:

* * * * *

VIDEOGRAPHER FISHER: If you guys -- actually before we get started, I like to always do a very brief little introduction here.

My name is Carisa, and I'm the tech here in Billings at Fisher. Obviously we're all familiar with video conferencing, but I'd like to remind everybody how it works in a deposition.

It's very, very important to wait and not talk over each other, particularly for the Court Reporter, because it can cut out crucial yeses, and nos, and that kind of things. If you step on each other, those will not come through, and it's very important to catch all of those. So if you could just take a breath, and really let each other finish completely, even if you're anticipating what your answer is going to be, that's very important.

The other thing I like to say is it is technology, so depending on certain connections and equipment, things happen on occasion. If that should happen, don't fret. We take a very quick break, and redial. So just make sure you let your

techs know if something should happen. It's better to adjust any issues right away versus fight with them and struggle with them.

So with that said, we may proceed.

MR. GOE: I will stipulate that this is a continuation of the deposition that began previously on August 10th, 2010; that Mr. Chau is under oath; and the specific purpose of the deposition is to address the regulatory issues for which objections were made and which were later part of a motion to compel.

MS. LINDLIEF-HALL: So with that, I guess we can get started.

QUYEN CHAU,
Appearing by video having been first duly sworn, was examined and testified as follows:

EXAMINATION
BY MS. LINDLIEF-HALL:

Q. Good afternoon, Quyen. We met previously, but just for the record, again, my name is Brenda Lindlief-Hall, and I represent the Plaintiffs in this matter. And as has already been discussed, this is a continuation of your

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deposition from August 10th of this year, August 10th of 2010.

The reason for this continuance is that Wells Fargo's attorney instructed you not to answer a couple of questions, and under the Federal Court rules, I have a right to have those questions answered. And so as you know, you are under oath here today, and this is being videotaped. This deposition, like your other deposition, may be used in a court of law at trial in this matter or another proceeding.

And I think that the person at Fisher Court Reporting already went through the rules, groundrules, well enough about letting one person finish talking before the other one starts, and so I'll just go ahead with that, and ask you for the record to please state your name.

A. **Quyen Chau.**

Q. Could you please spell that?

MR. GOE: Brenda, before you proceed any further, I don't totally agree with your introductory comments. Wells Fargo is maintaining any objections and all objections it has to questions relating to SARs, whether or not a SAR was produced in this case, whether or not the

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reasons for why a SAR may have been produced specific to this case, or the reverse, why one might have been not prepared and provided. We are maintaining all of the objections that we previously had relating to SAR issues.

It is my understanding from our discussions earlier that the scope of this deposition would be related to the regulatory non-compliance issues involved in this case, and what Mr. Chau meant by that.

MS. LINDLIEF-HALL: That is correct, and for the record, I did not ask during Mr. Chau's previous deposition or at any time about SARs, and so I do not intend to ask about SARs. I have not and I do not intend to.

Q. (By Ms. Lindlief-Hall) And so Quyen, would you please for the record spell your name.

A. **Sure. It's Quyen, Q-U-Y-E-N; last name Chau, C-H-A-U.**

Q. Thank you. And Quyen, during your deposition of August 10th, 2010, I asked you some specific questions, and I'm just -- so that we can proceed from there and have an understanding, I'm just going to read from the transcript of that deposition, what led up to my questioning, and

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what my questions specifically were. So I asked you --

MS. LINDLIEF-HALL: And Ollie, this is at Page 69 of his deposition that I'm starting at. It will be Pages 69 through 70 primarily.

MR. GOE: Thank you.

Q. (By Ms. Lindlief-Hall) And so Quyen, I asked you: "If a Wells Fargo employee orders a debit card on a joint account, and doesn't get the customer consent, do they get sales credit?" And your answer was, "Yes, they would."

I then asked, "Would they get sales credit if they had obtained consent?," and you said, "Yes, they would."

And then I asked, "So this wasn't a matter of getting sales credit then?," and your answer was, "It's a matter of getting customer consent. We cannot send out products to customers without talking to them. That's the issue here."

I then asked, "Why can't you do that?," and your answer was, "You can't order product without customer consent. That's the policy that's set forth by the company."

And I asked you, "Are there any banking regulations that govern customer consent for

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products?," and you answered, "Not that I'm aware of."

And I then asked, "What about any banking regulations that require customer consent for issuing or selling them products that have fees attached?," and you answered, "I'm sure there are, but not that I'm aware of."

I then asked, "Were you aware of any regulatory compliance issues involved in this case?," and then you said, "Please expand that."

I then asked, "Well, if you look at -- and let me find the exhibit number, if you'll bear with me here -- Exhibit No. 7, Wells Fargo document 1489," and then you said "Yes."

"Have you seen this document?," and you said "Yes."

And then I said, "At the bottom, it says, 'Due to possible regulatory noncompliance issues,'" and then it goes on and contains more information.

Then I asked, "Do you have any idea what the regulatory non-compliance issues in this case were?" You responded that you didn't prepare the document.

I then asked you, "So were you aware of

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any regulatory non-compliance issues involved in this investigation?," and your response was "Yes."
MR. GOE: Brenda, just to go back there, I think you paraphrased one of his answers. "I didn't prepare this document. Therefore I don't know what Tom, Mr. Fox, was talking about."
MS. LINDLIEF-HALL: That's right. Thank you.
Q. (By Ms. Lindlief-Hall) And then I asked you, "So were you aware of any regulatory non-compliance issues involved in this investigation?," and your response was yes.
And I then asked, "And what were the regulatory non-compliance issues involved?"
At that point, your attorney -- Wells Fargo's attorney. Excuse me -- Christy McCann instructed you not to answer. She objected, and then instructed you not to answer. So I'm posing that question to you again today, Quyen.
What were the regulatory non-compliance issues involved in this investigation and in this case?
MR. GOE: Quyen, just so we're clear, you are not to speak specifically to any SAR issues in this case or any other specific case of

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Wells Fargo, but you can generally answer that question.
THE WITNESS: Okay.
A. Every case that comes to investigation, there is a potential SAR reporting that we need to file, and it all depends on the case.
Q. (By Ms. Lindlief-Hall) If we can -- I don't want to know about SARs. I'm just wanting to know in this specific case if there were any regulatory non-compliance issues. Did the activity that the Plaintiffs in this case were terminated for, was that activity a violation of any federal laws or regulations?
A. I'm not aware of that.
Q. So when I say, "Were there any regulatory non-compliance issues?," then are you saying that you don't know if there were any violations of any public laws or regulations?
A. That is correct.
Q. So to the best of your knowledge, there were no suspected violations of any federal laws?
A. That is correct.
Q. And no violations of any federal regulations?
A. Again, that is correct.

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Q. So Quyen, when I asked you back on August 10th, "Were you aware of any regulatory non-compliance issues involved in this investigation?," and you said yes, what did you mean?
A. It has to do with the SAR reporting that is governed by -- that's my responsibility. That is my department's responsibility of the SAR reporting.
Q. But there were SARs filed in this case?
MR. GOE: Objection, and advise him not to answer. Instruct him not to answer.
MS. LINDLIEF-HALL: I understand.
Q. (By Ms. Lindlief-Hall) Why would there be a SAR filed in this case if there were no suspected violations of the federal law, if there was no suspicious transaction related to money laundering, or a violation of the Bank Secrecy Act?
MR. GOE: Objection, and instruct him not to answer. You've already said you wouldn't ask anything specific about SARs in this case.
MS. LINDLIEF-HALL: And I wasn't asking about the SARs.
MR. GOE: That was part of the

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agreement.
MS. LINDLIEF-HALL: Yes, it was.
MR. GOE: You asked him about this case.
MS. LINDLIEF-HALL: I'm asking him about this case, and I'm asking why there would -- now he's not going to answer -- why he'd said there was a regulatory non-compliance issue, why he answered yes, and why there would be a SAR reported, when clearly those are the only reasons under which one would be filed.
MR. GOE: Brenda, I tried to explain this earlier, and while I can't speak for Mr. Chau, but just to try to clear up any confusion, the only regulatory non-compliance issue that he was looking at, or -- yes -- the regulatory non-compliance issues he was looking at was whether or not he would have to file a SARs.
Is that accurate, Quyen?
THE WITNESS: That is correct.
MS. LINDLIEF-HALL: Okay. Then I'm going to move on.
MR. GOE: So every case he gets -- well, never mind. Go ahead.
MS. LINDLIEF-HALL: All right. I'm going to move on.

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Q. (By Ms. Lindlief-Hall) Quyen, are you familiar with the Electronic Funds Transfer Act?
A. Not completely.
Q. But are you familiar with some of it?
A. Yes.
Q. Can you please describe to me your familiarity with the Electronic Funds Transfer Act. What do you know about it?
A. If a customer has an unauthorized transaction out of his or her account, they could go file a claim with the bank basically saying, "I did not do this transaction."
Q. So I want to tie that in specifically, though, the Electronic Funds Transfer Act, to this case, and to the Epic line complaint that Georgia Arnold filed, and to the reasons that the women in this case were terminated. Were any of those activities prohibited under the Electronic Funds Transfer Act or the regulations promulgated by the OCC or the Federal Reserve Board?
MR. GOE: I will object first to the extent that it requires Mr. Chau to provide a legal opinion and analysis. He can answer to the best of his ability.
A. I don't look into that on this case. If

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I have any question with regard to any regulatory issue, I would go in-house to one of our attorneys, and have them respond to that question.
Q. (By Ms. Lindlief-Hall) And so you did not believe that there were any violations of the Electronic Funds Transfer Act in this case; is that what you're saying?
MR. GOE: I'd object. That misstates his testimony.
A. Again, I did not look into Reg. E when we investigated this case.
MS. LINDLIEF-HALL: And so I would like to just kind of walk through the Electronic Funds Transfer Act and Regulation E. I would like to have 15 USC 1693a, and then regulations 12 CFR 205.2, 205.3, 205.4, 205.5, 205.6, and 205.67 admitted as exhibit -- I believe we are at A-3.
MR. GOE: Where are we at? I'm sorry.
MS. LINDLIEF-HALL: We're at Exhibit A-3.
MR. GOE: What did --
MS. LINDLIEF-HALL: It's 15 USC 1693a.
MR. GOE: No, I got that part. I was wondering what the exhibit number is.

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MS. LINDLIEF-HALL: It's A-3.
MR. GOE: A-3. I'm sorry. I missed what you said at the beginning there. And I did provide Mr. Chau with the documents that you asked me to provide him, and he did bring it with him, so he's got it there.
MS. LINDLIEF-HALL: Okay. Good.
Q. (By Ms. Lindlief-Hall) So Quyen, if you would please look at those documents, and in particular look at 15 USC 1693a, Definitions.
A. (Complies)
MR. GOE: Do you want him to read this entire document right now?
MS. LINDLIEF-HALL: No, I'm going --
MR. GOE: Let me tell you. He has not read this document; he has not gone through Regulation E; he has not discussed with anybody. His knowledge of it is pretty much what you've already asked him. I'm going to object to every question to the extent that it requires a legal conclusion, but I'm not going to have him --
MS. LINDLIEF-HALL: Okay. We're done. This deposition is concluded. Thank you.
MR. GOE: So we're done with the deposition?

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MS. LINDLIEF-HALL: We are done with the deposition. That's it. I was going to ask him a few questions, Ollie, but if you're going to sit and object to everything, that's obstructing my ability to take a deposition, and we'll just be done. Thank you. Thank you, Quyen.
MR. GOE: Brenda, I am not obstructing you from doing this. If you want to ask him questions about this document that you have, you are more than -- you can do so, but --
MS. LINDLIEF-HALL: I know that I can, but I'm not going to sit here if you are going to object and obstruct my ability to take a deposition, Oliver.
MR. GOE: I have not done that. I will object to it to the extent that it requires him to issue a legal conclusion. I think that's a fair objection, it's an honest objection, it's one that's well recognized by the Court. He's not an attorney. You're asking him to interpret a legal document. He can do the best he can, and you can ask your questions, but I'm going to maintain my objection to every one of your questions along this line.
MS. LINDLIEF-HALL: And as the senior

United States Code of Federal Regulations

12 C.F.R. § 205.5 Issuance of access devices.

(a) *Solicited issuance.* Except as provided in paragraph (b) of this section, a financial institution may issue an access device to a consumer only:

(1) In response to an oral or written request for the device; or

(2) As a renewal of, or in substitution for, an accepted access device whether issued by the institution or a successor.

(b) *Unsolicited issuance.* A financial institution may distribute an access device to a consumer on an unsolicited basis if the access device is:

(1) Not validated, meaning that the institution has not yet performed all the procedures that would enable a consumer to initiate an electronic fund transfer using the access device;

(2) Accompanied by a clear explanation that the access device is not validated and how the consumer may dispose of it if validation is not desired;

(3) Accompanied by the disclosures required by §205.7, of the consumer's rights and liabilities that will apply if the access device is validated; and

(4) Validated only in response to the consumer's oral or written request for validation, after the institution has verified the consumer's identity by a reasonable means.

Report# 805272865 WELLS FARGO Page 1 of 2

This report is limited to those copied on the initial communication and those who have permission to access it from a designated shared file. Due to regulatory compliance requirements, further dissemination of this report is prohibited, without the prior approval of Corporate Security or the Law Department. Failure to comply may result in corrective action, including termination of employment.

EthicsLine

General Information

Caller Name: Declined
Type: Not Specified

Client Name: Wells Fargo
Location #: 4607
DBA: Wells Fargo
Address: 2950 Prospect Ave
City,State,Zip: Helena - MT 59601-9726
Country: USA
Phone:

Report #: 805272865
Priority: 2
Trans #: 1
Rpt Date: 05/27/2008
Time: 12:03PM
Origin: Internet

Summary Information

WHO:	Caller, name declined, reported CHRISTINE REISS.
WHAT:	Product Quality Concern
WHEN:	DURING WORK HOURS
WHERE:	SALES FLOOR

Incident Description

5/27/2008 12:03:00 PM - Original Call

Caller, DECLINED, reported mY manager came to me and said she had figured a way to get customers new debits that they haven't activated and used by calling them letting them know we will send them new debits and then we mark it as lost and close it and then we go to reccomendations and re-order it so we get sales credit. I won't lie but I had called on some of these but was making sure that it was misplaced lost and I feel it is a un-ethical way to get sales and when she brings me these leads I just shred becasue I do think it is wrong to do this just for sales. I do know she passes thse leads to all employees at our branch.
REPORTED PARTY NAME CHRISTINE REISS IS RESPONSIBLE FOR THIS INCIDENT

How does the caller know about the incident?: Involved

What documentation is available?: NOT PROVIDED

Will it happen within the next 24 hours?: YES

If so, when: HELENA EAST SALES FLOOR

If so, where: DEPENDS ON WHO SHE GIVES THE LEADS TO??

Product Quality Concern:

If so, when? HELENA EAST SALES FLOOR

If so, where? DEPENDS ON WHO SHE GIVES THE LEADS TO??

Do you know if there are plans for this to occur again within the next 24 hours? YES

Involved Parties

Reported Individuals:
Name: CHRISTINE REISS
Title: STORE MANAGER

Management Notified: YES
Date: 05/27/2008 Phone:
Name: RANDY RILEY
Title: STORE MANAGER
Action Taken: NO RESPONSE YET

Involved/Aware Parties : NO

WF 000113

Exhibit H

FILED

OCT 0 6 2009

PATRICK E. DUFFY, CLERK

By ______ DEPUTY CLERK, HELENA

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Attorney for Plaintiffs

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MONTANA
HELENA DIVISION

JENNIFER FINSTAD, MICHELLE JONES, MERIDITH MCWILLIAMS, LORI ELLIOTT, KELSEY GEORGE and GEORGIA ARNOLD, Plaintiffs, vs. WELLS FARGO & COMPANY, and WELLS FARGO BANK, NA, Defendants.	**CAUSE NO. CV-09-46-CCL** **AMENDED COMPLAINT AND DEMAND FOR JURY TRIAL**

COME NOW, Jennifer Finstad, Michelle Jones, Meridith McWilliams, Lori Elliott, Kelsey George, and Georgia Arnold, by and through their counsel, and for their Complaint allege and state as follows:

I. PARTIES

1. Defendant Wells Fargo Bank, N.A., is a South Dakota Corporation with offices located in Helena, Lewis and Clark County, Montana.

2. Plaintiffs Jennifer Finstad, Michelle Jones, Meridith McWilliams, Lori Elliott, Kelsey George, and Georgia Arnold (hereinafter Plaintiffs) are residents of Lewis and Clark County, Montana.

3. The incidents complained of in this matter occurred in Lewis and Clark County, Montana.

II. FACTUAL ALLEGATIONS

4. The preceding paragraphs are realleged as though set out in full hereunder.

5. Plaintiff Jennifer Finstad began working for Wells Fargo Bank, N.A. (Wells Fargo) at the Helena East Branch in Helena, Montana in approximately November 2007. At the time of hiring, Finstad was a teller, but she was promoted to a customer service sales representative.

6. Plaintiff Michelle Jones began working for Wells Fargo at the Helena East Branch in Helena, Montana in approximately October 2006. At the time of hiring, Jones was a teller, she was then promoted to lead teller in about July 2007.

7. Plaintiff Meridith McWilliams began working for Wells Fargo at the Helena East Branch in Helena, Montana in approximately August 2007. At the time of hiring, McWilliams was a teller, and she was then promoted to lead teller.

8. Plaintiff Lori Elliott began working for Wells Fargo Bank at the Helena East Branch in Helena, Montana in approximately March 2007. At the time of hiring, Elliott was a teller, she was then promoted to lead teller, and then to the position of personal banker on approximately January 1, 2008.

9. Plaintiff Kelsey George began working for Wells Fargo at the Helena East Branch in Helena, Montana in approximately August 2007. At the time of hiring, George was a teller, she was then promoted to lead teller and vault teller.

10. Plaintiff Georgia Arnold began working for Wells Fargo Bank, N.A. (Wells Fargo) at the Helena East Branch in Helena, Montana in approximately August 2005. At the time of hiring, Arnold was a teller, she was then promoted to lead teller, then service manager, and then a personal banker.

11. Between about June 20 and June 23, 2008, Plaintiffs were all terminated from their employment at Wells Fargo. Laura Nixon, a teller, was also fired. It is Plaintiffs' understanding that the branch manager, Christy Reiss, quit before she too was fired.

12. No men were fired to the best of Plaintiffs' knowledge.

13. In the days prior to being terminated, Plaintiffs were individually called to the Wells Fargo Downtown branch and escorted into a windowless basement room, seated on a chair in the middle of the room, and interrogated by two men whom they had never seen before.

14. The interrogations were terrifying for Plaintiffs, and they were treated like criminals. Prior to the interrogations, Plaintiffs were never informed that they had done anything wrong and they were not told the reason why they were being summoned to the downtown office.

15. During the interrogations, Plaintiffs were informed that the way they were reordering debit cards was "gaming," and that it was unethical. Plaintiffs were then forced to sign a confession stating that they knew that what they did was unethical, even though they did not knowingly participate in any gaming or unethical conduct.

16. Plaintiffs were all instructed by their supervisor, the branch manager, and/or Wells Fargo as to how to order replacement debit cards, and they were only doing as they were instructed. The branch manager would print out lists of Wells Fargo customers who had debit cards but had not activated them and they were instructed to contact to them and ask if they would like to order a new debit card.

17. Plaintiffs did not know that the way they were taught to order replacement debit cards was considered "gaming." Their supervisor was in charge

of their training, and she was the person in the chain of command whose instructions they were supposed to follow.

18. During Plaintiffs' employment at Wells Fargo, they were all given promotions and were never reprimanded, either verbally or in writing, or given any warnings of any kind regarding their conduct or performance as employees or about "gaming" and the way they were ordering replacement debit cards.

19. Plaintiffs were never warned about "gaming," and were never given any opportunity to correct the way they were ordering replacement debit cards. Instead, Wells Fargo simply interrogated them, treated them like criminals, and terminated them.

20. Plaintiff, Georgia Arnold, became suspicious of their store manager/supervisor and the way she and/or Wells Fargo was having them reorder debit cards, among other things. Arnold therefore made an anonymous complaint online to the Wells Fargo ethics hotline via computer about the way they were being instructed to reorder debit cards. Arnold made the complaint anonymously because she did not want the store manager/supervisor to know it was her and potentially lose her job over it. Arnold was also uncertain whether what they were doing was in fact unethical or against public policy, but she believed that the way they were trained to reorder debit cards along with other high-pressure sales tactics was not in their customers best interests and was a violation of public policy.

Arnold did not tell her co-workers about her call to the ethics hotline because she was not certain that the way their supervisor was having them reorder debit cards was unethical or against public policy. After making the anonymous complaint to the ethics hotline, Arnold sent an email to Randy Riley, the Helena Wells Fargo Vice President, telling him that she had made the complaint in an attempt to get to the truth while protecting all of the employees at the East Branch.

21. Arnold's ethics hotline complaint was the catalyst that set the investigation into the East Branch in motion, and ultimately led to all of the Plaintiffs being terminated with actual malice and actual fraud for Arnold's ethics/public policy violation complaint.

22. After being interrogated, but prior to formally being terminated, Plaintiffs all looked at the Wells Fargo website and saw that their positions were posted for hiring.

23. A male employee was hired at the East Branch just before Plaintiffs were terminated. Even though he was trained how to reorder debit cards by the terminated employees and was reordering debit cards the same way they were, to the best of Plaintiffs' knowledge and belief, he was not interrogated or terminated.

24. After Plaintiffs were terminated, approximately 5 (five) men were hired at various Wells Fargo Branches in Helena and employees were transferred

between branches in what Plaintiffs believe was an attempt to cover up the termination of so many women.

25. After Plaintiffs were terminated, a male store manager was hired at the East Branch, a male banker was hired, and a male teller was hired and transferred to the East Branch. To the best of Plaintiffs' knowledge and belief, at least six (6) males were hired during the time that the East Branch was being investigated and following their termination.

26. Plaintiffs Finstad and Jones were pregnant at the time they were terminated, and all of the women with the exception of Meridith McWilliams have small children.

27. The interrogations themselves were extremely emotionally distressful for the Plaintiffs, having been interrogated individually by two strange men in a windowless basement room with very little furniture and having to sit in a chair with nothing, such as a desk, in between them and the men interrogating them.

28. Being terminated without warning or any opportunity for retraining or to correct the way they were ordering replacement debit cards was also very emotionally distressing for Plaintiffs.

29. Plaintiffs lost their jobs, and their health, vision, and dental insurance and other benefits as a result of being terminated by Wells Fargo.

COUNT I—SEX DISCRIMINATION UNDER THE MONTANA HUMAN RIGHTS ACT

30. The preceding paragraphs are realleged as though set forth in full hereunder.

31. Wells Fargo discriminated against Plaintiffs, all women, by terminating them without giving them any warnings, further training in the correct way to reorder debit cards, and without providing them any opportunity to correct the way they were reordering debit cards.

32. To the best of Plaintiffs' knowledge and belief, no men were taken to the windowless basement room in the Wells Fargo downtown branch and interrogated by men whom they had never seen before and no men were forced to make and or sign confessions of unethical conduct.

33. To the best of Plaintiffs' knowledge and belief, no men were fired, even though at least one male employee at the Helena East Branch was ordering debit cards the same way Plaintiffs were ordering them.

34. Wells Fargo's hiring of five men to replace them is sex discrimination, and as such violates the Montana Human Rights Act, §§ 49-1-101 *et seq.*

35. Wells Fargo's interrogation and firing of only women, while not interrogating male employees and retraining male employees and allowing them to

keep their jobs, is disparate treatment based on sex, and as such violates the Montana Human Rights Act, §§ 49-1-101 *et seq.*

36. Plaintiffs have exhausted their administrative remedies in that they each filed complaints with the Montana Human Rights Bureau and the EEOC, and the Human Rights Bureau conducted and concluded its investigation and issued Plaintiffs right to sue letters.

37. Plaintiffs are entitled to damages as allowed under the Montana Human Rights Act, §§ 49-1-101, *et seq.*, MCA.

COUNT II—SEX DISCRIMINATION
UNDER THE CIVIL RIGHTS ACT OF 1964

38. The preceding paragraphs are realleged as though set forth in full hereunder.

39. Wells Fargo intentionally discriminated against Plaintiffs by terminating them without giving them any warnings, further training in the correct way to reorder debit cards, and without providing them any opportunity to correct the way they were reordering debit cards.

40. To the best of Plaintiffs' knowledge and belief, no men were taken to the windowless basement room in the Wells Fargo downtown branch and interrogated by men whom they had never seen before, and no men were forced to make and or sign confessions of unethical conduct.

41. To the best of Plaintiffs' knowledge and belief, no men were fired, even though at least one male employee at the Helena East Branch was ordering debit cards the same way Plaintiffs were ordering them.

42. Wells Fargo's hiring of at least five men to replace them is sex discrimination, and as such violates Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§ 2000e *et seq.*

43. Wells Fargo's interrogation and firing of only women, while not interrogating male employees and retraining male employees and allowing them to keep their jobs, is disparate treatment based on sex, and as such violates Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§ 2000e *et seq.*

44. Plaintiffs have exhausted their administrative remedies in that they each filed complaints with the Montana Human Rights Bureau and the EEOC, and they were issued right to sue letters.

45. Plaintiffs are entitled to damages as allowed under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§ 2000e *et seq.*, including, but not limited to, compensatory damages, emotional distress damages, punitive damages, and attorney fees and costs.

COUNT III—WRONGFUL DISCHARGE

46. The preceding paragraphs are realleged as though set forth in full hereunder.

47. Wells Fargo's termination of Plaintiffs despite that Plaintiffs were following their supervisor's instructions, and the failure to provide them any warnings or an opportunity to correct the way they were taught to reorder debit cards constitutes wrongful discharge in violation of the Montana Wrongful Discharge Act, § 39-2-901 *et seq.*, MCA.

48. Wells Fargo's discharge of Plaintiffs was not for good cause, Plaintiffs had completed their probationary periods of employment, and in terminating Plaintiffs, Wells Fargo violated the express provisions of its own written personnel policy requiring employees to do as instructed by their supervisors.

49. Wells Fargo wrongfully discharged Plaintiffs for Plaintiffs' having reported public policy violations and for refusing to violate public policy, and such discharge was done with actual fraud and actual malice, in violation of § 39-2-904(1)(a). Although Georgia Arnold is the employee who called the ethics hotline with concerns, all of the Plaintiffs were discharged based on Arnold's ethics hotline complaint to report a public policy violation, and they were forced to sign confessions stating that they knew they were acting unethically or against public policy when in fact they were simply following their supervisor's and/or Wells Fargo's own policies and procedures .

50. All Plaintiffs were wrongfully discharged with actual malice for Arnold having reported the public policy violation via the ethics hotline.

51. All Plaintiffs were wrongfully discharged with actual fraud as a result of Arnold having reported the public policy violation via the ethics hotline as follows: (1) Wells Fargo represented to Plaintiffs during the interrogations that the way Plaintiffs were reordering debit cards was "gaming" and was against Wells Fargo's policy, when in fact Plaintiffs were only doing as they were instructed/trained by their supervisor and/or Wells Fargo and as their supervisor may have been trained by Wells Fargo; (2) Wells Fargo knew that Plaintiffs were only doing as they were instructed by their supervisor and/or Wells Fargo, and Wells Fargo knew, based on Georgia Arnold's ethics hotline complaint and based on the statements from Plaintiffs during their interrogations, that it was falsely accusing Plaintiffs of "gaming" and unethical behavior, and that in fact Plaintiffs had concerns about the Wells Fargo's high pressure sales tactics and the high-pressure way they were instructed to reorder debit cards; (3) Wells Fargo's false accusations regarding Plaintiffs' conduct being "gaming" and unethical was material and provided the grounds to wrongfully terminate Plaintiffs; (4) Wells Fargo knew that Plaintiffs were not intentionally "gaming" and that they were only doing as instructed and trained by their supervisor and/or Wells Fargo; (5) Wells Fargo intended, through its harsh interrogations of the women by two strange men

in the windowless basement room, to force Plaintiffs into signing confessions stating they knew that they were "gaming" and otherwise acting unethically, and Wells Fargo intended that such confessions would be used to terminate Plaintiffs' employment; (6) Plaintiffs did not know that Arnolds' ethics hotline complaint of public policy violations would be used to terminate Plaintiffs, and they did not know that by signing confessions after their interrogations that the falsely induced confessions would be used to terminate Plaintiffs; (7) Plaintiffs believed that by cooperating during the interrogations and that by signing the confessions, their employment at Wells Fargo would be protected; (8) Plaintiffs had the right to rely upon their supervisor's and Wells Fargo's instruction and training and the representations made by Wells Fargo before and during the interrogations; and (9) as a direct and proximate result of Wells Fargo's material misrepresentations made to Plaintiffs' during their interrogations, and as a direct and proximate result of Wells Fargo's high-pressure sales requirements and Wells Fargo's training of Plaintiffs' and their supervisor, and as a direct and proximate result of the supposedly protected use of the ethics hotline, Plaintiffs were terminated from their employment and suffered lost wages and benefits.

52. Plaintiffs exhausted their remedies by pursuing the Wells Fargo Dispute Resolution Procedure.

53. Plaintiffs are entitled to damages for wrongful discharge as provided in §39-2-905(1)-(2), MCA.

WHEREFORE, Plaintiffs respectfully request that the Court enter judgment under each count in their favor and award damages including:

1. Damages for lost wages and benefits;
2. Damages for emotional distress;
3. Punitive damages;
4. Attorney fees and costs of bringing this action; and
5. Such other and further relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

COME NOW Plaintiffs Jennifer Finstad, Michelle Jones, Meridith McWilliams, Lori Elliott, Kelsey George, and Georgia Arnold and request a jury trial on all issues in this matter.

DATED this 23rd day of September, 2009.

BY: /s/ Brenda Lindlief Hall
Brenda Lindlief Hall
REYNOLDS, MOTL AND SHERWOOD, PLLP
Attorney for Plaintiffs

SEC Form 4

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0287
Estimated average burden hours per response:	0.5

☐ Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person*	2. Issuer Name and Ticker or Trading Symbol	5. Relationship of Reporting Person(s) to Issuer (Check all applicable)
STUMPF JOHN G (Last) (First) (Middle) 420 MONTGOMERY STREET (Street) SAN FRANCISCO CA 94104 (City) (State) (Zip)	WELLS FARGO & COMPANY/MN [WFC] 3. Date of Earliest Transaction (Month/Day/Year) 10/30/2013 4. If Amendment, Date of Original Filed (Month/Day/Year)	X Director 10% Owner X Officer (give title below) Other (specify below) President, Chairman & CEO 6. Individual or Joint/Group Filing (Check Applicable Line) X Form filed by One Reporting Person Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day /Year)	2A. Deemed Execution Date, if any (Month/Day /Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, $1 2/3 Par Value	10/30/2013		S		300,000	D	$43.18(1)	260,080	I	Through Family Trust
Common Stock, $1 2/3 Par Value	10/30/2013		M		550,260	A	$28.43	856,273	D	
Common Stock, $1 2/3 Par Value	10/30/2013		F		460,696	D	$43.1	395,577	D	
Common Stock, $1 2/3 Par Value								87,464.56(2)	I	Through 401(k) Plan
Common Stock, $1 2/3 Par Value								7,435.722(3)	I	Through Ira
Common Stock, $1 2/3 Par Value								112,000	I	Through JJS 2011 Irrevocable Trust
Common Stock, $1 2/3 Par Value								150,000	I	Through RT 2011 Irrevocable Trust
Common Stock, $1 2/3 Par Value								4,674.571(4)	I	Through Self Employed Pension Plan
Common Stock, $1 2/3 Par Value								5,178.001(5)	I	Through Spouse's Ira

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day /Year)	3A. Deemed Execution Date, if any (Month/Day /Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
Employee	$28.43	10/30/2013		M			550,260	02/24/2004	02/24/2014	Common	550,260	$0	0	D	

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
Stock Purchase Option										Stock, $1 2/3 Par Value					

Explanation of Responses:

1. The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $43.13 to $43.29, inclusive. The reporting person undertakes to provide to Wells Fargo & Company (the "Company"), any security holder of the Company, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each seperate price within the ranges set forth in footnote (1) to this Form 4

2. Reflects share equivalent of units in Wells Fargo ESOP Fund of 401(k) Plan (the "Plan") as of September 30, 2013, as if investable cash equivalents held by Plan were fully invested in Company common stock.

3. Includes the following shares of Company common stock acquired under the Company's dividend reinvestment plan: 53.526 shares on 9/3/2013

4. Includes the following shares of Company common stock acquired under the Company's dividend reinvestment plan. 33.65 shares on 9/3/2013.

5. Includes the following shares of Company common stock acquired under the Company's dividend reinvestment plan. 37.274 shares on 9/3/2013.

John G. Stumpf, by Anthony R. Augliera, as Attorney-in-Fact	11/01/2013
** Signature of Reporting Person	Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, *see* Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.

Email
From
Constituent
Of
Rep. Gwen Moore
Regarding
Employment at Wells Fargo

From:
Sent: Wednesday, September 28, 2016 1:25 PM
To: Gwen Moore
Cc:
Subject: Ex-Wells Fargo Employee

The employee, Ms. Valerie Strong, worked at Wells Fargo in Milwaukee as a collections specialist beginning in 2008.
She started making 13/hr and finished making 15/hr.

She discussed a culture of corruption that extended throughout the company. Management was considered to be untouchable. Those who complained about unethical behavior were reported to their supervisors and their performance numbers were artificially changed in order to prevent promotion and push them out. Employees were constantly instructed to push ethical boundaries if it would result in more revenue.

The third party ethics complaint line referenced by Mr. Stumpf was either non-existent or unknown. Employees were always told to report wrong doing to HR (who then often reported the reports to the managers who were the subject of complaints).

Employees would be assigned over-time on management accounts by managers whose accounts were low preforming.
She states that a regular practice was to move money (without customer knowledge) from a separate account held by a Wells Fargo customer to cover an account in collection. This was done solely to push up performance numbers in the collections department.

Ms. Strong has a pending case with the Wisconsin Equal Right Division (ERD) similar to EEOC and a pending lawsuit.

Warmly,

WELLS FARGO

Community Banking

Carrie Tolstedt, Senior EVP, Community Banking
Jim Smith, EVP, Digital Channels Group
Jonathan Velline, EVP, ATM Banking & Store Strategy
Ken Zimmerman, EVP, Deposit Products Group

May 20, 2014

Business Overview

America's Community Bank

Community Banking business overview

As America's Community Bank, we serve 1 in 5 consumer households and 1 in 10 small businesses in the U.S. (1)

(All measures below are 2011 compared to 2013 unless noted otherwise)

Mass Market / Affluent

- Over 22 million Retail Bank households
- Primary consumer checking customers up 5% YOY (2)
- Credit card penetration of Retail Bank households up ~30% (3)
- Total store-referred investment balances to Wealth, Brokerage & Retirement: 31% CAGR
- Store private banker deposits and loan originations: 19% and 49% CAGR, respectively (4)

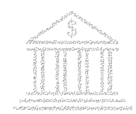
Small Business / Business Banking

- Over 2.5 million relationships
- Primary business checking customers up 5% YOY (2)
- #1 small business lender in dollars for last 11 consecutive years (5)
- Fifth consecutive year as nation's #1 SBA 7(a) small business lender (6)
- New loan commitments up 56% (7)
- Business Direct solutions more than doubled (8)

(1) Derived from U.S. Census consumer and small business estimates. (2) Reported on one-month lag; as of Feb 2014. Growth is reported on a net basis. Customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit. (3) 4Q11 compared to 1Q14. (4) Store private banker loan originations based on dollars; excludes mortgage. (5) Source: U.S. in dollars, per 2002-2012 Community Reinvestment Act government data. (6) Small Business Administration, in dollar volume (2013 federal fiscal year-end data). (7) New loan commitments to small business customers (primarily with annual revenues less than $20 million). (8) Business Direct credit card, lines of credit and loan product solutions (primarily under $100,000 sold through our retail banking stores).

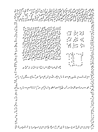
Community Banking business overview

Located in more communities than any other bank and an industry leader in both physical and digital channels; supported ~5.8 billion customer interactions in 2013



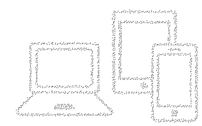
Store

- #1 U.S. retail bank branch network; ~6,200 in 39 states and D.C.
- #1 retail deposit share nationally; #1 or #2 in 25 of our 39 states (1)
- Located within two miles of half the U.S. census households and small businesses in our footprint (2)



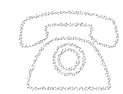
ATM

- 12,500+ ATMs running our exclusive software; personalized experience for what customers do most
- 3rd largest U.S. bank-branded ATM network; 90% with *Envelope-Free*SM deposits
- Offsite ATMs add almost 30% more distribution points



Digital

- 23.8MM and 12.5MM active online and mobile customers, respectively
- #1 consumer internet bank in the U.S., fourth year in a row (3)
- #1 in overall mobile performance (4)



Contact Center

- 23 contact centers as primary telephone service and sales channel, 24/7
- Advanced contact center technology and telephony infrastructure
- Supports multiple lines of business and serves all Retail Bank customers

(1) Source: SNL Financial. Retail deposit data, 6/30/13. Pro forma for acquisitions. Caps deposits at $500 million in a single banking store and excludes credit union deposits. Continental U.S. Non-retail deposits excluded. (2) Source: Nielsen Claritas (2014); includes both Wells Fargo retail stores and ATMs. (3) Global Finance Magazine (2013). (4) Keynote Mobile Banking Scorecard (2014).

Community Banking business overview

Competitive advantages, refined over decades and not easily replicated, aligned with our *Vision and Values*

Unparalleled multi-channel distribution	**We serve our customers when, where and how they want.** ▪ Growing primary checking customers; growing deposits
Proven expertise in cross-sell	**Our strategy is customer-centric. We want to be the first provider our customers think of when they need their next financial product.** ▪ Meeting all our customers' financial needs and building lifelong relationships
Service excellence & customer experience	**Every Wells Fargo team member has one thing in common. We all work for the customer.** ▪ Improving customer experience key driver and loyalty metrics
People as a competitive advantage	**Our team members are our most important constituents because they're the single most important influence on our customers.** ▪ Maintaining strong team engagement; tenured and experienced leadership
Risk Management	**For more than 160 years, Wells Fargo has been in the risk management business.** ▪ Continuing to strengthen our culture of risk management

Community Banking business overview

Community Banking senior leaders [1] average ~23 years with Wells Fargo; our team member engagement ratio is six times the U.S. working population

Carrie Tolstedt
Senior EVP, Community Banking
25 years at Wells Fargo
Direct reports avg. 28 years at WFC
~105K team members

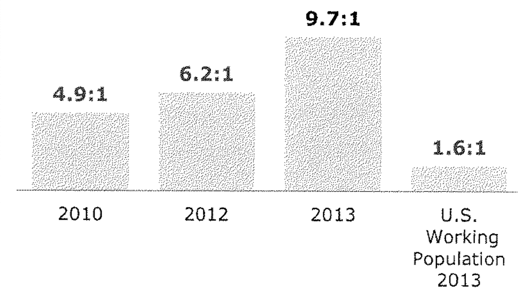
Regional Banking
25 years avg. leader tenure

Product Groups / Virtual Channels
22 years avg. leader tenure

Shared Support Services
23 years avg. leader tenure

Higher team member engagement – we want to be an employer of choice

Total Community Banking
"Engaged to Actively Disengaged Ratio" [2]



(1) Senior leader average tenure includes Tolstedt directs, "2-down" leaders, and Regional Presidents; data as of March 2014.
(2) Engagement data source: Copyright © 2013 Gallup, Inc. All rights reserved. Blue bars – WFC Community Banking. Gray bar – Gallup Poll of U.S. Working Population, 2013. Note: Survey was not administered in 2011.

Driving the economics of retail distribution

An update on our business since the last Investor Day

Driving the economics of retail distribution

Grow revenue through more households and more products per household by delivering great experiences and satisfying customers' financial needs

Number of households
x
Revenue per household
=
Revenue

–

- Transaction costs
- Cost of sales and service
- Investments

=
Expense

=

Operating Profit

Density and **Cross-sell** models

Efficiency and **Investment** models

Supporting company's **ROA and efficiency ratio targets**

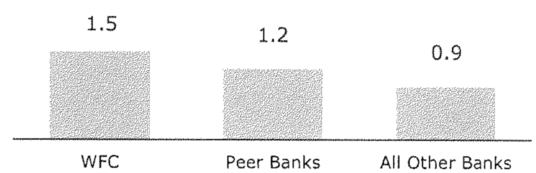
Driving the economics of retail distribution

Store density: Drives household and deposit growth per store

Household share is strong (S-curve)
Most major markets within the "sweet spot" where optimal household and deposit lift occurs

Number of major metro markets with retail household share: (1)	
Above 30 percent	10 of 21
Above 20 percent	16 of 21
Above 10 percent	20 of 21

Our stores generate more deposits than competitors (2)



Higher Impact Ratio means more deposits per store leveraging fixed store costs

$$\text{Impact Ratio}^{(3)} = \frac{\text{Deposit Share}}{\text{Store Share}}$$

(1) Major metro markets defined as largest 25 Core Based Statistical Areas (CBSAs) by population; note that in top 25 CBSAs, Wells Fargo has presence in 21 of the top 25 CBSAs (4 out of footprint metro markets = Boston, Detroit, St. Louis, Pittsburgh). (2) Peer Banks includes BAC, C, JPM, PNC, USB; All Other Banks excludes WFC and five Peer Banks. (3) Source: SNL Financial. Deposit and branch data as of 6/30/13. Pro forma for acquisitions. Caps deposits at $500 million in a single banking store and excludes credit union deposits. Continental U.S. Non-retail deposits excluded. Store share is percent of U.S. total branches.

Driving the economics of retail distribution

Store density – Strategy: Managing physical distribution network requires ongoing discipline to ensure efficiency and effectiveness

Retail Store Distribution Strategy

	Improving S-Curve & Comparative Position	Optimizing Locations	Updating Existing Sites
Actions →	**Open Stores**	**Relocate & Reposition**	**Rebrand & Refresh**
Features	▪ Mainly in-fill ▪ "A" locations ▪ Diverse format mix, with stores 1,000-3,500 sq. ft. ▪ Manage build costs ▪ Introduce new technology ▪ Target 3-4 year cumulative breakeven	▪ Move to better quality location (e.g., C to B; B to A) ▪ Frequently to a smaller size store ▪ Run-rate of consolidated store to help fund new location ▪ Continue expansion of offsite ATMs to complement network	▪ Replace/Increase signage ▪ Add desks ▪ Retrofit with new technology

Driving the economics of retail distribution

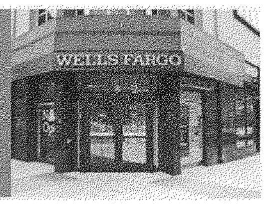
Store density – Execution: Tailor investments to unique conditions of each community, maximizing the return of our physical distribution

Location

Rigorous site selection provides convenient choices and "higher impact"

- Improved through de novos, consolidations and relocations – 20% more "A" sites; 25% fewer "C" sites since 2008
- "A" sites have 1.5+ times higher deposits, higher deposit growth and more households than "C" sites

Rebranding / Refreshing



Refreshing stores and improving signage increases sales and service capacity and enhances the brand

- Added 1,000+ more desks on store platforms to increase sales and service capacity (1)
- 22% of stores refreshed/new signage last two years; ~500 stores' signage updated per year
- Signage investment increases customer loyalty scores

Formats

Markets with a mix of traditional, in-store and offsite ATMs have higher household share at lower cost

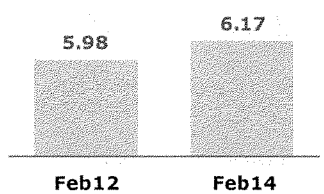
- Recent de novos under 3,500-sq. ft.; relocation average half size of previous store
- Introduced new formats; added ~300 offsite ATMs since 2012
- Higher format mix provides as much as 2-ppts. lift to household share

(1) Desks added in 2012-2013.

Driving the economics of retail distribution

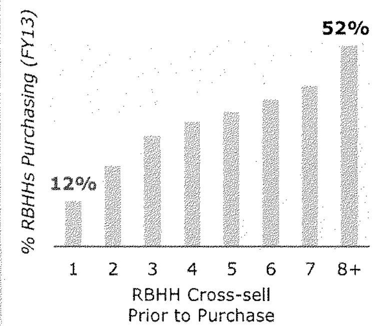
Cross-sell model: Meeting more of our customers' financial needs and building lifelong relationships

RBHH cross-sell has grown the last two years



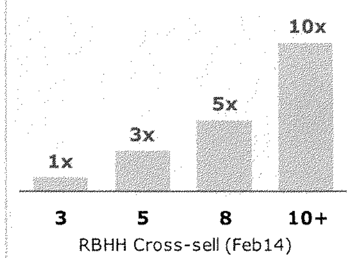
- Eastern region cross-sell grew to 5.71 in February 2014, up from 5.49 in February 2012

Annual purchase rates higher as cross-sell increases [1]



- RBHHs with 8+ cross-sell have been over four times as likely to purchase over the next 12 months than those with only 1 product

Retail profit per RBHH increases with cross-sell



- RBHHs with higher cross-sell are also more profitable

(1) *Based on Retail Bank Household (RBHH) cross-sell as of Dec 2012 and purchases during 2013.*

Driving the economics of retail distribution

Efficiency and Investment Models: Improving the customer experience, reducing costs and continuing to invest in future growth

Progress from 2011 to 2013

Channel Interactions	Customer Experience (1)	Annual Expenses (2)	Cost Per Transaction (2)	Efficiency Ratio (2)
Up 11%	All time highs	Down ~$0.9B	Improved 14%	Improved 1.6 ppts.

Supporting the company's ROA and efficiency ratio targets

Note: All metrics are 2013 compared with 2011 unless noted otherwise.
(1) Derived from data collected with internal store experience tracking surveys.
(2) Financial data shown is "Community Banking" as defined internally; "Community Banking" operating segment data used for external reporting includes additional lines of business.

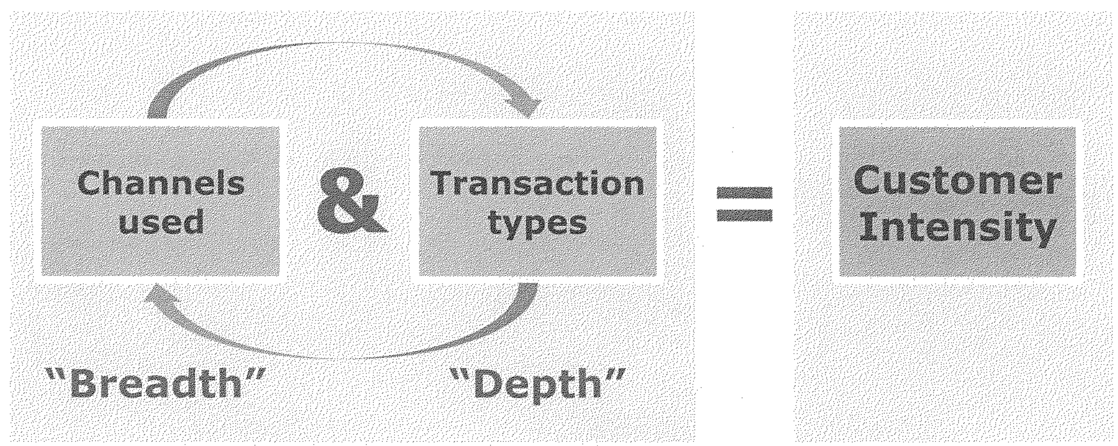
ADVANCING THE MODEL

Introducing a new lever for growth: Customer intensity

In our experience, the **more intensively customers use** our channels and transact with us, **the better** our density, cross-sell, and efficiency **models perform.**

Customer intensity – as a lever for growth

Customer intensity is a measure that combines channel and transaction usage



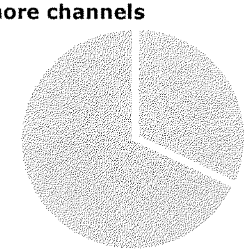
Customer intensity – breadth and depth

Most households use multiple channels and transaction types; the more they use both, the higher the customer intensity

Most households use multiple channels to do their banking

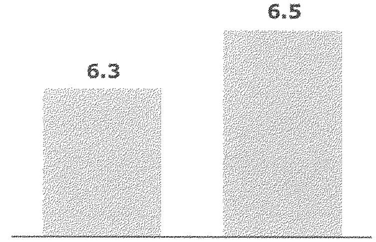
Household
Channel Usage (1)

~2/3 use 2 or more channels



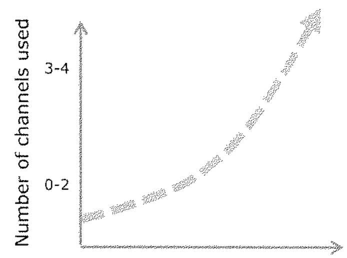
Households use 6.5 transaction types on average

Household
Transaction Type Usage (2)



High customer intensity currently defined – 3+ channels and 9+ transaction types

Customer
Intensity



(1) Data based on Retail Bank Household channel activity for the three months ending Feb 2014; Channel Groups = Store, ATM, Online & Mobile, Phone.
(2) Initial analysis, definition will change as transaction types are added; separate from Retail Bank Household cross-sell, which is a measure of accounts held.

Customer intensity – business impacts

We believe customers with higher intensity derive more value and generate better business outcomes

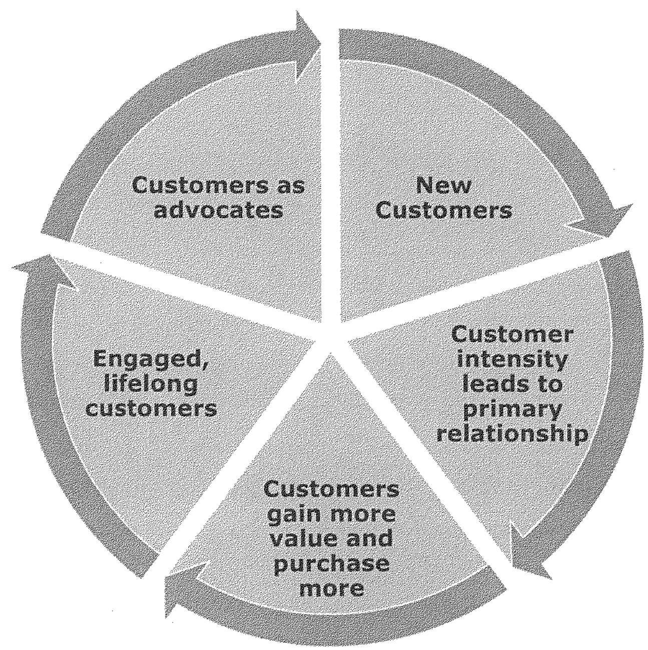
Customers using 9+ transaction types and 3-4 channels compared to those using 0-3 transaction types and 0-2 channels (1)

Purchase Rate (2)	Customer Retention (2)	Top Box 5 – Refer a Friend or Associate (3)	Retail Bank Household Cross-sell	Retail Bank Household Profit
1.9x	+20 ppts.	+4.5 ppts.	+6 products	1.7x

(1) *Initial analysis, definition will change transaction types are added; separate from Retail Bank Household cross-sell, which is a measure of accounts held.*
(2) *Purchase Rate and Retention both span one-year time periods (Retention – Dec 2012-Dec 2013; Purchase Rate – Mar 2013-Feb 2014).*
(3) *"Refer a Friend or Associate" derived from data collected with internal store experience tracking surveys.*

Customer intensity – customer-centered approach

Helps us to grow primary customers, develop lifelong relationships, and earn advocacy from our customers



CLOSER LOOK

How we translate the economics of retail distribution to drive customer value

Customers expect convenient full- and self-service options, **when**, **where**, and **how** they choose. Doing this well **creates value** for the customer and Wells Fargo.

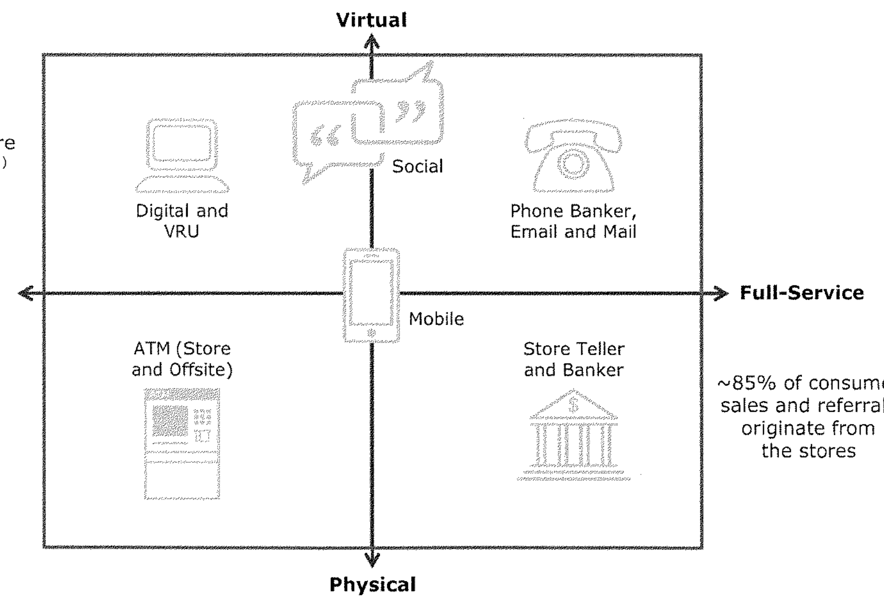
Our economics are aligned with our customers

Economic View	Customer View
	Convenience
Density	▪ You have locations where I live, shop and work ▪ You give me a range of options from self-service to full-service
	Meet financial priorities and needs
Cross-Sell	▪ You know me and take into account the full picture of where I am in my life ▪ You provide solutions that are valuable to me ▪ You make it easy for me to understand my choices
	Ease of use
Customer Intensity	▪ My experience is intuitive across all channels ▪ You provide me a simple way of doing things
	Innovation
Efficiency & Investment	▪ I can do more in the channels I choose ▪ You save me time

When, where and how

Channel strategy supports our customers as they move between self-service and full-service, virtual and physical experiences

~85% of interactions are self-service [1]

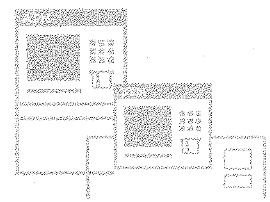


~85% of consumer sales and referrals originate from the stores

(1) *Data as of year-end 2013; includes online, ATM, mobile, and Voice Response Unit.*

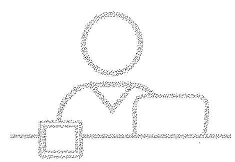
Convenience – self-, full- and assisted-service

Physical distribution example: "Building blocks" allow us to flexibly configure stores, adapt to available space, provide more convenience and optimize costs



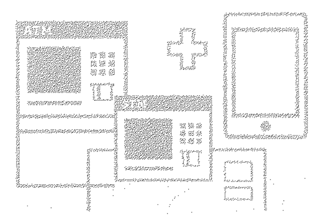
Self-Service

- Customer initiates and completes transaction via touchscreen interface
- ATMs and new store transaction machines (STMs) integrate with different store formats



Full-Service

- Customer initiates teller transaction on touchscreen interface, similar to ATM interaction
- Teller provides assistance and approvals to complete the transaction

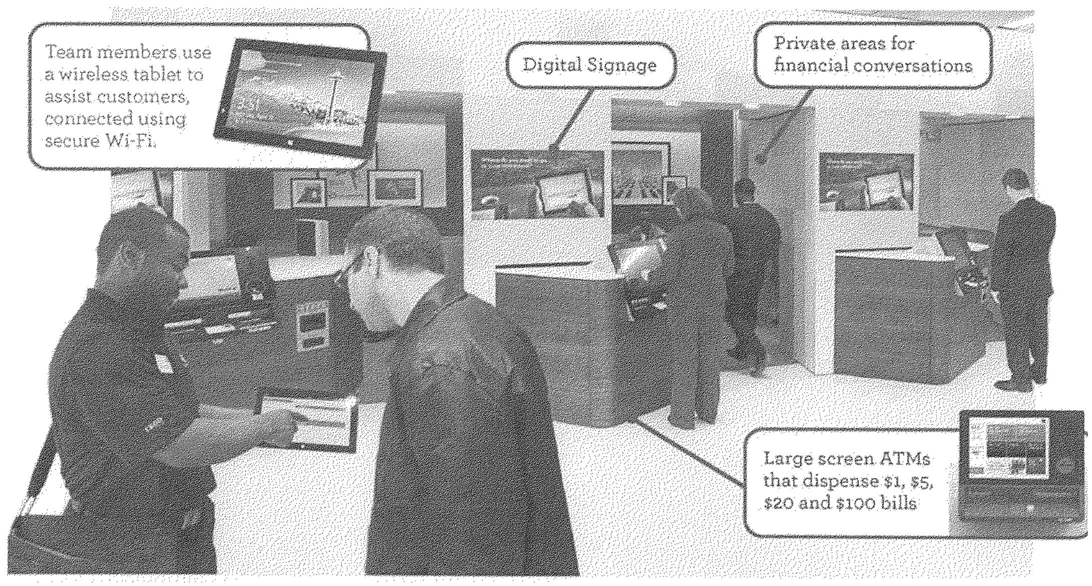


Assisted-Service

- Combines elements of self- and full-service
- Any ATM or STM will be able to operate in assisted-service mode, when paired with team member tablet
- Connects Teller and ATM systems, providing same level of team member assistance available at a traditional teller line

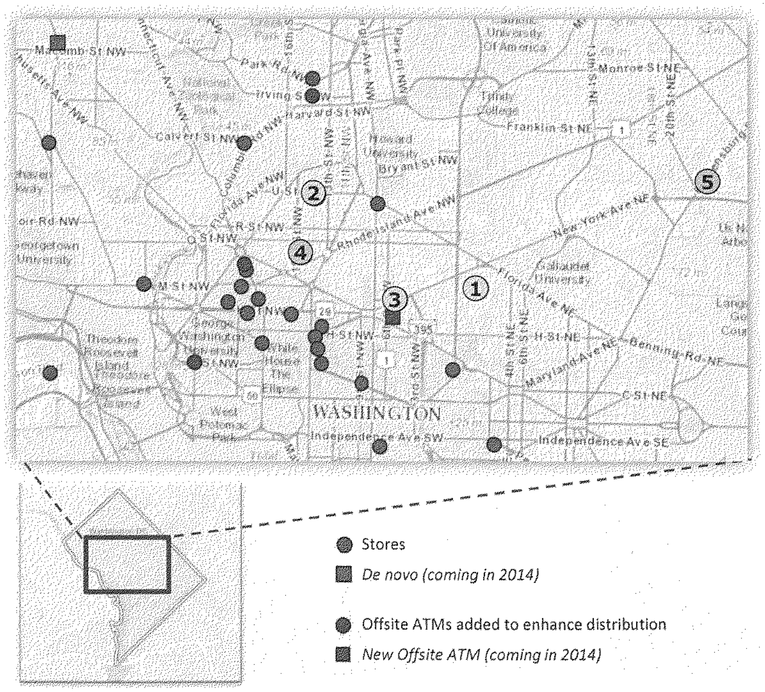
Convenience – technology, alternative formats

Neighborhood Bank format leverages connected Teller and ATM technology, providing a full-service location in one-third the space



Convenience – Washington, D.C. example

Illustrates the flexibility of our service building blocks, and how they complement our distribution density model

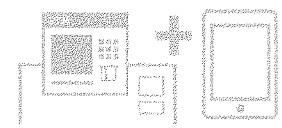


Neighborhood Banks

① NoMa

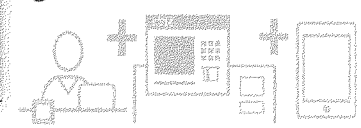
② U Street

③ Mt. Vernon In-Store

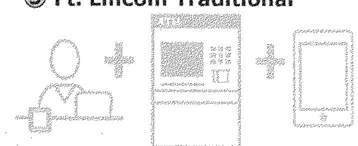


Store Retrofits

④ Desoto Traditional



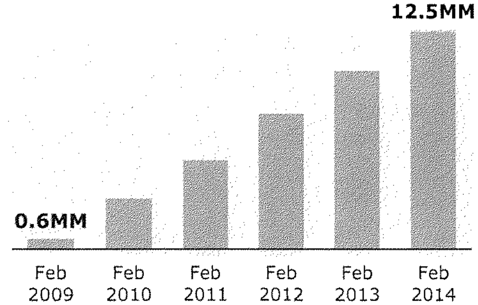
⑤ Ft. Lincoln Traditional



Convenience – mobile banking

Mobile sits at the nexus of the physical, virtual, self- and full-service channels

Active mobile customers growing faster than any other channel



#1 Mobile Banking offering for ease-of-use, functionality, and performance (1)

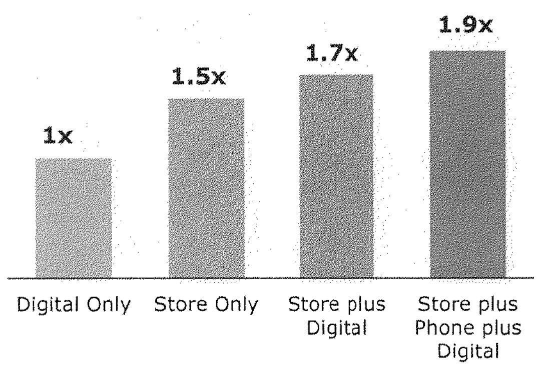
- **Fully integrated view** of entire customer relationship across all products
- Enabling **access through all major mobile devices** across iOS, Android, Windows and Blackberry and modes such as app, web, and text
- Mobile customers access their accounts **over 15 times a month** on average in addition to their online usage
- **Surging demand for mobile deposits and payments,** with over 163% growth in mobile transactions dollar volume over the last two years

(1) Source: 2014 Q1 Keynote scorecard for 14 largest banks and USAA.

Meet financial priorities and needs

Digital provides a unique opportunity to bring channel experiences together to deepen relationships

Customers who combine digital (online/ mobile) with other channel interactions have greater purchase rates [1]



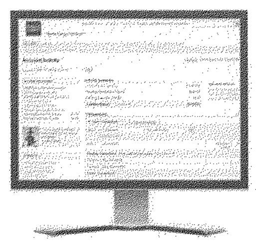
As the average user accesses their accounts frequently, mobile-enabled experiences promote customer intensity

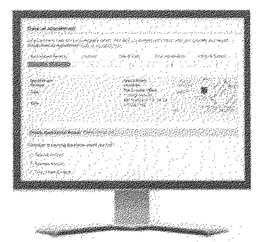
- Developing new capabilities to **connect self-service customers to bankers and advisors** such as video and chat
- Integrating **mobile into new customer onboarding**, building primary relationships and reducing cost to serve
- Exploring **mobile and other alternative authentication tools** for stores, phones and ATMs to promote You Know Me experience

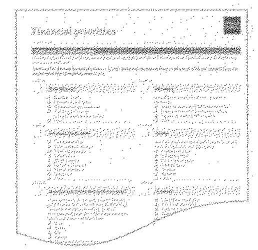
(1) Retail Bank Household data as of Feb 2014; purchases from March 2013 to Feb 2014.

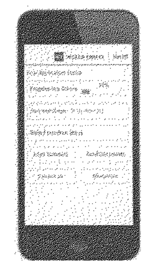
Meet financial priorities and needs

An integrated approach to meeting customer needs with their channel of choice







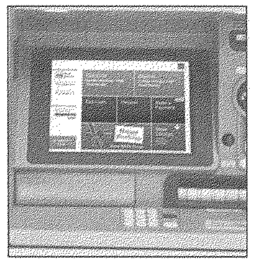


Customer	Cindy needs financing for a new roof, and she **looks at options online.**	She wants in-person help so **makes an appointment online.**	Cindy **meets with a banker** who helps her find the best solution and explains next steps.	Cindy **receives an alert** on her mobile phone to go **online and review her loan disclosures.**
Wells Fargo	▪ Customer-centric digital content and tools ▪ Options include customized offers	▪ Integrated appointment system with online and mobile ▪ Prefilled applications for existing customers	▪ Customer Needs Assessment process ▪ Banker reviews features and terms with customer	▪ Mobile alerts to keep the customer informed ▪ Access funds many ways including online and mobile

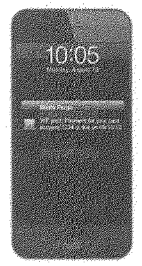
Ease of use – for customers

Becoming our customers' everyday bank – making it easy to access Wells Fargo anywhere

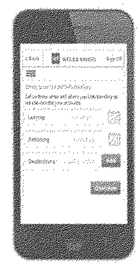
Customer



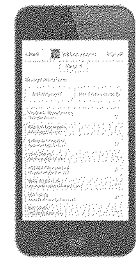
Raj **needs some cash** for his trip, **texts his receipt.**



At the airport, Raj **gets a reminder** to pay his card, so he **makes a payment.**



Paying his card reminds Raj to **set up a travel notice.**



Raj pays Maria his share of the cab fare **using Wells Fargo SurePay℠.**

Wells Fargo

- Personalizes the entire experience based on what customers do most
- Balances on main menu reduces separate inquiries
- Award winning cash tracker helps customers manage spending

- Alerts how you want them (SMS, email, and push)
- Save user name to log on faster
- Pay many ways including future dated transfers

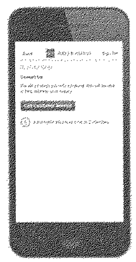
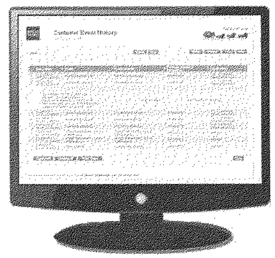
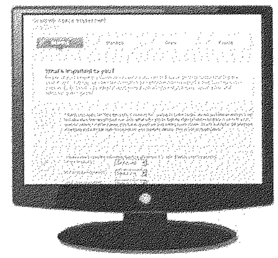
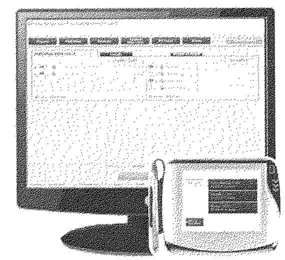
- Simple online and mobile interface (1)

- Easy to pay by uploading your contact list (1) and pay anyone with a U.S. bank account using their mobile number or email address

(1) Expected to be introduced in 3Q 2014.

Ease of use – for team members

Improving team member engagement through better tools, allowing for better, faster customer service

				
Team Member	Maria uses **click-to-call**(1) so Phone Banker can continue where she left off.	Phone Banker reviews **Customer Event History** to quickly understand Maria's situation.	Store Banker uses **Customer Needs Assessment** to guide conversation with Maria.	Teller uses new **Full Image Capture interface** to quickly scan Maria's deposit.
Customer	▪ Maria connects directly to a banker from secure mobile session with no need for further authentication or navigation	▪ Maria doesn't have to repeat her story since banker sees history of key interactions	▪ Maria is offered relevant solutions that meet her needs	▪ Maria's wait is shorter, and she appreciates the environmental impact of using less paper

(1) Expected to be introduced in second half of 2014.

Innovation

Generating value to the customer and Wells Fargo

Cast a wide net

- Consider lots of new technologies and trends to determine value
- Hard to predict the winners so we have to consider lots of possibilities

Test concepts and pilot

- Customer-focused, design-driven
- Creating integrated experiences across our channels
- Dedicated technical environments and physical spaces
- Clear goals, with test and control, ensure pilots drive value

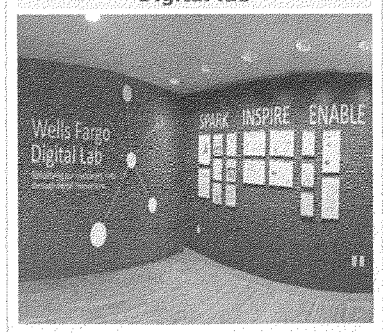
Thoughtfully deploy

- Disciplined journey from plan to prototype to pilot to production
- Infrastructure and technology sharing that create multi-channel connections
- Leverage experience and collaboration across organizational teams

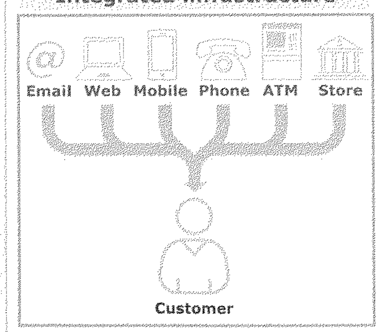
Video banking

Biometric authentication

Digital lab



Integrated infrastructure



CLOSER LOOK

Deposits and Primary Checking Customer

Our deposit business demonstrates how our **density** model, our **cross-sell** model, and our **efficiency** and **investment** models work together to **satisfy customers' financial needs**, **build customer relationships,** and ensure a **mutual value exchange** between us and our customers.

Why deposits matter

Acquire and retain primary customers

Best in class products, excellent customer experience and customer intensity drive primary customer relationships

Ensure a mutual value exchange with our customers

Provide value-added products and services while helping customers make well-informed choices

Provide a source of stable, low-cost funding

Deposit products are a growth engine for the bank, while also providing a stable source of funds throughout economic cycles

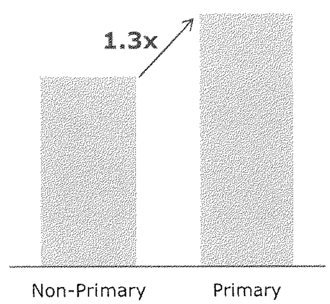
Deposit products are the leading consumer household acquisition vehicle, generating 66% of new consumer households in 2013 (1)

(1) Consumer households formed in 2013 by first product relationship, including Deposit Products, Mortgage and Home Equity Loans & Lines, direct Personal Credit Card, Lines and Loans, Wealth, Brokerage and Retirement, Safebox and Insurance; excludes single-service indirect Auto Loan, Personal Loan, Credit Card, and Student Loan households.

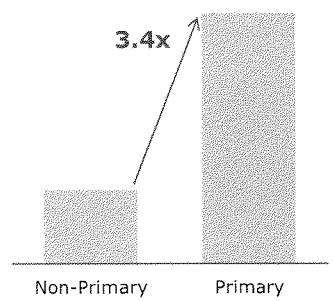
Primary customers receive and create greater value

Focus on primary checking customers [1] supports our vision to build lifelong customer relationships

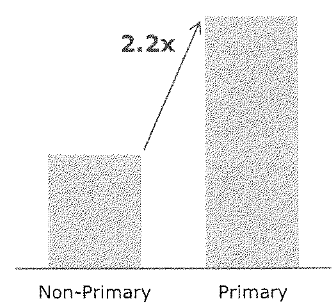
Primary customers have higher cross-sell, [2]



...customer intensity through higher transaction type usage, [3]



...and are over twice as profitable [4]

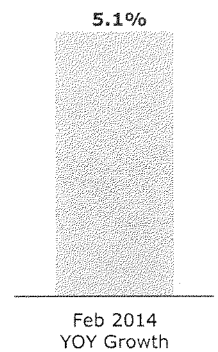


(1) Primary customer defined as checking customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit. Non-primary customers are checking customers with lower transaction levels and less than $10,000 average checking balance. Data for Consumer only.
(2) Data as of March 2014.
(3) Customer-level transaction type usage data for the three months ending March 2014.
(4) Profitability is estimated for all products and services owned/used by the customer, and includes variable costs only; trailing 12-month profit as of March 2014.

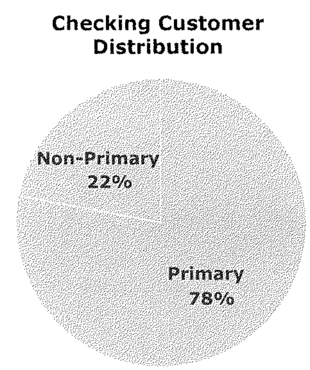
Primary customer focus is succeeding

We are growing primary customers, improving our portfolio mix and retention

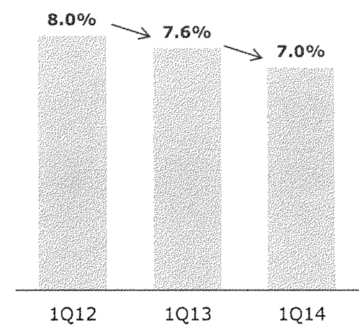
Achieving significant primary customer growth



Over three-fourths of our portfolio is primary (1)



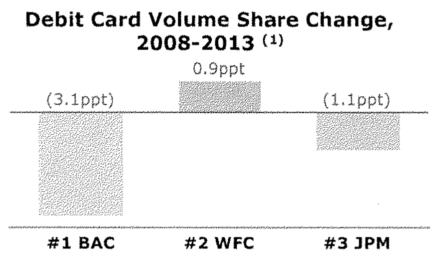
Primary customer attrition is decreasing (2)



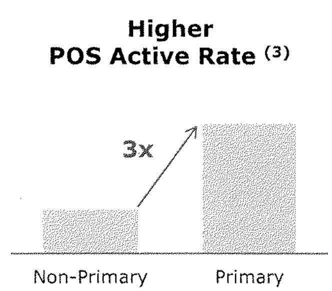
(1) Data as of March 2014.
(2) Annualized quarterly primary checking customer attrition.

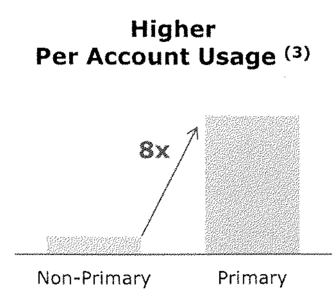
Debit Card exhibits solid growth and value

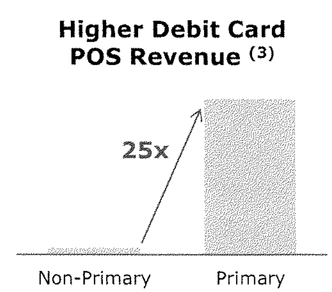
We are gaining Debit Card market share, reinforced by our primary customer focus



- 8% CAGR POS $ volume growth [2]
- #2 debit card issuer at $244B and 19.5% market share [1]
  - Gap to #1 issuer narrowed by $29B
  - Gap from #3 issuer widened by $39B





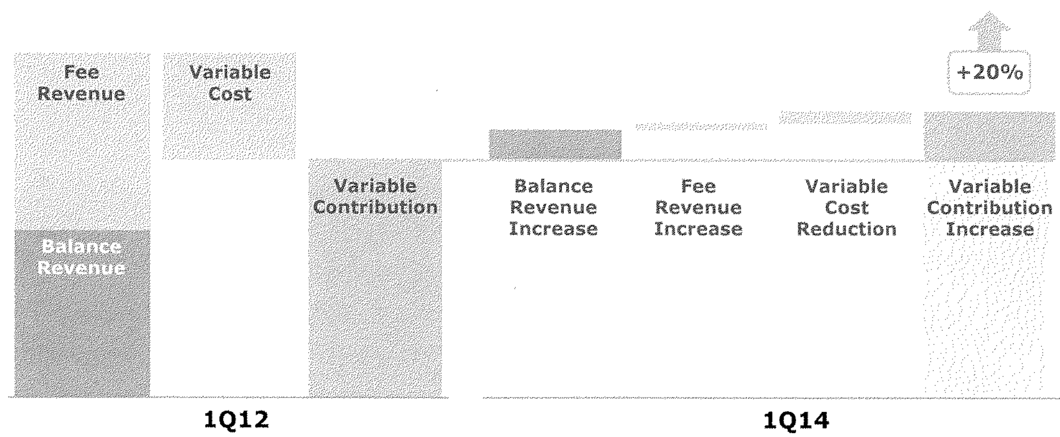


(1) Source: Nilson 2008-2013, Debit Card market share is as % of top 50 issuers.
(2) From 2008-2013.
(3) Customer metrics are 2013 full-year average for customers whose checking accounts have debit cards.

Variable contribution improving

Our checking customers' variable contribution, which helps cover fixed costs, remains positive and has improved since 2012

Average Checking Customers' variable contribution [1] up 20% driven by higher revenue and lower variable cost



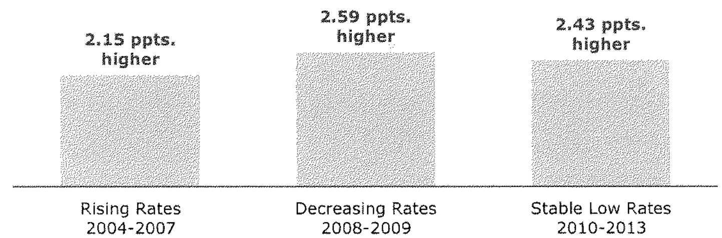
(1) *All Consumer checking customers. Checking and Savings revenue and variable cost. Fee revenue includes Debit Card Interchange.*

Advantage throughout economic cycles

By providing value, convenience, and a breadth of services, we grow primary relationships and meet our customers' financial needs while maintaining a sustainable competitive advantage over peers

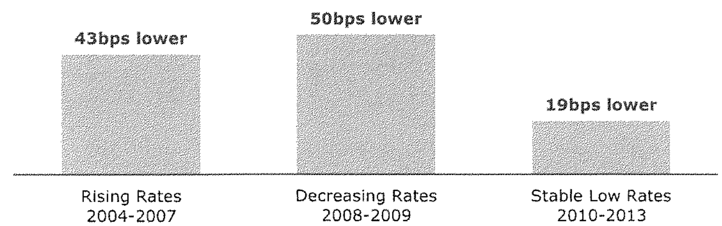
Our deposit growth is higher than our peers in different rate environments

Deposit CAGR per Store, Wells Fargo vs Peers (1)(2)



We've also achieved a consistently lower cost of deposits

Average Cost of Deposits, Wells Fargo vs Peers (1)(3)



(1) Peer group includes: BAC, C, JPM, PNC, USB, and WB (prior to 2009); peers include major acquisitions between 2004-2013. (2) Source: SNL Financial. Retail deposit data 2003-2013. Peer data is pro forma for acquisitions. Wells Fargo data includes Legacy Wells Fargo for 2003-2008; combined entity Wells Fargo + Wachovia from 2009-2013. Deposits capped at $500MM in a single banking store and excludes credit union deposits. Non-retail deposits excluded. 2013 peer deposits adjusted for several large branch closures whose deposits were reallocated across retail branches. Stores defined as Traditional Store Equivalent (TSE). (3) Cost of deposits based on deposit yields. Source: Form 10-K's.

Summary

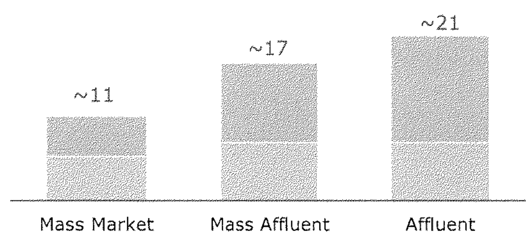
Capitalizing on our strengths

Helping our customers succeed financially

We estimate achieving long-term goal of an average of eight products per household will mean ~100 million additional products to meet our new and existing customers' financial needs

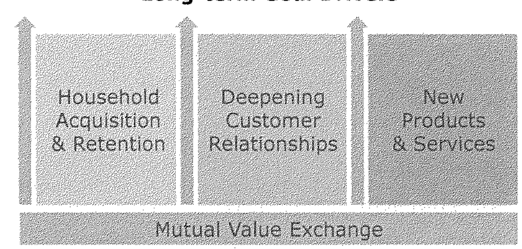
Opportunity to earn more of our existing households' business across segments

Products per Household by Segment (1)



Satisfying more of our customers' financial needs

Long-term Goal Drivers



Through the following:
- Great team and customer engagement
- Multi-channel distribution
- Executional excellence
- Segment strategies

(1) Source: ITP: Javelin Strategy & Research; Bill Pay and Insurance from Strategic Business Insights (2012-2013 MacroMonitor); all other products from Nielsen Financial Track, 2013, national footprint, household level data only; asset tiers determined by investable assets excluding 401(k) – definitions and sample sizes per year: total WF customers: households with at least one WF account:~8.2K; Mass: Investable assets < $100K; ~6.1K; Mass Affluent: $100-250K;~900; Affluent: $250K-1MM;~800.

Efficiency and investments

Optimizing variable cost of service, variable cost of sales, and fixed cost infrastructure while investing for growth

Delivering revenue and great experiences at the lowest possible cost

- Reduce variable cost of transactions without reducing quality of service
- Reduce variable costs of sales without reducing sales volume
- Reduce the expense of fixed cost infrastructure without reducing scalability

Investing to generate customer and shareholder value

- Support "going where the customers go" philosophy
- Meet expectations for break-evens and economic returns
- Reduce risk through data, models, and a test and learn approach

Examples of ongoing efforts:

- Digitization
- Occupancy square footage and operating costs
- Transactional excellence
- Sales and service capacity planning

- Digital channels
- Physical distribution
- Banker adds, including those serving Affluent and Small Business
- Virtual sales capabilities

Capitalizing on our strengths for growth

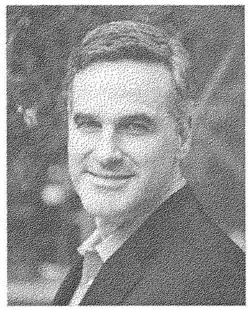
- Growing primary customer relationships and deposits faster than the market over time
- Deepening customer relationships with consumers and small businesses
- Increasing customer intensity: more multi-channel capability supporting "when, where and how" strategy
- Disciplined risk management, continuously improving
- Engaged and experienced leaders who know how to adapt to changing circumstances
- Supporting the company's ROA and efficiency ratio targets while investing for growth

Biographies

Carrie Tolstedt

Senior Executive Vice President, Community Banking

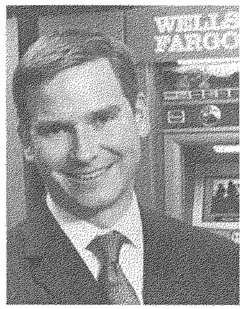
- Carrie Tolstedt is responsible for retail, small business and business banking at Wells Fargo. She leads approximately 105,000 team members who serve more than 22 million retail banking households and over 2.5 million small business and business banking households through nearly 6,200 retail banking stores and over 12,500 ATMs in 39 states and the District of Columbia, Wells Fargo Customer Connection^{SM}, and wellsfargo.com. Community Banking serves mass market, affluent, small business and business banking customers. She also leads the Distribution Strategies and Services Group; Deposit Products Group, which includes Debit and Prepaid Products and Global Remittance Services; the Digital Channels Group, including online, mobile and other emerging technologies; Wells Fargo Customer Connection^{SM} (contact centers); Customer Experience and Strategy; and the Business Direct and Business Banking Groups, which includes Business Payroll Services, Merchant Payment Services, and SBA Lending.
- With over 25 years of financial services experience, she began her career with Wells Fargo in 1986 with Norwest Bank in Nebraska. After a brief period with FirstMerit Corporation, she returned to Norwest, ultimately becoming the Central California regional president of Wells Fargo after the 1998 merger with Norwest. In 2001, she was named a Group EVP in the company's California Community & Border Banking Group and became head of Regional Banking in 2002. In June 2007, she was appointed to her current role as Senior EVP Community Banking.
- Carrie was named by *Fortune* magazine as one of the "50 Most Powerful Women in Business" for 2013. She was also selected as one of *American Banker Magazine's* "25 Most Powerful Women in Banking" (11^{th} Annual, October 2013).
- She graduated from the University of Nebraska with a B.S. degree in business administration and completed the Pacific Coast Banking School, University of Washington. She serves on the Board of Directors of Junior Achievement of Northern California.



Jim Smith

Executive Vice President, Digital Channels Group

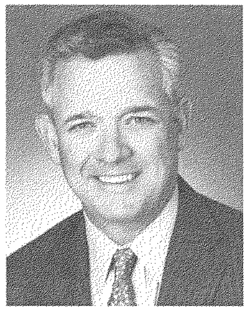
- Jim Smith is head of the Digital Channels Group with responsibility for Wells Fargo's digital strategy and capabilities, and has led the group since 2007.
- A 20-year veteran with Wells Fargo, Jim has helped bring internet banking and financial services to customers ever since Wells Fargo became the first bank online. He began his career at Wells Fargo in 1994 as part of the Consumer Services Management Training program and has held numerous executive positions, including a variety of roles in digital, technology, data & analytics, and intellectual property. Jim formed the Enterprise Data & Analytics team, served as Chief Data Officer and created Wells Fargo's Enterprise Patent Office.
- During his tenure, Jim has developed many industry-leading products, including Wells Fargo MobileSM, many personal financial management tools, bill pay and many payment products. Jim has also helped Wells Fargo businesses transform their models to leverage e-commerce and digital technology.
- Under Jim's leadership, Wells Fargo has won multiple awards from Keynote, Global Finance, CompuServe and others for digital products and experience and Wells Fargo has consistently earned top industry and consumer rankings in a wide variety of categories. These awards highlight Wells Fargo's leading role in offering an excellent multi-product, multi-platform experience to all of its customers.
- Jim is a current member of the Board of Directors for ClearXchange, a payments company. He was also a former member of the Board of Directors for the Financial Services Technology Consortium (FSTC) and the Enterprise Data Management Council (EDM).
- He holds an MBA in Strategy & Marketing from the University of Texas at Austin and a bachelor degree in history from the College of William & Mary.



Jonathan Velline

Executive Vice President, ATM Banking & Store Strategy

- Jonathan Velline manages the Wells Fargo ATM business of more than 12,500 ATMs – the third largest bank ATM network in the United States. In addition, Velline is responsible for developing and implementing store technology, process, staffing, and risk management strategies for the Wells Fargo network of approximately 6,200 banking stores. Velline recently led the regional markets conversions of Wachovia banking stores, in the largest merger in U.S. banking history.
- Wells Fargo has long been an industry leader in finding new ways for ATMs to better serve its customers. Under Velline's leadership, the company was the first to deploy a modern, web-based ATM technology platform; introduced Envelope Free, bulk-check deposit technology to the U.S.; developed ATM e-receipts; and, created ATM cash-tracker, an innovative budgeting tool. He is also modernizing the Wells Fargo team member experience with new technologies for image processing and cash handling.
- Velline began his career with Wells Fargo in 1991 as a financial analyst and has held a variety of positions responsible for charting Wells Fargo's retail banking, technology, and distribution strategy.
- He holds a bachelor's degree in economics from the University of California, Berkeley.



Ken Zimmerman

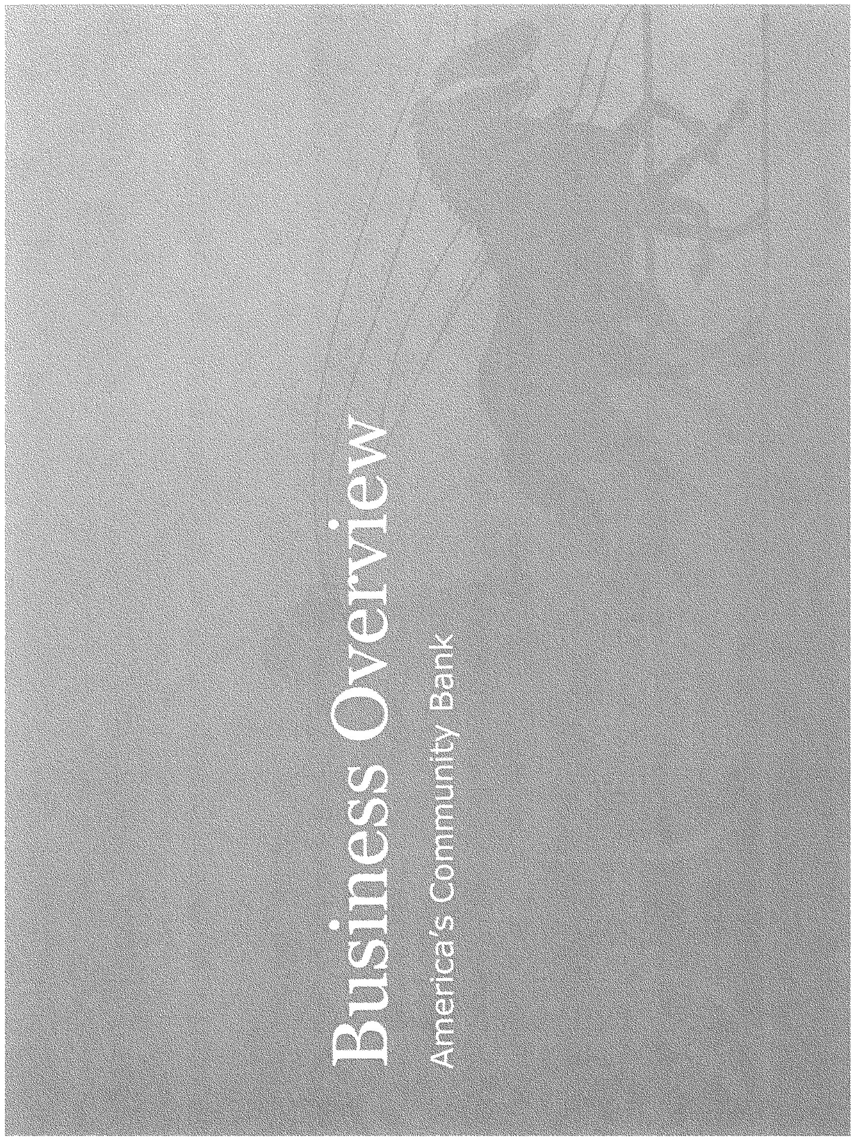
Executive Vice President, Deposit Products Group

- Ken Zimmerman is head of the Deposit Products Group at Wells Fargo. He is responsible for Wells Fargo's Consumer and Business Deposits, Debit and Prepaid Products, and Global Remittance Services. The Deposit Products Group's responsibilities include strategy, customer experience, product development, pricing, and profitability. The Deposit Products Group manages over $400 billion in customer balances, representing over 30 million customers and over $200 billion in annual debit card purchases.
- A 17-year veteran of Wells Fargo, Ken joined the company in 1997 in the Business Banking Group in new product development and online channel management. He moved to the Consumer Checking Group in 1999 as retention marketing manager and later broadened his role to include strategy and product development. He assumed management of the Consumer Deposits Group in 2006 and added Business Deposits in 2008. In 2011, he added responsibility for Debit and Prepaid Products as well as Global Remittance Services.
- Before joining Wells Fargo, he held positions in consulting and corporate finance at Bankers Trust and in investment research at Sanford C. Bernstein and Co. in New York City. He also served four years as an officer in the U.S. Navy.
- Zimmerman holds a B.S. in Civil Engineering from Rice University and an M.B.A. from Duke University's Fuqua School of Business. He is a member of the Management Committee of Early Warning Services, LLC.

Community Banking

Carrie Tolstedt, Senior EVP, Community Banking
Michelle Lee, EVP, Regional Bank Executive
Ed Kadletz, EVP, Head of Deposit Products Group
Brett Pitts, EVP, Head of Digital

May 24, 2016


Business Overview
America's Community Bank

When our customers succeed, we succeed

"We want to satisfy our customers' financial needs and help them succeed financially"

- Located in more communities than any other bank
- Serve 1 in 5 consumer households and 1 in 10 small businesses in the U.S. (1)
- A Wells Fargo retail banking store or ATM is within two miles of half the U.S. census households and small businesses in our footprint (2)

#1 Customer Satisfaction (3)
#1 Overall Mobile (4)
#1 U.S. Retail Branch Network (5)
#1 Retail Deposit Market Share (6)
#1 Debit Card Transaction Volume (7)
#1 Most Valuable Bank Brand (8)
#1 Digital Onboarding Experience (9)
#1 Small Business Lender (10)
#1 Small Business in Digital (11)
#1 SBA 7a Lender (12)

(1) U.S. Census data for consumer and Primary bank as defined by Barlow Research for small business; Retail Checking households only. (2) Nielsen Claritas 2015 and Dun & Bradstreet March 2016. (3) In the national bank category, American Customer Satisfaction Index, November 2015. (4) Keynote Mobile Scorecard, 1Q16. (5) FDIC data, SNL Financial, as of June 2015. Wells Fargo scrub method: excludes credit unions, non-continental U.S. territories, and non-retail institutions and branches. (6) FDIC data, SNL Financial, as of June 2015. Retail deposit data is pro forma for acquisitions and caps deposits at $1 billion in a single banking store and excludes credit union deposits. (7) Nilson report, April 2016; total 2015 debit and prepaid transaction volume for consumer and small business. (8) Brand Finance, 2016. (9) Forrester, 2015 U.S. Bank Digital Sales Functionality Benchmark, November 2015. (10) U.S. in dollars, per 2002-2014 Community Reinvestment Act government data. (11) 2Q15 Keynote Small Business Banker Scorecard. (12) Small Business Administration (SBA); in dollar and unit volume, 2015 federal fiscal year-end data.

Unparalleled omnichannel distribution for customers

Our ~21 million Retail Checking [1] households and ~3 million Small Business owners conducted 7.4 billion interactions across our channels in 2015, up 28% from 2013

#1 U.S. Retail Branch Network

- Over 6,000 in 39 states and D.C.
- #1 retail deposit share nationally; #1 or #2 in 24 of our 39 states [2]
- Deposit share 1.5x branch share [2]

Leader in Digital

- 27MM digital active customers, including nearly 18MM mobile active users
- #1 Overall in Mobile, including Functionality, Ease of Use, Quality, and Availability [3]
- #1 Small Business in Digital [4]

13,000 State-of-the-Art ATMs

- Exclusive "you know me" software provides personalized customer experience
- 3rd largest U.S. bank-branded ATM network
- Includes ~3,000 offsite ATMs

24/7 Contact Centers

- Provide voice, email, text, and social media contacts for service and sales
- Advanced contact center telephony infrastructure, including Voice Over IP and Speech Recognition
- Over one-third of contacts are outside of normal business hours

(1) Retail Checking households include households that hold at least one retail checking account, as of December 2015. (2) FDIC data, SNL Financial, as of June 2015. Retail deposit data is pro forma for acquisitions and caps deposits at $1 billion in a single banking store and excludes credit union deposits. (3) Keynote Mobile Scorecard, 1Q16. (4) 2Q15 Keynote Small Business Banker Scorecard.

A leader in small business

We are committed to small businesses, providing leadership in lending, payments, digital channels, tools, and resources

Leadership and Commitment

- $100 billion lending 5-year goal – extended over $40 billion in new loan commitments to small business owners (1)
- #1 small business lender for 13 consecutive years (2)
- #1 small business debit card transaction volume (3)
- #1 small business in digital channels, including #1 in functionality, ease of use, and transacting (4)
- Over 20% increase in business credit card accounts since 2013

Innovation

wellsfargoworks.com
- Extensive tools and resources for small businesses
- Launched in 2014, added Business Plan Center in 2015

Credit coaching program
- One-on-one support for customers declined for credit
- Launched in April 2015

FastFlex Small Business Loan
- Fast credit decision, streamlined online application, next-day funding
- Piloted in August 2015; launched in May 2016 (5)

(1) From January 2014-March 2016; five-year goal established in 2014; represents new lending to small businesses primarily with annual revenues less than $20 million. (2) U.S. in dollars, per 2002-2014 Community Reinvestment Act government data. (3) Nilson report, April 2016; total 2015 debit and prepaid transaction volume for small business. (4) 2Q15 Keynote Small Business Banker Scorecard. (5) Launched to customers in May 2016.

Experienced, talented and engaged team

We have dedicated and tenured leadership with highly engaged team members

Carrie Tolstedt
Senior EVP, Community Banking

27 years at Wells Fargo
Direct reports average 27 years at WFC
94K team members

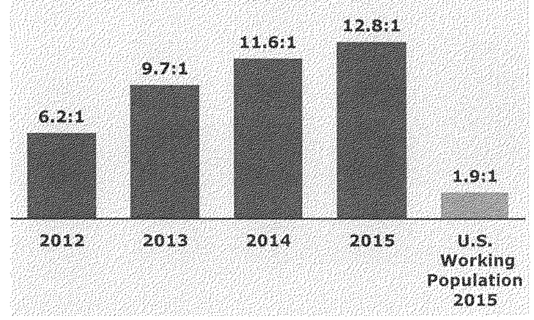
Regional Banking
27 years average leader tenure

Product and Support Groups
23 years average leader tenure

Virtual Channels
18 years average leader tenure

Total Community Banking
"Engagement Ratio" [1]

Higher team member engagement –
Nearly seven times the U.S. working population



(1) Engagement data source: Copyright © 2015 Gallup, Inc. All rights reserved. "Engagement Ratio" = "Engaged to Actively Disengaged Ratio." Red bars – WFC Community Banking. Gray bar – Gallup Poll of U.S. Working Population, 2015.

Exceptional customer experience

Delivering a consistently great experience across all our channels

"#1 in customer satisfaction in the national bank category"
–American Customer Satisfaction Index (ACSI, 2015)

"#1 customer loyalty among large banks"
– Customer Loyalty Engagement Index (Brand Keys, 2016)

Progress 2013 to 2015

Store Loyalty (1)	Digital Net Promoter Score (2)	ATM Loyalty (3)	Phone Key Driver Metric (4)
Up 6.3 ppts.	**Up 6.5 points**	**Up 3.7 ppts.**	**Up 7.0 ppts.**

Ppts is an abbreviation for percentage points. (1) Top box scores for Overall Satisfaction, Likelihood to Continue and Recommend. Gallup survey. (2) Digital (Online and Mobile) Net Promoter Score measured by online surveys. (3) Measured by TNS with surveys. (4) Measured by Gallup surveys.

Leading our business forward

Improvements towards building lifelong consumer and small business relationships

Progress 2013 to 2015

Primary Checking Customers (1)
Up 11%

Deposit Balances (2)
Up 13%

Business Direct (3) New Commitments
Up 12%

Digital Product Sales (4)
Up 17%

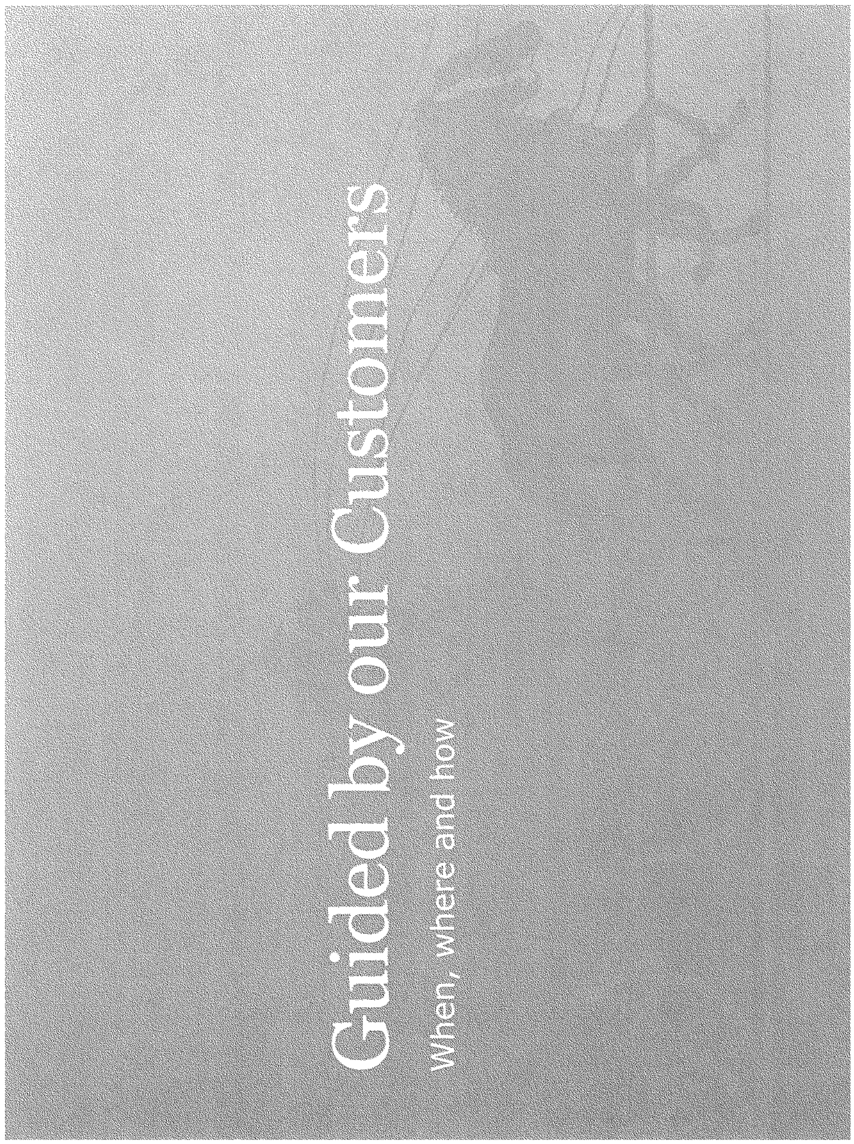
Total Revenue (2)
Up 9%

Team Member Turnover
Improved 2.8 ppts.

Retail Checking Household Attrition
Improved 1.6 ppts.

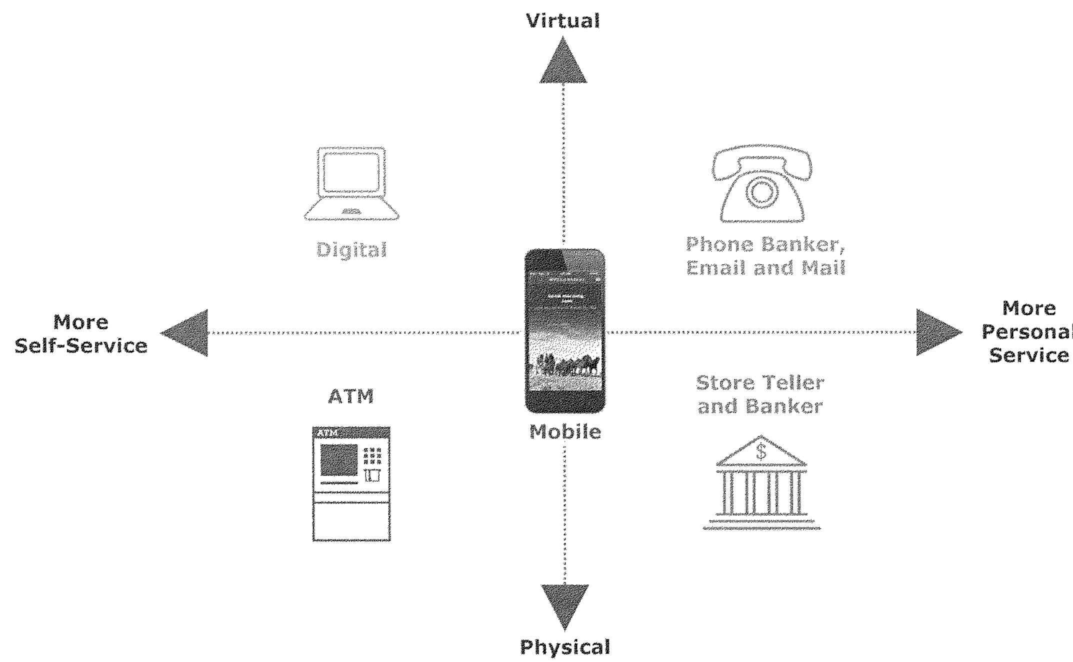
Efficiency Ratio (2,5)
Improved 2.8 ppts.

(1) Defined as checking customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit; data for consumer and small business combined. (2) Results are a component of the Community Banking operating segment, along with Consumer Lending, Corporate Treasury activities net of allocations in support of other operating segments, and results of investments in our affiliated venture capital partnerships. (3) Loans primarily under $100,000 and primarily sold through our retail banking stores. (4) Includes consumer and small business deposit, credit, and investing products and referrals. (5) Efficiency ratio defined as noninterest expense divided by total revenue (net interest income plus noninterest income).


Guided by our Customers
When, where and how

We go where our customers go

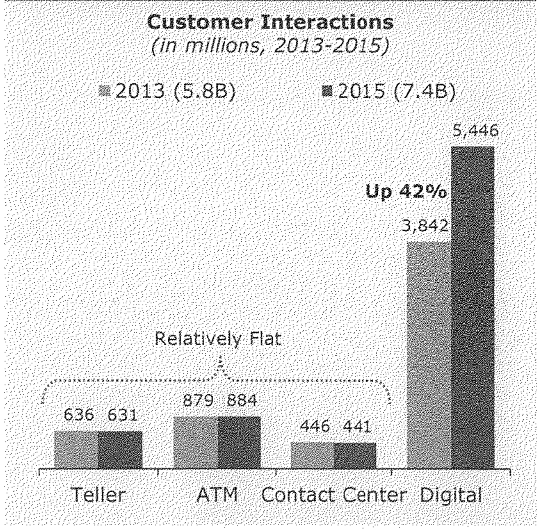
Wells Fargo delivers across channel and service continuums; mobile drives convergence and is integrated within all channels



Customer interactions are increasing, driven by digital

We provide customers with convenient options that support their preferences

Digital driving up customer interactions



More than half our customers use three or more channels every six months [1]

- ~90% of interactions are **self-service** [2]
- ~85% of all **sales and referrals are from store interactions** [3]
- ~75% **visit a store** every six months [4]

Customer behavior increasingly virtual

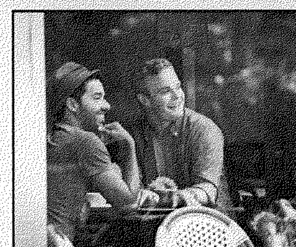
- Active **mobile banking customers** interact with us on mobile 16 times per month on average
- ~70% of **contact center calls** are **from** a **mobile phone**
- Over 70% increase in use of **"make an appointment" virtual service** [5]

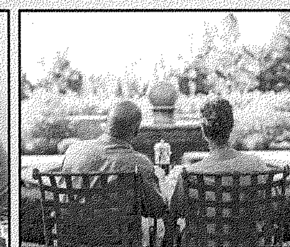
(1) Deposit customers, data for July-December 2015; includes store, phone, ATM, online/mobile. (2) Data as of year-end 2015; includes online, ATM, mobile, and Voice Response Unit. (3) Percentage of Community Bank 1Q/2Q 2015 sales and closed referrals from the store. (4) Percentage of deposit customers as of June 2015 that interacted with a banker or teller during the July-December 2015 period. (5) Full year 2015 versus full year 2014.

Customers decide "when, where and how"

Customers across all age groups use a mix of channels as we become their everyday bank; highest volumes are in self-service channels, driven by digital

Channel Usage and Frequency (1)





	Ages 18-34		Ages 35-50		Ages 51+	
	% Using	Avg. Uses Per Quarter	% Using	Avg. Uses Per Quarter	% Using	Avg. Uses Per Quarter
Physical						
ATM	71%	9	68%	11	50%	10
Store	63%	6	68%	7	69%	7
Virtual						
Online	67%	33	62%	32	45%	35
Mobile	72%	45	50%	41	19%	27
Contact Center (2)	33%	7	36%	10	32%	13

(1) Deposit customers, 90-day activity, 4Q15; uses per quarter are per customer using the channel. (2) Contact Center is VRU and Agent.

Convenient for customers in more communities

Quality locations are critical; we are improving our sites while leveraging technology

Growing markets

	Retail Stores	Household Share [3]
Largest U.S. Markets [1]	22 of 25	Above 20% in 19 Above 30% in 10
Fastest-growing U.S. Markets [2]	15 of 15	Above 20% in 14

Providing convenience with high impact

Continual improvement in site quality

- Majority of DeNovos opened are "A" sites
- All relocations improved or maintained site grade
- "C" sites continue to decline

"A" Site versus "C" Site Performance [4]

Households	> 1.6x	Deposits	> 2.0x
HH Growth	> 1.2x	Deposit Growth	> 1.3x

Modernizing for convenience

- Digital interactions across channels
- Team members use tablets [5] and upgraded systems to provide service and expertise
- Assisted-Service ATMs [5] integrated into a variety of store formats

(1) Largest U.S. Markets defined as largest 25 Core Based Statistical Areas (CBSAs) by population. (2) Nielsen Claritas. Fastest-growing U.S. markets defined by population > 1 million & 5 year projected household growth rate. Data as of December 2015. (3) Percentage of U.S. Census households as of December 2015. (4) Data as of December 2015. (5) Assisted-Service ATMs with tablets are expected to be available in ~300 stores by year end 2016. Tablets are used for additional services in another ~100 stores.

Convenience and value leads to customer intensity

Customers who use multiple channels and transact more derive increased value and generate better business outcomes

Channels Used "Breadth" & **Transaction Types** "Depth" = **Customer Intensity**

High Customer Intensity versus Low Customer Intensity	
Purchase Rates (1)	2.4x
Customer Retention (2)	+24 ppts
Products per Household (3)	+5 products
Top Box 5 – Refer a Friend or Associate (4)	+3.7 ppts
Profit per Household (5)	1.7x

Customer Intensity Progress (2013-2015)

High Customer Intensity Households	Low Customer Intensity Households	Transaction Activity per Household
↑ +8%	↓ -8%	↑ +10%

All metrics are based on Retail Checking households and full-year 2015, except where noted. Customer Intensity measures the number of channels and transaction types a Retail Checking household uses over a three month period. A household with High Customer Intensity used 3+ channels and 9+ transaction types and a household with Low Customer Intensity used 0-2 channels and 0-3 transaction types. (1) Percentage of households that purchased a core solution. (2) Percentage of households retained within the Bank. (3) As of December 31, 2015. (4) Based on 400,000 Gallup customer surveys. (5) Based on internal customer profitability database as of December 31, 2015.

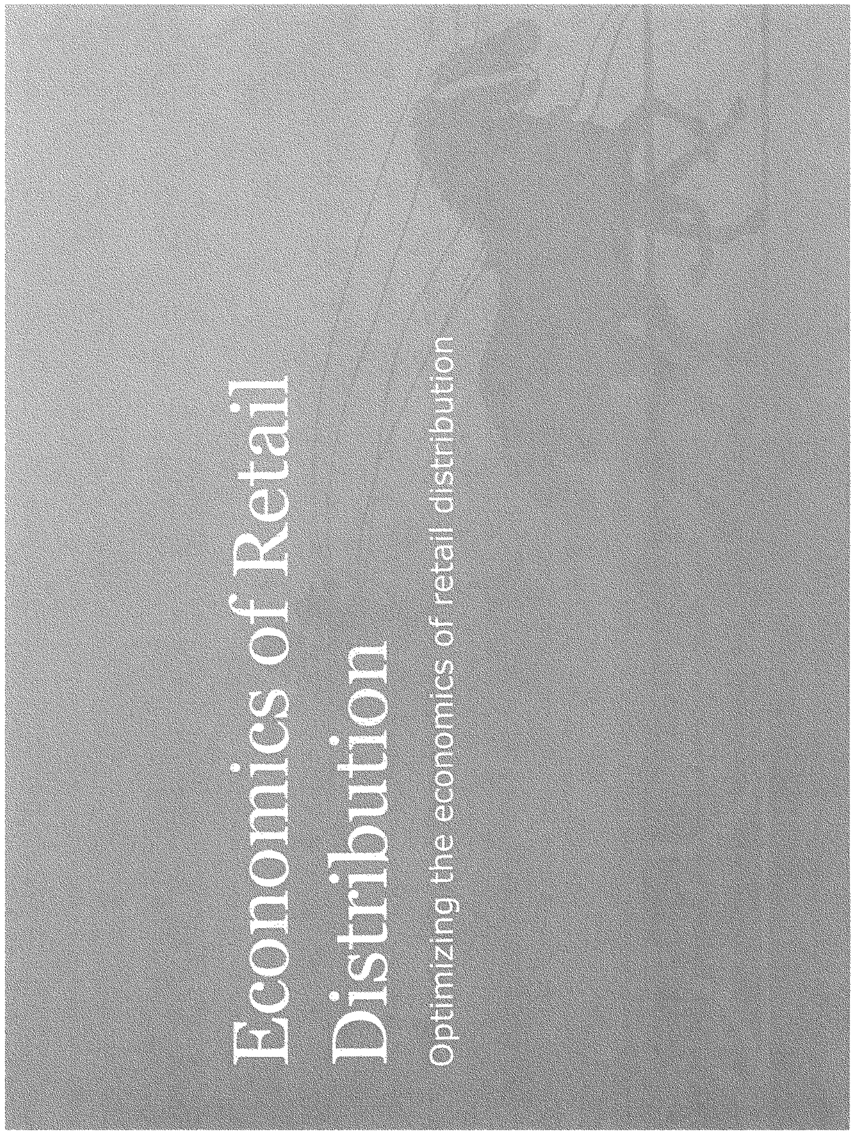
Always looking ahead, building future optionality

Our distribution strategy continues to evolve, guided by our customers

Conventional Tradeoffs	Wells Fargo Perspective
Digital instead of Physical	**Digital AND Physical** ▪ Customer expectations and experiences include a **seamless convergence across all channels**
Self-Service instead of Personal Service	**Self-Service AND Personal Service** ▪ **Technology supports all interactions**, delivering **integrated** experiences across all service points

Ensuring Optionality to Capture Opportunity

- Our customers want and use all channels and types of service
- We maintain optionality to be nimble, competitive, and responsive
- We can efficiently go in the direction our customers' preferences lead


Economics of Retail Distribution
Optimizing the economics of retail distribution

Optimizing the economics of retail distribution

The fundamentals of our retail distribution economics remain the same; our revenue model continues to advance as we meet and exceed customer expectations

Grow Customers + **Deepen Relationships** + **Deliver Value**

Grow Customers
- Number of households
- Primary checking customers
- Convenient locations and innovative virtual channels

Deepen Relationships
- Products held per household
- Product usage/activity
- Strong value propositions and competitive products

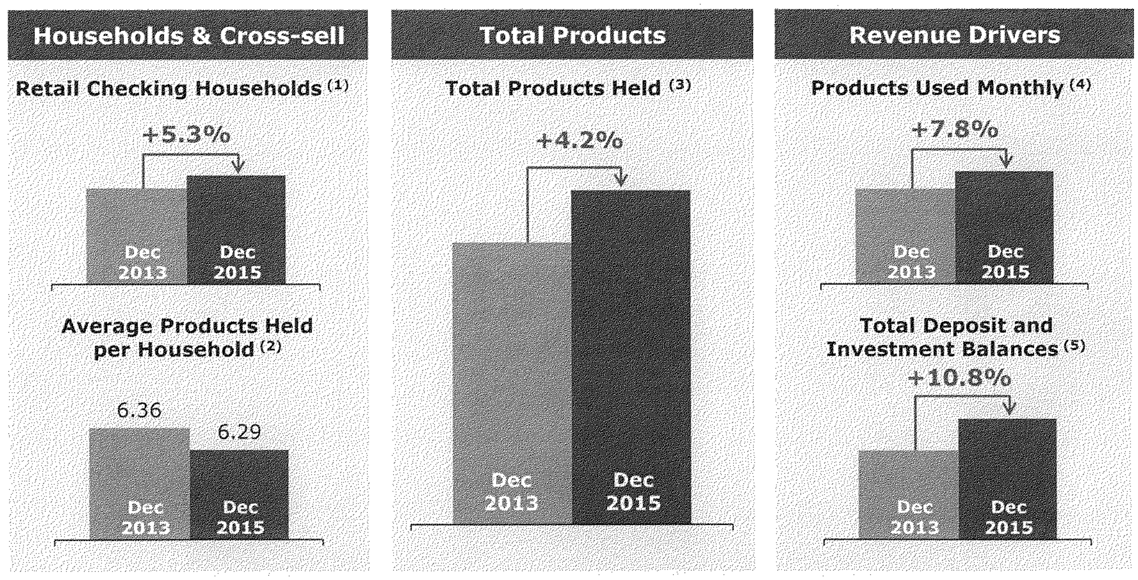
Deliver Value
- Revenue per product
- Product mix: everyday and advanced [1], combined households [2]
- Mutual value exchange and customer intensity

Revenue Growth

(1) Everyday products meet our customers' basic transactional needs; Advanced products meet our customers' specific life stage needs. (2) Combined households are Retail Checking households that also own a business product, primarily small business.

Household growth and products per household

Success meeting customers' financial needs is reflected by household and product growth; while products per household are lower, usage and balances are higher



All metrics above are for Retail Checking households. (1) Retail Checking households include households that hold at least one retail checking account. (2) Average number of products owned by Retail Checking households. (3) Number of products held by Retail Checking households. (4) The number of products our customers use in any given month. (5) Includes consumer and business checking, savings, time deposits, brokerage, retirement, and trust.

Deepening relationships—opportunities for growth

We seek to meet our customers' financial needs—everyday, advanced, consumer, and business—building lifelong relationships and increasing value

Meeting Customer Needs

Everyday products

- Includes checking, savings, debit card and credit card

Advanced products

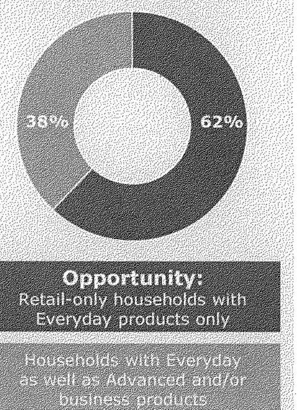
- Includes lines and loans, investments, mortgage, and merchant card
- 6x revenue for advanced accounts versus everyday (1)

Consumer *and* small business needs

- Deepens customer relationships even further
- ~6 products more per combined household than retail-only (2)

Opportunity (2)

To meet more of our customers' advanced and business needs



Progress

Advanced and business progress (2013-2015) includes:

- Home equity new accounts up 27%
- Referred investment assets up 17%
- Merchant card referrals up 12%
- Business Direct new commitments up 12% (3)

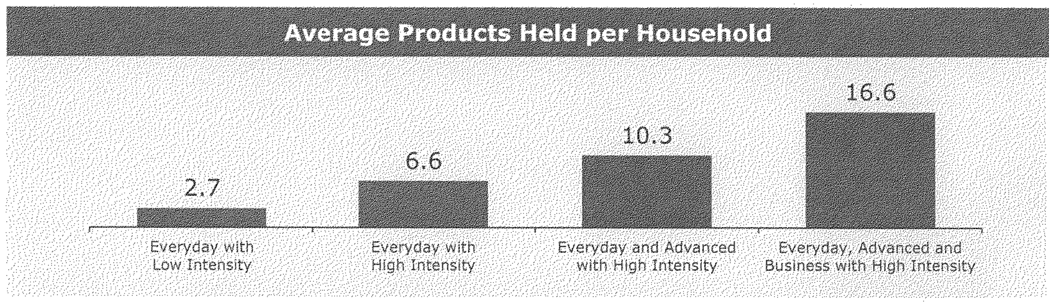
Meaningful contribution to partner businesses

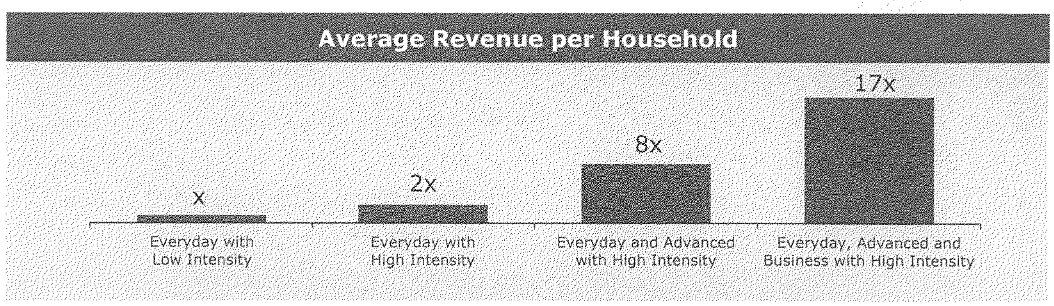
- 25% of mortgage originations (4)
- 57% of closed referred investments are from clients that have never invested with Wells Fargo (5)

(1) Based on internal customer profitability database as of December 31, 2015. (2) As of December 2015. (3) Loans primarily under $100,000 and primarily sold through our retail banking stores. (4) Originations (units) referred to Wells Fargo Home Mortgage from stores and contact centers in full year 2015. (5) Full year 2015.

Customer intensity and product mix create value

As customers engage more with Wells Fargo, we earn more of their business





All metrics above use Retail Checking household definition and are as of December 2015. Everyday with low intensity and everyday with high intensity include households with everyday products, but no advanced or business products. Everyday and Advanced with high intensity includes both consumer everyday and advanced, but no business products. Everyday, Advanced and Business with High Intensity includes households with everyday, advanced, and business products.

Efficiency: deliberate and balanced

Improving throughput with automation, digitization, and innovation; delivering great experiences while reducing costs

Efficiency focus

- Reduced cost of transactions without reducing quality of service
- Reduced cost of sales while meeting customers' financial needs
- Reduced fixed costs without reducing scale

Progress 2013 to 2015

- **Process design and digitization** increased deposit transaction speed by 18% [1] and total transactions per teller by 5%
- **Redeployed retail staffing:** Increased store specialty bankers by over 15% without increasing store personnel expense
- **Grew mobile deposits:** mobile deposit users up 90% and total dollars deposited up more than 3x
- **Smart automation:** Assisted-Service ATMs decreased same-store teller transactions by 15% [2]
- **Digitization savings:** Annual run-rate operational savings over $150MM from projects beginning in 2012
- **Travel and Entertainment** expense down 36%

(1) Speed of paperless, imaged deposit transactions versus those with a deposit counter slip. (2) Assisted-Service ATM teller transaction reductions are within a few months of installation.

Efficiency: thoughtful and disciplined

Improving network health with meaningful investments while improving the efficiency ratio

Managing physical distribution network

Network enhancements since 2011

- **Manage S-curve and Maintain Density [1]:** Opened 83 stores, consolidated 196 stores, relocated 91 stores, added 577 offsite ATM sites
- **New signage** at ~500 stores and refreshing ~400 store interiors annually; over 30% of stores' signs replaced and interiors refreshed
- **Overall occupancy expense** remained flat, which includes reinvestment in automation, signage, and store design and equipment
- **Community Bank occupancy square footage** decreased by ~3.1 million square feet

Investing in our future with the purpose of creating value

Our investment focus has included the following:

- Store and ATM infrastructure
- Digital experience, including common digital platform for all devices
- Risk management and compliance
- Omnichannel customer and team member experience
- Product rollout and enhancements

(1) The S-curve represents the relationship between household and store share in our markets.

Deposits and Primary Checking Customers

Driving customer and balance growth

Deposits as a growth engine and payments leader

Deposits are a source of customer growth and provide stable, low cost balances

Acquire and Retain Primary Checking Customers

11% primary checking customer growth since 2013 (1)

Promote Customer Engagement via Onboarding & Payments

#1 debit card by transaction volume (2)

Provide Stable, Low cost Balances

95% of balances in checking and savings (3)

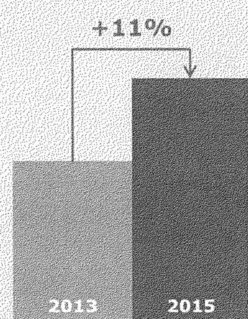
Deposit products are the largest source of new households for Wells Fargo, generating 67% of new consumer households in 2015 (4)

(1) Data for consumer primary checking customer growth from 2013 to 2015. (2) Nilson report, April 2016; total 2015 debit and prepaid transaction volume for consumer and small business. (3) 1Q16 deposit balances for consumer and small business. (4) Consumer households formed in 2015, excluding single-service indirect Auto Loan, Personal Loan, Credit Card, and Student Loan households.

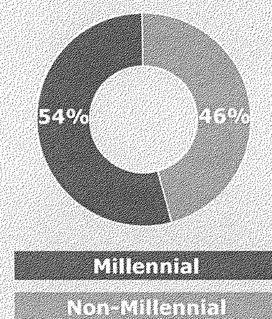
Growing primary checking customers

Focus on primary checking customers (1) supports our vision to build lifelong relationships

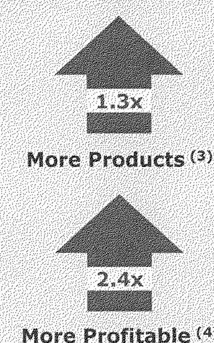
Primary checking customer growth remains strong



Over half of new primary checking customers are Millennial (2)



Primary checking customers are over twice as profitable (4)

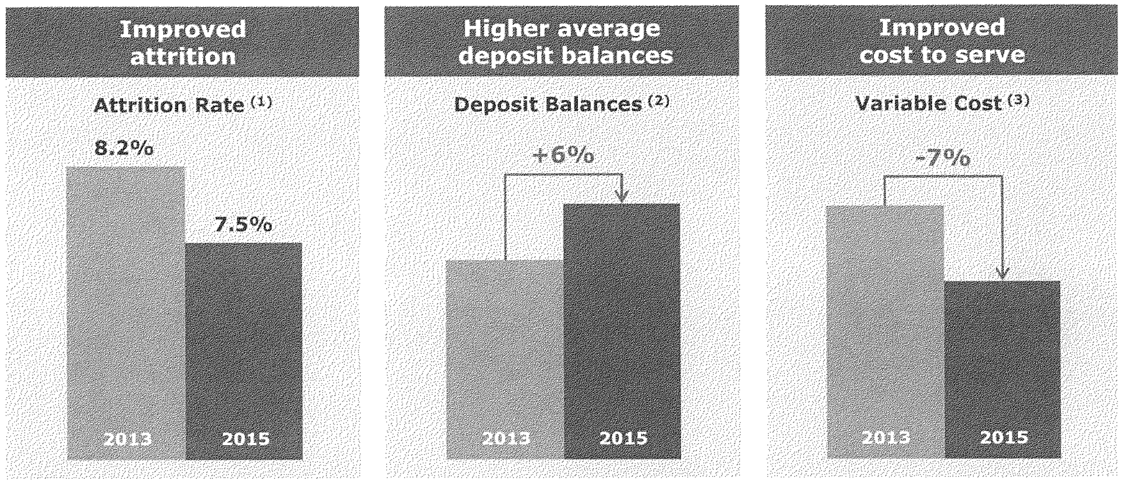


80% of our checking customers are primary checking customers (5)

All metrics on this page reflect consumer customers. (1) Primary checking customer defined as consumer checking customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit. Non-primary checking customers are checking customers with lower transaction levels and less than $10,000 average checking balance. (2) Millennial age group is 18-34. Data for full year 2015. (3) Compared with non-primary checking customers. Data for the month of February 2016. (4) Compared with non-primary checking customers. Profitability is estimated for all checking and savings products and services owned/used by the customer, and includes variable costs only; trailing 12-month profit as of February 2016. (5) Percentage of our consumer checking customers. Data for the month of February 2016.

Primary checking customer performance

Primary checking customers' attrition, average deposit balances, and cost to serve have improved along with our customer loyalty



Primary checking customer loyalty is at an all-time high, with a 4 ppt. increase since 2013 (4)

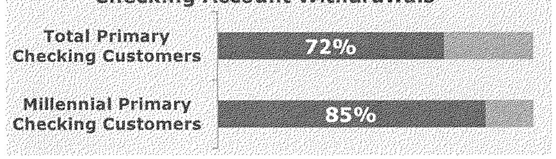
Metrics are for consumer primary checking customers. (1) Full year attrition rate. (2) Average checking and savings balance as of December. (3) Average variable cost of checking and saving accounts based on 4Q transaction activity. (4) Consumer primary checking customer loyalty measured by MaPS with surveys.

#1 in Debit Card transaction volume

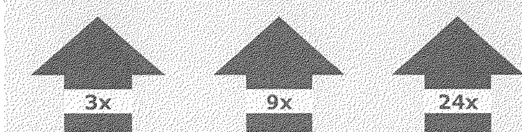
Payments are a key driver of establishing and retaining customer engagement

Debit is our customers' choice for everyday spending

Debit POS Share of Checking Account Withdrawals (1)

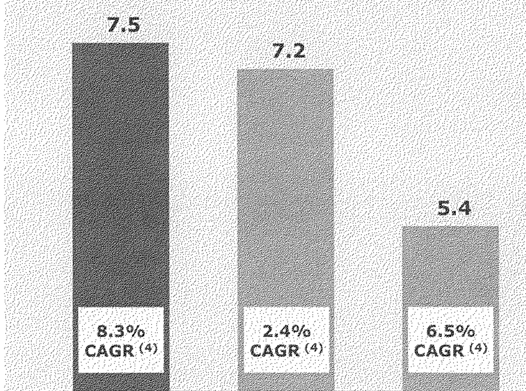


Primary checking customers use their debit card more (2)



Primary checking customer focus results in higher growth than peers

Debit Card Transaction Volume *(Billions)* (3)

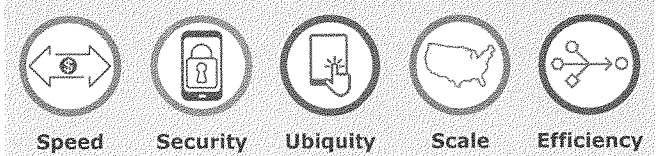


(1) All customer initiated transactions excluding deposits. Data for full year 2015, consumer only. (2) Compared with consumer non-primary checking customers. Customer metrics are 2015 full-year average for consumer primary checking customers with a debit card. (3) Nilson report, April 2016; total 2015 debit and prepaid transaction volume for consumer and small business. (4) Nilson report, April 2016; 2013-2015 CAGR.

Leading the way in real-time P2P payments

Bank-owned P2P network positions us well in the faster payments landscape

Essential components of a real-time P2P network

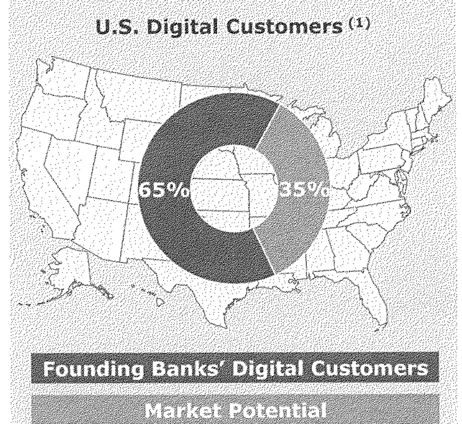


Real-time payment capabilities are already being made available for Wells Fargo customers

Now: WFC customers can **receive** payments real-time from member-bank customers

Expected July: WFC customers can **send** mobile real-time payments to member-bank customers

Founding members provide strong base on which to build

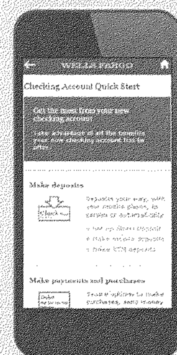


(1) Early Warning Services, January 2016.

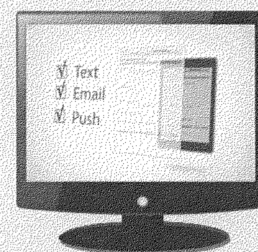
Onboarding demonstrates omnichannel approach

Our "Steps to Better Banking" program makes it easy for our customers to understand and access their accounts, enhancing our customers' experience

Instant Issue Debit Card



Digital Quick Start Guide



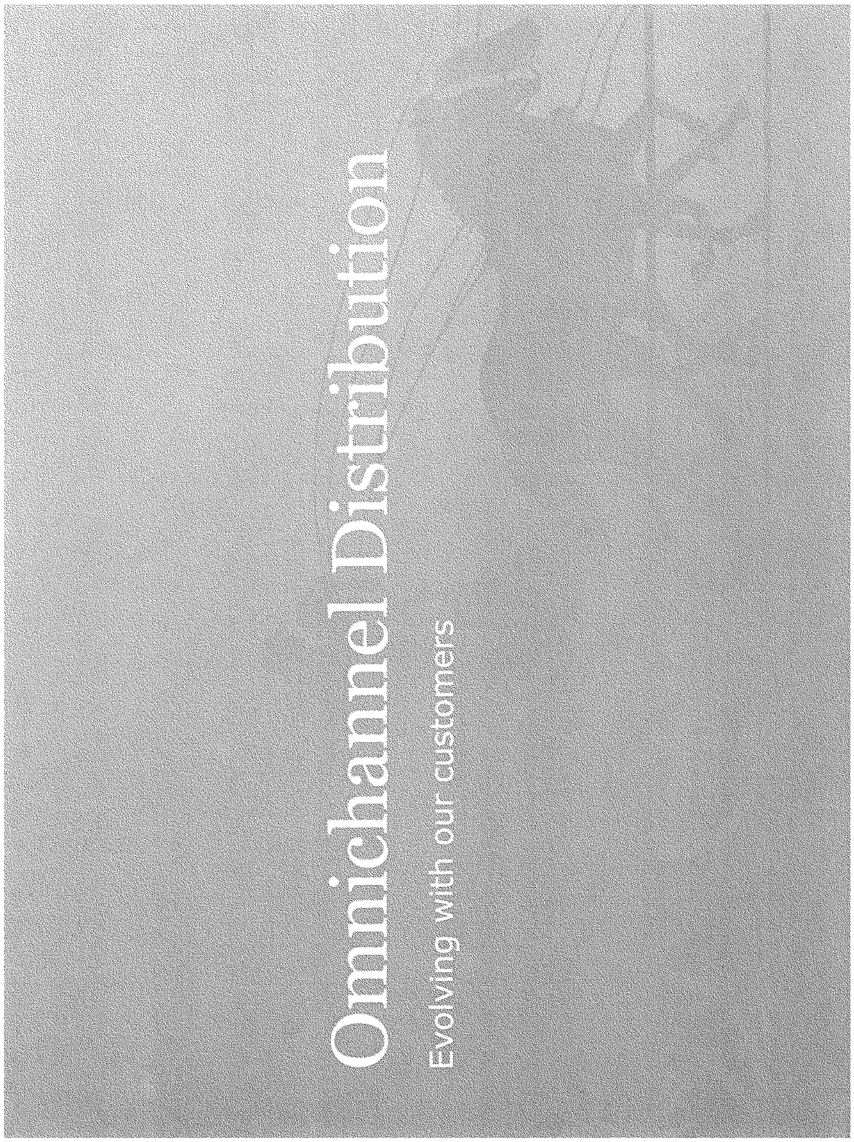
"How To" Videos

Multi-phase Onboarding Emails & ATM Messages

Steps to Better Banking

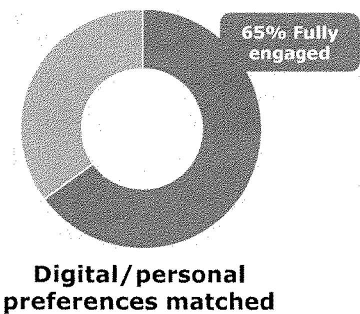
Our digital onboarding experience was recognized as best-in-class, earning a score of 94 out of 100 (1)

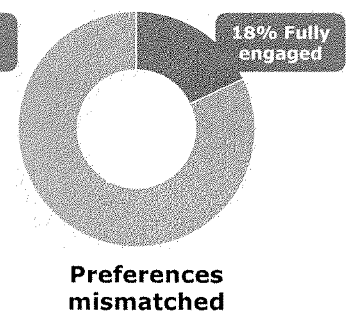
(1) Forrester, 2015 U.S. Bank Digital Sales Functionality Benchmark, November 2015.

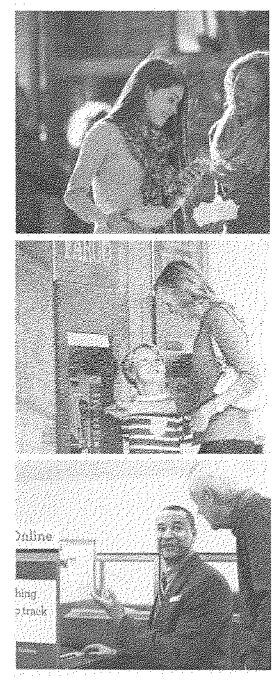

Omnichannel Distribution
Evolving with our customers

Customers want self-service *and* personal service

Aligning with customers' preferences increases engagement and intensity, ultimately creating value for the customer and our business





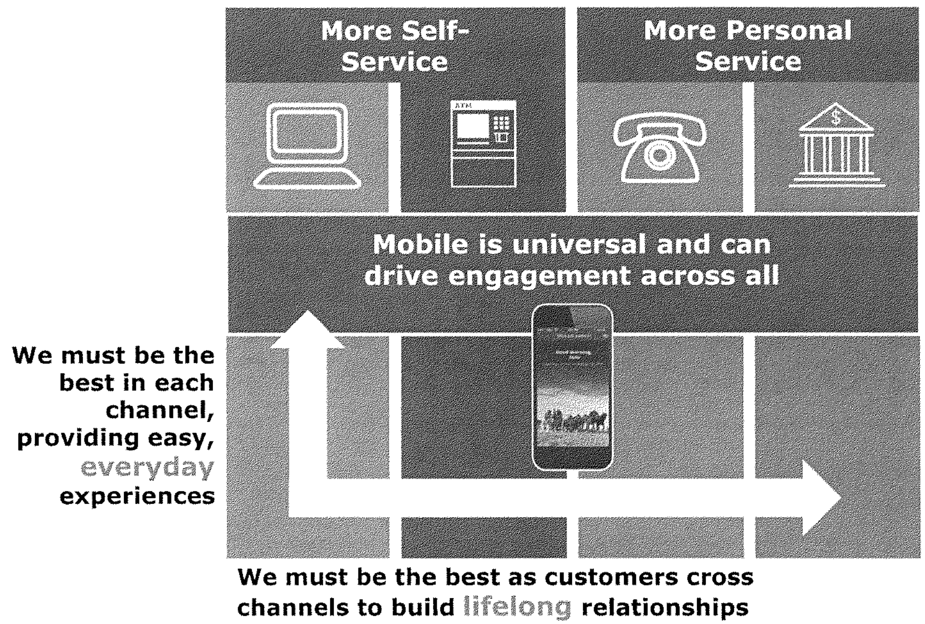


- Research shows customers are more engaged when their banking relationship matches their preferences
- Most customers prefer a mix along the continuum of self-service and personal service

Research from Gallup, April 27, 2015, Opinion Blog.

Being the best for customers, in and across channels

Our customers are asking for more than mobile-first; they want anytime, anywhere personal and self-service options within and across channels



Case Study: helping Noah meet his financial goal

Noah's journey....

Learn › **Make a Plan to Save** › **Track Progress**

Learn

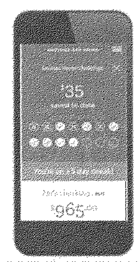
- Noah clicks on a **Wells Fargo post** in social media
- He finds **educational content and videos** on wellsfargo.com
- He **opens a savings account** on his smartphone

Make a Plan to Save

- Noah sees **a link** in his **mobile app** to connect with Wells Fargo for **a savings consultation** (1)
- He is **connected with a specialized banker** and learns about some easy **ways he can save** more

Track Progress

- Noah **downloads** the new **Savings App** (2) and sets a **savings goal**
- He begins **building a savings habit** by selecting one of the many savings challenges
- He continues **tracking progress** each time he logs in



(1) Savings consultation in pilot and link to mobile app in development this year. (2) Targeted to be available in app store by second half of 2016.

We drive innovation for the customers we serve

We harness innovative technology to make it easier for customers to manage their finances and connect with our team members when needed

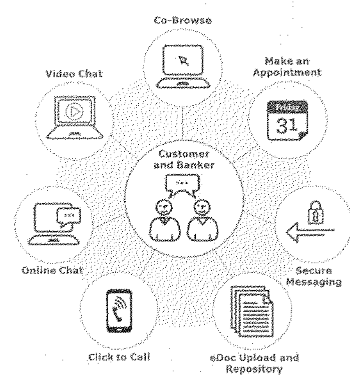
Leadership within channels

Adding important new features in mobile where customers most need them

Mobile Payments (1)

Leadership across channels

Extending our team members' ability to connect with customers and build trust



Virtual Collaboration (2)

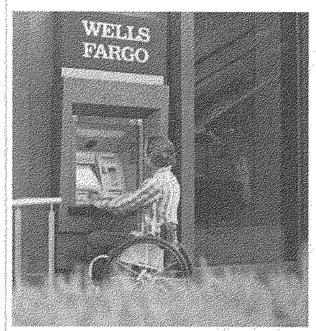
(1) Middle image - Wells Fargo Wallet is expected to launch in 2016. (2) Secure messaging is available to wealth and brokerage customers and is expected to extend to remaining deposit customers in 2017. Video chat is in pilot with home equity customers. Co-browse is targeting release in 2017.

Our scale and reach are advantages for innovation

Our reach enables immediate adoption of new technologies and experiences by millions of customers

Driving immediate adoption

Take promising ideas quickly from "interesting" to "production-ready" across millions of customers

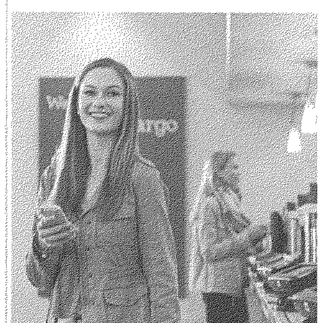


Omni-authentication enables enhanced security and faster, easier experiences with features like:

- Cardless ATM [1]
- Touch ID
- Voice biometrics [2]

Reducing cost while driving value

Digital technologies help reduce cost to serve while simultaneously increasing customer satisfaction



Paperless store reduces costs and improves experiences with features like:

- PIN Pad authentication
- eWelcome Kit
- eSignature

(1) Cardless access expected to start in 2Q16 for NFC and wallets, and 4Q16 using one time passcodes. (2) Targeted 3Q16 release.

Omnichannel success requires more than technology

The approach works across our operating model, enabling speed to market, flexible platforms, and the ability to leverage ideas across the enterprise

Technology	People	Process
▶ Common, modern platforms; scalable capabilities	▶ Accountability for the end-to-end omnichannel customer experience	▶ Iterative development method to support fast, safe execution
▶ Integrated architecture across products and channels	▶ Investments in the right tools for our team	▶ Design approach reflecting how team members and customers work together

Digital Fulfillment Example

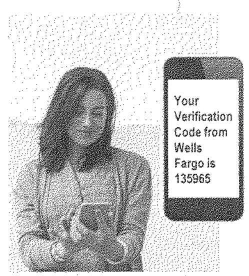
▶ Common capabilities like eSign, eDelivery, and eUpload – leveraged across multiple products	▶ Designed to support team members and customers who apply in virtual and physical channels	▶ Iterative development resulted in lower project costs and reduced time to market by ~45% (1)

(1) Reflects the reduced cycle time from project initiation to release under our new development method for comparable projects in 2013-2015.

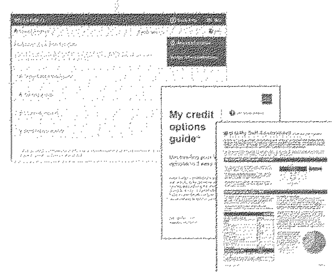
Our approach results in a sustainable advantage

Wells Fargo's distribution reach and ability to deliver new experiences at scale give us an important and hard-to-replicate competitive advantage

Frictionless customer and team member experiences	**Flexible** models that lend themselves to innovation	**Rapid scalability** that extends across our distribution	Strong **relationships and trust** with our customers



One-time passcodes



Common digital document platform

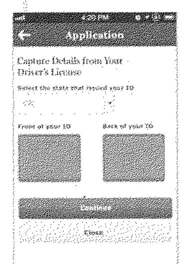
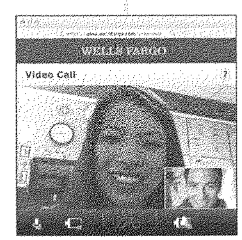
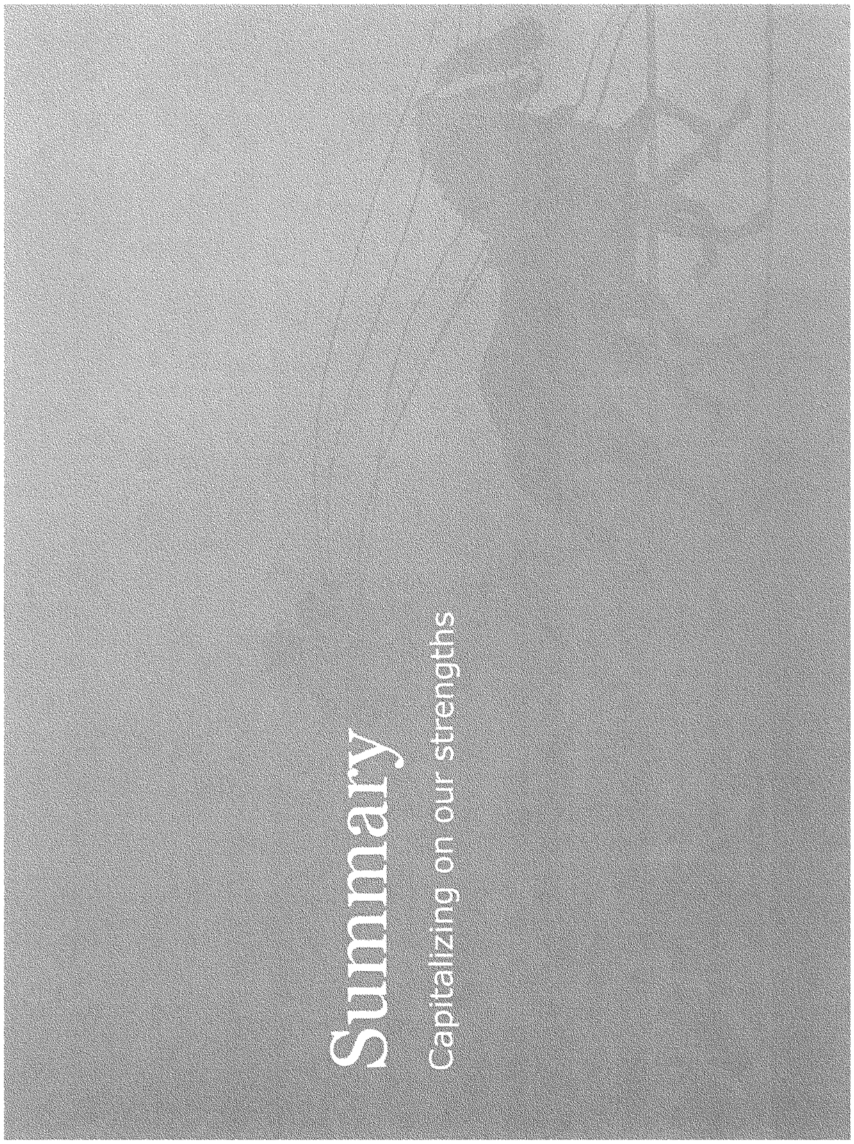


Image capture



Video chat (in pilot)



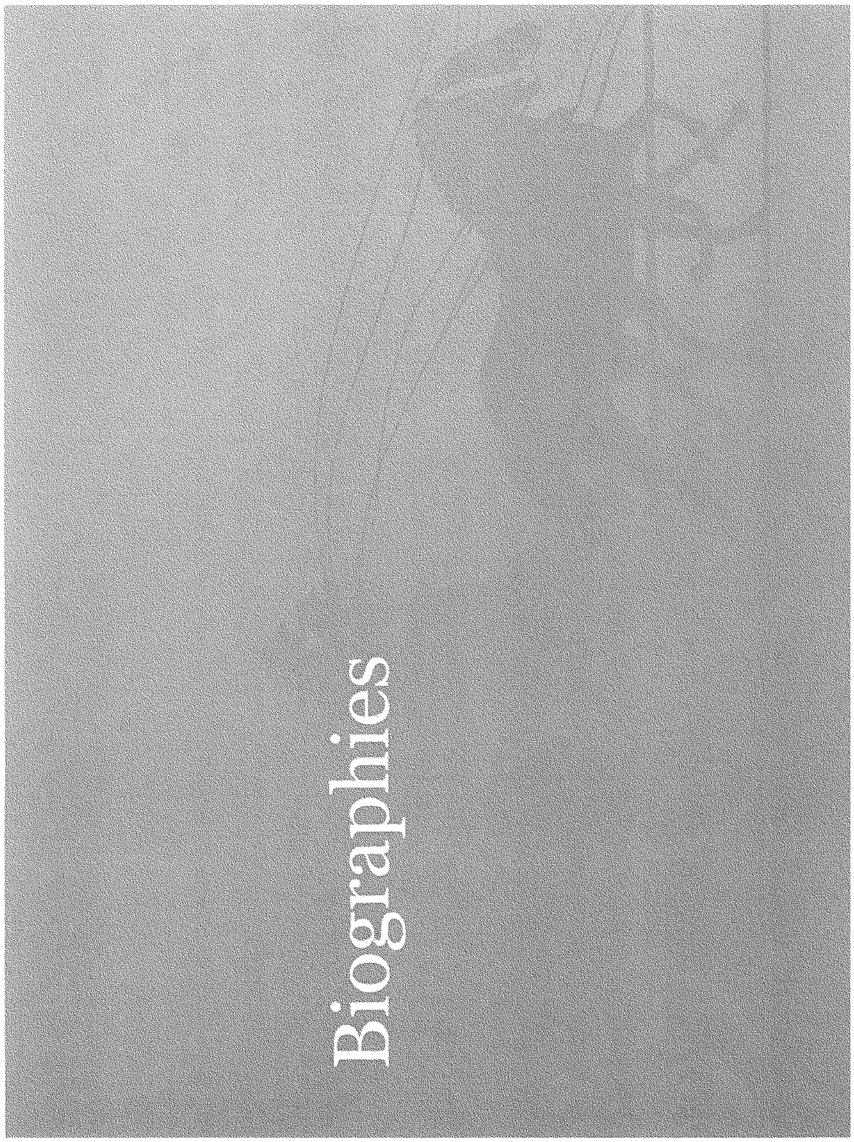
Summary

Capitalizing on our strengths

Focusing on our strategic priorities drives growth

Aligned with our Vision and Values, our strategic priorities are time-tested, proven, and capture long-term growth opportunities

Strategic Priorities	Aligned to Vision & Values...	Results in...
Grow and deepen relationships	*Putting our customers first*	▶ Primary checking customer, household and deposit growth, and satisfying our customers' financial needs
Ensure a mutual value exchange	*Offering customers the products and services they need, want, and value*	▶ Helping customers succeed financially leads to higher balances and increased revenue
Deliver omnichannel experience	*Our customers choose when, where and how to interact with Wells Fargo*	▶ Integrated experiences and optionality, driving higher customer intensity
Innovate and invest with the purpose of creating value	*Innovating for convenience, ease of use, and to help customers succeed financially*	▶ Increased customer loyalty and retention, while improving efficiency
Build highly engaged teams	*Our team members are the single most important influence on our customers*	▶ Engaged, experienced team delivering differentiated customer experiences and results over time
Manage risk effectively	*For more than 160 years, Wells Fargo has been in the risk management business*	▶ Protecting the long-term safety, soundness and reputation of Wells Fargo



Biographies

Carrie Tolstedt

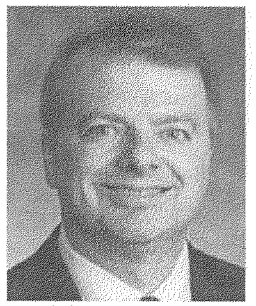
Senior Executive Vice President, Community Banking

- Carrie Tolstedt is responsible for retail and small business banking at Wells Fargo. She and her team serve approximately 21 million Retail Checking households and approximately 3 million small business owners. The organization provides financial services to customers through more than 6,000 retail banking stores and 13,000 ATMs in 39 states and the District of Columbia, the Wells Fargo contact centers, and wellsfargo.com, and has 27 million digital active customers, including nearly 18 million mobile active users. Community Banking serves mass market, affluent and small business banking customers.
- Carrie also leads the Distribution Strategies and Services Group; Deposit Products Group, which includes Debit and Prepaid Products and Global Remittance Services; the Wells Fargo Virtual Channels group, including digital, contact centers, and other emerging technologies; Customer Experience and Strategy; Business Direct, including Business Payroll Services; Wells Fargo Practice Finance; and Centralized Business Relationship Management.
- With over 25 years of financial services experience, Carrie began her career with Wells Fargo in 1986 with Norwest Bank in Nebraska. After a brief period with FirstMerit Corporation, she returned to Norwest, ultimately becoming the Central California regional president of Wells Fargo after the 1998 merger with Norwest. In 2001, she was named a Group EVP in the company's California Community & Border Banking Group and became head of Regional Banking in 2002. In June 2007, Carrie was appointed to her current role as Senior EVP Community Banking.
- Carrie was named by Fortune magazine as one of the "50 Most Powerful Women in Business" for 2015. She was also selected as one of American Banker Magazine's "25 Most Powerful Women in Banking" (13th Annual, October 2015) and one of the Bay Area's "100 Most Influential Women in Business" by the San Francisco Business Times (April 2010).

Michelle Lee

Executive Vice President, Regional Bank Executive

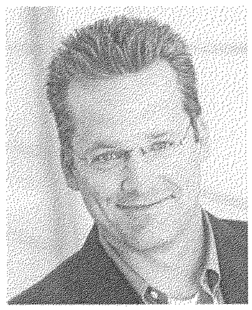
- Michelle Lee manages Wells Fargo's Community Banking for the Eastern Region, spanning 14 states and the District of Columbia, as well as more than 2,700 retail banking stores and 5,100 ATMs.
- A 32-year company veteran, Michelle joined Wells Fargo (then First National State Bank) as a teller in 1984. Throughout her tenure, she has taken on leadership roles of increasing responsibility, including Region President for the Northeast Region and Group Retail Bank Executive for Wachovia.
- As an active member of the community, Michelle serves on the boards of many organizations including the Consumer Bankers Association, Alvin Ailey Dance School Foundation, Women Executives of Charlotte, and Junior Achievement USA. She is a former board member of Junior Achievement of New Jersey, New Jersey Performing Arts Center, Greater NY YMCA, Select Philadelphia, and Alliance for Lupus Research.
- Noted for her community commitment and business excellence, Michelle has been honored with the following accolades: Black Enterprise Magazine's Most Powerful Women in Corporate America, Girl Scouts of Greater New York 100th Anniversary award, named to the NJBIZ Best 50 Women in Business list, New York Women's Agenda STAR Award, and 2015 New Jersey Business Hall of Fame.
- Michelle has also been recognized by 100 Black Men of America, Executive Women of New Jersey and was selected for inclusion in the 2009 edition of Diversity Profile's Women to Watch.
- Michelle is a graduate of the Boston Conservatory of Music where she earned a Bachelor Degree in Music, Applied Voice.



Ed Kadletz

Executive Vice President, Deposit Products Group

- Ed Kadletz is head of the Deposit Products Group at Wells Fargo. He is responsible for Wells Fargo's Consumer and Business Deposits, Debit and Prepaid Products, Identity Theft Protection, and Global Remittance Services. The Deposit Products Group's responsibilities include strategy, customer experience, product development, pricing, and profitability. The Deposit Products Group manages over $540 billion in customer balances with over $280 billion in annual debit card purchase volume.
- Kadletz is a 35-year veteran of financial services and has spent 28 of those years with Wells Fargo. He spent the majority of his career dedicated to the development of the electronic payments industry. Ed led the growth of the debit card at Wells Fargo from a start-up venture in the early nineties to its current position of #1 in debit card transaction volume in the U.S.
- He represents Wells Fargo on the management committee of Early Warning Services. He also serves on the board of directors for Junior Achievement of the Upper Midwest.
- Kadletz received an MBA in entrepreneurship from the University of St. Thomas and a bachelor degree in business from Marquette University.



Brett Pitts

Executive Vice President, Head of Digital

- Brett Pitts is head of Digital for Wells Fargo Virtual Channels. He leads product development, platform management, experience design, and implementation planning across digital media (Web, Mobile, Social, Omnichannel, and Labs & Innovations) for consumer, small business, and wealth customers.
- Since joining Wells Fargo in 2000, Brett has led teams in Internet Product Management, Portfolio Management, the Program Management Office, and Online Sales and Marketing. He spearheaded the Digital Channels merger efforts between Wells Fargo and Wachovia Bank, which integrated retail customer segments, products and platforms into a unified offering. The website serves Wells Fargo's 27 million digital active customers, including nearly 18 million mobile active users, and receives over 60 million visitors a month.
- Prior to joining Wells Fargo in 2000, Brett's background was in software development, commercialization of intellectual property, and sales operations.
- He holds an MBA with an emphasis in MIS from the Eller College of Management at University of Arizona, and a bachelor degree in Marketing and Finance from the McCombs School of Business at the University of Texas at Austin.

Responses to Questions for the Record

House Committee on Financial Services

Holding Wall Street Accountable:
Investigating Wells Fargo's Opening of Unauthorized Customer Accounts

September 29, 2016

Questions for the Record, from Congresswoman Joyce Beatty:

Question 1: According to the timeline provided by Wells Fargo, a team referred to as the Sales and Services Conduct Oversight Team was moved under the Group Risk Officer for the retail bank in order to focus on the monitoring of data analytics specifically for the purpose of rooting out potential sales practice violations in 2011. Why was this move made and who decided to make the move? Shortly after this move was made, in February 2012, Wells Fargo began utilizing forced arbitration clauses in all of its customer checking and saving account agreements. Why was this decision made and who made the decision to move to forced arbitration clauses?

> *Response:*[1] In 2011, the head of Community Banking Sales, Service, and Development retired and a reorganization occurred. Carrie Tolstedt, the head of Community Banking at that time, assigned the Sales Quality Team (which was part of the Sales, Service, and Development Group) to the Group Risk Officer. The Sales Quality Team was moved to the Group Risk Officer Team effective December 31, 2011 and kept that name until June 1, 2014, at which time their team name was changed to the Sales and Service Conduct Oversight Team ("SSCOT").
>
> This organizational change has no relation to the implementation of the arbitration clauses. Wells Fargo's account agreements for consumer deposit accounts have incorporated arbitration agreements since at least 1992. Wells Fargo believes that arbitration offers a process that is fair and efficient for all parties.

Question 2: Wells Fargo customers have been trying to bring lawsuits against the Bank since 2013, related to unauthorized accounts. But, Wells Fargo has continually moved these lawsuits into forced arbitration, based on the legal argument that the forced arbitration clause in the customer's authorized checking account should, likewise, apply to the unauthorized accounts. In one of these cases, a customer brought a class-action suit against Wells Fargo and the company submitted a motion to compel the case to an arbitrator. A federal district court granted the motion, and plaintiffs appealed. On September 8, 2016, the same day the CFPB announced its enforcement action, Wells Fargo settled with the customers on the conditions they not disclose the details of the case. There was a similar case that shows that Wells Fargo forced a customer class-action lawsuit into arbitration, even after Wells Fargo knew that the practice of employees opening unauthorized accounts was wide-spread throughout the community banking division. Does this seem fair? Why or why not?

Question 3: Last week, Senate Banking Committee Ranking Member Senator Sherrod Brown (OH) asked whether the bank would continue to argue in court that mandatory arbitration clauses connected with real accounts would also apply to unauthorized accounts. You stated that you would discuss with your legal team and follow up with the committee. Now that you have had some time to discuss this matter with your legal team, do you have an answer to that question posed by Senator Brown? If so, how will Wells Fargo proceed?

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[1] Please note that we are responding to these Questions for the Record based on information we have available at this time. Investigations relating to these issues are ongoing, and we expect to learn more as they reach conclusions.

Response to Questions 2–3: Wells Fargo's goal is to make things right for our customers so that formal dispute resolution proceedings are unnecessary for as many of our customers as possible. We are working to connect with customers and, for those negatively impacted by unauthorized accounts, to fix the issues. For those cases that may require additional attention, Wells Fargo is offering a no-cost mediation option to its customers. A mediation option for California customers was part of Wells Fargo's agreement with the Los Angeles City Attorney, and we have extended that program nationwide. For those customers dissatisfied with our efforts to make them whole, Wells Fargo believes that arbitration offers a process that is fair and efficient.

Questions for the Record, from Congressman John Carney:

Question 1: Mr. Stumpf - As the largest mortgage originator, how are you making sure that similar problems do not exist on the mortgage side of your business as have been brought to light regarding unauthorized customer accounts? What specific safeguards does Wells Fargo have in place?

> *Response*: The origination of mortgage loans is governed by detailed federal disclosure rules and regulations, as well as local settlement procedures governing the documentation needed to close a loan and record the security interest among the local land records. Multiple parties are involved in the origination of a mortgage loan, including buyers, sellers, realtors, settlement agents, title agents, closing attorneys, mortgage insurance companies, and local clerks and others who record and maintain deeds and security instruments. Wells Fargo Home Mortgage's Customer Identification Program and Mortgage Closing Instructions detail requirements designed to meet enterprise customer due diligence standards, including production of a valid, government-issued photo identification and execution of a Service Provider Verification of Identity Form, if required by the loan program. Customer signatures on mortgages or deeds of trust are witnessed and attested following procedures enhanced in the wake of the National Mortgage Settlement, which is discussed in more detail in the Response immediately below.

Question 2: Additionally, Mr. Stumpf had agreed during the hearing to provide additional information on the basis of Wells Fargo's recent mortgage settlements.

> *Response*: Wells Fargo is fully committed to fairly and responsibly serving the mortgage-lending needs of the communities we serve. Recent mortgage-related settlements with our regulators are summarized below:

A. National Mortgage Settlement ("NMS"): On February 9, 2012, the U.S. Attorney General announced that the federal government and 49 states had reached a settlement agreement with the nation's five largest mortgage servicers, including Wells Fargo, to address issues in mortgage servicing, foreclosure, and bankruptcy. As part of the settlement, Wells Fargo committed to provide $4.3 billion in consumer relief and refinances to its customers. On March 18, 2014, Wells Fargo fulfilled its consumer relief and refinance commitments, which included 123,000 loan modifications, refinances, and other consumer relief activities. On that same date, Joseph Smith, the monitor appointed to assure compliance with the terms of the NMS, filed his final Consumer Relief Report with the court and confirmed that Wells Fargo delivered $4,568,334,894 in consumer relief pursuant to the terms of the NMS. A final Metrics report was filed on March 3, 2016, showing that Wells Fargo completed all additional terms of the settlement.

B. Regulatory Consent Orders for Mortgage Servicing and Foreclosure Practices: In connection with mortgage-servicing activities, on April 13, 2011, Wells Fargo entered into regulatory Consent Orders with the Office of the Comptroller of the Currency ("OCC") and the Federal Reserve Board ("FRB") to address mortgage-servicing issues, including loss mitigation, foreclosure activities, and related functions. On February 28, 2013, Wells Fargo entered into amendments to the April 2011 Consent Orders with both the OCC and the FRB, which effectively ceased the Independent Foreclosure Review program created by the Consent Orders. The Independent Foreclosure Reviews were replaced with an accelerated consumer remediation payment of approximately $765 million paid to a Qualified Settlement Fund administered by the OCC to provide remediation to borrowers and an additional commitment to provide foreclosure prevention actions on $1.2 billion of residential mortgage loans, subject to a process to be administered by the OCC and the FRB. During 2014, Wells Fargo reported sufficient foreclosure prevention actions to satisfy the $1.2 billion financial commitment. On June 17, 2015, Wells Fargo entered into an additional amendment to the OCC Consent Order requiring completion of additional issues associated with the April 2011 Consent Order. On May 24, 2016, upon satisfactory completion of those additional issues, the OCC terminated the Consent Order and assessed a $70 million civil monetary penalty.

C. Executive Office of the U.S. Trustee: In 2014, the Executive Office of the U.S. Trustee ("EOUST") notified Wells Fargo and the OCC of concerns relating to the untimely filing of, or missed, Payment Change Notifications ("PCNs") required by the Bankruptcy Code and Federal Rule of Bankruptcy Procedure § 3002.1. On November 19, 2015, Wells Fargo reached a settlement in principle with the EOUST, which was approved by the United States Bankruptcy Court for the District of Maryland. The settlement included: (1) remediation payments totaling approximately $71 million to 50,000 customers in bankruptcy who experienced untimely or missed PCNs; (2) remediation payments totaling $10 million to 25,000 customers in bankruptcy whose escrow accounts were not handled correctly; and (3) the appointment of an Independent Reviewer to validate the PCN and escrow shortage populations, the remediation amounts paid, the operational enhancements agreed to in the settlement, and the ongoing business practices related to timely filing PCNs and preparing annual escrow analyses. The deadline for completion of credits and testing is March 31, 2017. The Independent Reviewer will have 180 days following this completion date to file a final report. All crediting and testing is on schedule to be completed by the March 31, 2017 deadline.

D. Wells Fargo Financial Consent Order with Federal Reserve Board: On July 20, 2011, Wells Fargo & Company and Wells Fargo Financial agreed to a Consent Order resolving allegations that Wells Fargo Financial team members falsified income documentation and directed prime-eligible borrowers into nonprime loans. Wells Fargo Financial had closed its consumer lending operations in 2010. Under the terms of the Consent Order, a claims process was established enabling customers to claim refunds for interest, late charges, and points. To date, Wells Fargo has paid more than $222 million in compensation to over 17,000 borrowers. All claims processing was completed in December 2016 and the Consent Order is anticipated to close in 2017.

E. Genuine Title Consent Order with the Consumer Financial Protection Bureau ("CFPB"): On January 22, 2015, Wells Fargo and the CFPB agreed to a Consent Order resolving allegations that a group of loan officers improperly accepted free customer lead lists, marketing materials, and services, in exchange for referring loan closing business to the title company Genuine Title. Under the terms of the Consent Order, Wells Fargo submitted a detailed Compliance Plan to the CFPB in April 2015, taking significant steps to enhance controls around marketing and acquiring customer leads, governance of settlement agents, and training team members. The Consent Order remains in effect until January 2020.

F. Southern District of New York ("SDNY") FHA litigation: On October 9, 2012, the U.S. Attorney's Office for the SDNY filed a civil lawsuit against Wells Fargo relating to Wells Fargo's FHA single-family mortgage-lending origination business. The SDNY alleged that some FHA mortgages originated by Wells Fargo and insured by FHA from 2001 to 2010 did not qualify for the FHA program, and therefore Wells Fargo should not have received insurance proceeds from FHA when a subset of those loans later defaulted. Wells Fargo denied the allegations but in April 2016 settled with the U.S. government for $1.2 billion, encompassing its retail, wholesale, correspondent, and joint venture lines of business, with the release covering all origination conduct on single-family FHA loans that went to claim as of April 8, 2016 or were endorsed through 2010 and were active as of April 8, 2016. A separate Administration Release provided by HUD also released Wells Fargo for potential administrative claims for origination on single-family FHA loans that were endorsed prior to August 2015.

G. Fair Lending Settlements: In recent years, Wells Fargo resolved three federal investigations alleging a pattern or practice of discrimination. The settlements are summarized below. Wells Fargo disputed the allegations and in each case the government conceded that the allegations had not been proven to be true.

   a. DOJ Fair Lending Consent Order: Mortgage Product Placement and Pricing (September 2012): This settlement primarily related to allegations of discriminatory pricing and product placement with respect to wholesale loans (i.e., loans underwritten and closed by Wells Fargo but sourced from an independent third-party mortgage broker who managed the customer relationship). While not required by the settlement, Wells Fargo closed its wholesale mortgage-lending business in 2012. The settlement required distribution of approximately $234 million in remediation and other payments, as well as various non-monetary actions by Wells Fargo (e.g., maintaining policies designed to detect instances of unintentional discrimination). Wells Fargo fulfilled all substantive obligations under the settlement by December 2015 and fully and satisfactorily exited the settlement in September 2016.

   b. HUD Conciliation Agreement: Real Estate Owned ("REO") (June 2013): This settlement related to allegations of unintentional discrimination in the maintenance and marketing of REO properties (properties that enter "bank- or investor-owned" status after being foreclosed and before being sold to another homeowner). Among other things, the settlement resulted in approximately $39 million to support community revitalization and minority homeownership across the country. Wells Fargo has completed all disbursements required under the terms of this settlement, which has since been closed.

c. HUD Conciliation Agreement: Maternity Leave (October 2014): This settlement related to allegations of discriminatory treatment of applicants who were on maternity leave at the time of loan application. Among other things, Wells Fargo agreed to clarify underwriting policies and training materials and distribute $5 million in customer remediation. Wells Fargo successfully exited this settlement in October 2016.

<u>**Questions for the Record, from Congressman Keith Ellison:**</u>

Question: Minnesotans affected by unauthorized accounts/products

Question 1: How many Minnesota customers had fraudulent accounts/credit cards, products?

Response: In connection with ensuring that Wells Fargo did not retain fees that were charged as a result of accounts that potentially were unauthorized, the Bank retained PricewaterhouseCoopers ("PwC") to employ large data analytics to identify a population of deposit and credit card accounts that might not have been authorized. Wells Fargo directed PwC to take a conservative approach and to err on the side of the customer in determining whether an account may not have been authorized. Accordingly, PwC analyzed approximately 82 million deposit accounts and approximately 11 million credit card accounts opened from May 1, 2011 to mid-2015 (July 31, 2015 for deposit accounts, September 30, 2015 for credit cards). Of the accounts reviewed, PwC initially found that approximately 623,000 consumer and business credit card accounts ***could have been*** unauthorized, and approximately 1.5 million deposit accounts ***could have*** experienced simulated funding—that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. Regarding credit cards, PwC identified accounts that, at the time of its analysis, had not been "fraud activated" or otherwise demonstrated account activity. With respect to deposit accounts, PwC focused on potential simulated funding, as such transaction patterns are atypical and potentially indicative of improper sales behavior. However, identification of atypical account activity does not equate with determining that an account was not authorized. PwC ***did not*** conclude that the above-identified accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities. PwC continues to conduct data analytics and to refine its methodology. This work could lead to, among other things, an increase in the identified number of potentially impacted customers. In addition, Wells Fargo has conducted a public outreach campaign to 40 million consumers and three million small business customers who were potentially impacted to ensure they still want and need their products. Wells Fargo also has committed to conduct a review of accounts for the years 2009 and 2010.

Wells Fargo has found indications that the initial PwC number includes accounts where the customer authorized their opening. For example, we have worked to contact customers with open, inactive credit card accounts identified by PwC (i.e., the customers with accounts that could have been unauthorized) to determine whether they want these credit cards. Approximately 25 percent of the customers we reached have informed us that they either did not apply, or did not recall whether or not they applied, for their card. Moreover, in the 267,000 cases where Wells Fargo has a signature from a credit card application and a signature from the corresponding deposit account, over 90 percent of those signatures match. We will examine this information as part of our continuing efforts to evaluate potentially unauthorized credit card accounts.

Within the state of Minnesota, PwC identified 14,848 credit card accounts that were potentially unauthorized and 16,306 deposit accounts that potentially experienced simulated funding. But, for the reasons discussed, it is not clear that all of these accounts actually were unauthorized. Because PwC continues to refine its review, these numbers differ slightly from the numbers Wells Fargo provided in its response to the questions for the record from members of the Senate Banking Committee.

Question 2: Provide a breakdown of what types of accounts per customer, i.e. 18 total customers with 10 fraudulent accounts and 12 fraudulent credit cards.

Response: The table below describes the distribution of credit card and line of credit accounts that were potentially unauthorized and deposit accounts that potentially experienced simulated funding identified by PwC for customers across Minnesota. That is, the first row lists the number of customers with just one potentially unauthorized credit card or line of credit account and no deposit account that potentially experienced simulated funding, the second row lists the number of customers with one deposit account that potentially experienced simulated funding and no potentially unauthorized credit card or line of credit accounts, etc.

Deposit Accounts That Potentially Experienced Simulated Funding	Credit Card or Line of Credit Accounts That Were Potentially Unauthorized	Number of Customers
0	1	16,241
1	0	12,072
2	0	1,650
0	2	248
1	1	131
3	0	127
4	0	44
2	1	28
0	3	10
5	0	11
6	0	5
7	0	3
0	4	1
1	2	2
3	1	2
0	5	1
2	2	1
6	1	1
11+	0	4

Question: Employees fired by state

Question 3: Of the 5,300 employees fired between 2011 and 2015, provide a breakdown of how many were fired per state, including Minnesota?

Response: Wells Fargo team members' employments were terminated in the following states (and District of Columbia):

State	Total
CA	1,421
FL	602
TX	529
NJ	302
PA	241
CO	235
AZ	211
VA	189
MN	172
NC	168
NV	154
GA	128
NY	102
OR	87
AL	86
SC	78
UT	72
CT	64
IA	58
WA	58
MD	56
NM	53
NE	47
ID	31
SD	31
WI	27
DC	25
DE	19
WY	18
IN	18
MT	16
IL	14
TN	10

State	Total
MI	8
MO	7
OH	7
AK	7
ND	5
AR	4
MS	3
KS	2
MA	1
KY	1
Total	**5,367**

Question 4: Provide the reasons for termination as listed in the file.

Response: Of the approximately 5,300 team members whose employment was terminated for sales-practices violations, the violations cover a range of activities and, in addition to opening unauthorized accounts, include, for example, bundling, delaying in opening an account, changing email addresses in connection with online-banking enrollment, and changing phone numbers to avoid customer satisfaction surveys.

Question: Small Business Loans

Question 5: Wells Fargo is the largest lender of SBA 7(a) loans. How many of these loans were set up with fraudulent data so the loan got approved?

Response: Wells Fargo has gone through the process of reviewing its small business lending processes and controls. As a long-time participant in the SBA loan programs, the financial success of small businesses is the Bank's primary goal, and Wells Fargo has carefully designed its processes and controls to protect customers and address their needs, as well as protect the SBA loan program and taxpayers. We want to assure you that, after a thorough review, Wells Fargo has not found any customers who received SBA 7(a) or 504 loan products without their knowledge and consent. If any issues are discovered in the future, Wells Fargo will review and address those issues with the SBA.

Question 6: What is the default rate of your 7(a) loans?

Response: Wells Fargo executes and enforces the rules of the SBA's Standard Operating Procedures and follows all prudent lending practices. Wells Fargo's SBA loans are subject to ongoing monitoring and risk-based review by the SBA in accordance with its own requirements, including the maintenance of default information and ratings on Wells Fargo and peer groups. While those results are confidential, Wells Fargo has a strong credit quality and the default rate of the Bank's SBA 7(a) loan program is deemed acceptable by the SBA. Wells Fargo takes seriously its responsibility to protect the SBA loan programs and U.S. taxpayers.

Question 7: Do loans to franchise brands fail at a higher rate?

Response: Wells Fargo manages risk prudently for all SBA loans and in accordance with the rules of the SBA's Standard Operating Procedures. The default rate of all such loans is acceptable. There is no discernable difference in the default rates of loans to franchises and loans to non-franchises.

Question 8: Do you sell off your 7(a) loans to franchises?

Response: Wells Fargo's approach to SBA lending does not include selling any SBA loans on the secondary market. We hold all loans in our portfolio, as we believe that helping a small business grow is paramount; indeed, our hope is to service and grow with our customers. It also means that managing the risk of our portfolio—and protecting the SBA guaranty—is central to our business processes. We diligently ensure that our lending is consistent with the goals and policies of the SBA, and in compliance with the SBA lending regulations and the SBA's Standard Operating Procedures.

Question: Employees Fired or Quit (beyond the 5,300)

Question 9: 2011 to 2015, how many employees in Minnesota and nationwide were fired for the failure to meet sales goals – eight is great – that now appear unrealistic?

Question 10: How many employees in Minnesota and nationwide were fired for "poor performance?"

Response to Questions 9–10: Wells Fargo eliminated product sales goals effective October 1, 2016. Currently, and in recent years, Wells Fargo's policy has been that team members should not be terminated solely for failing to meet product sales goals. Wells Fargo cannot quantify with any degree of confidence, however, how many team members' employments were terminated solely for not meeting sales goals. The Bank tracks involuntary terminations for failure to perform job duties, which can include a range of issues. Wells Fargo has safeguards in place to help ensure managers remain focused on assessing team members' overall performance in helping customers succeed financially. This includes a formal performance-management program, which provides for coaching and feedback to help team members succeed, involvement of Human Resources in disciplinary decisions—including termination decisions—and a termination-review process undertaken by the Employee Relations function that is independent of the members of business management who made the termination decision.

If team members' employments were terminated solely for not meeting sales goals, despite the policy, Wells Fargo would like to hear from those former team members. Wells Fargo has established a process to enable former team members who contact the Company today to request a review of their termination, even if they did not utilize the Company's termination appeal and review processes at the time of their departure. Former team members who did utilize the Company's appeal processes in the past will be provided with an additional review. Former team members who express interest in reemployment and are deemed to be eligible for reemployment through this review process will be able to work with a special recruiting team to assist in exploring opportunities at Wells Fargo.

Question 11: How many employees in Minnesota and nationwide made complaints to the employee hotline or a supervisor about sales goals?

Response: While the Company tracks reports made to the EthicsLine, the Company does not have a separate report code for "sales goals" in a database that can be searched. Wells Fargo also cannot quantify with any degree of confidence how many team members raised concerns to their managers about sales goals. Simply stated, the Company does not have a database to search that would identify all team-member complaints to managers about sales goals.

Question 12: How many of those same employees were later fired?

Question 13: What reasons are listed in their file for the termination?

Question 14: How many employees who made complaints or who did not meet the sales goals resigned/quit?

Response to Questions 12–14: It has never been a policy or practice of Wells Fargo to terminate team members who voiced their concerns to managers, the human resources division, or through the ethics hotline. We are aware that certain former team members are making these allegations and we take them very seriously. We are currently investigating the issue.

Wells Fargo has long had internal processes in place for team members to raise issues or concerns through multiple channels, including managers, HR, Compliance, and/or the EthicsLine. We encourage team members to speak up if they experience or witness something that makes them feel uncomfortable, and we have measures in place to protect team members from retaliation. The EthicsLine provides team members with a confidential way to report possible violations of Wells Fargo's Code of Ethics and Business Conduct or any laws, rules, or regulations. Team members have the option to remain anonymous through the EthicsLine. It is available to all team members (U.S. and international) 24 hours a day, seven days a week, via toll-free telephone or online web reporting. The EthicsLine has been operated and staffed by a third-party vendor since its inception in 2004, and translation services are available. This process helps ensure team-member confidentiality and preserves anonymity when requested.

All team members who call the EthicsLine are provided with an EthicsLine ID that is associated with their EthicsLine Report. Team members who elect to remain anonymous are asked to either call back to the EthicsLine or log into the EthicsLine Web Portal in 10 calendar days to provide additional information or answer any questions relating to their report. To further protect the integrity of the confidential hotline, the vendor does not record any data related to the incoming telephone calls or web reports. Team members who self-identify are advised that since they provided their name and contact information, Wells Fargo now has the option to contact them directly if needed. They are also told they can call the EthicsLine at any time to provide additional information.

Interview specialists with the EthicsLine vendor listen, ask clarifying questions if necessary, and then write a summary report of the call. The summary is then provided to Wells Fargo's Office of Global Ethics and Integrity for assessment and referral to the appropriate review team.

Wells Fargo takes measures to protect team members from retaliation, including maintaining confidentiality during the review process. Specifically:

- All reports of suspected unethical or illegal activities are taken seriously, and measures are in place to ensure concerns are promptly evaluated and reviewed.

- The review of concerns in many cases will require a fact-finding that may involve interviews with individuals that the Company determines may have information relevant to the underlying issue or concern. However, management of any review and updates regarding facts, progress, and outcomes are limited to only those who have a legitimate business need to know.

- It may be possible in some cases for the researcher/investigator to determine the identity of the team member due to the nature of the issue reported and the information shared by the team member. However, the researcher/investigator would not ask the team member to self-identify as the person who made the EthicsLine Report.

In no circumstances is the team member told the specifics about any corrective action taken against another team member, as it is not Wells Fargo's practice to discuss confidential information regarding one team member with another. Wells Fargo will only share information regarding the review, including any corrective action taken, with those who have a legitimate business need to know.

Wells Fargo's Nonretaliation Policy, which is available to all team members in the Team Member Handbook and reiterated in the Code of Ethics and Business Conduct, mandates that no team member may be retaliated against for providing information in good faith about suspected unethical or illegal activities, including fraud, securities law, or regulatory violations, or possible violations of any Wells Fargo policies. Retaliatory behavior has always been, and continues to be, grounds for corrective action, up to and including termination of employment. Team members who believe that they or someone else has been retaliated against for reporting an issue are instructed to report it as soon as possible to their supervisor or manager, HR Advisor team, or Corporate Employee Relations, to ensure that a prompt review is conducted and, where appropriate, corrective action is taken. Team members can also report retaliation concerns via the EthicsLine.

Wells Fargo has additional safeguards to prevent any form of retaliation, including the fact that Wells Fargo's Human Resources personnel are typically consulted in every termination decision. Additionally, team members who have been terminated may utilize

Wells Fargo's termination review process to request to have that decision reviewed by a Corporate Employee Relations professional who was not previously consulted in the termination decision.

To further strengthen our program and foster an environment where all team members feel comfortable escalating matters without fear of retaliation, we have made improvements to the program, including:

- Enhancing our Company-wide standards to ensure a consistent team-member experience and safeguards, regardless of the type of issue reported or which group is conducting the research or investigation.
- Reinforcing our standards and processes that protect team members from retaliation. This will include requiring that the appropriate review unit evaluating the underlying issues or concerns provide a reminder of the Company's Nonretaliation Policy to all individuals interviewed or contacted as part of the review, as well as all managers who may be part of any corrective-action decisions arising out of the review.
- Ensuring that reports of suspected unethical or illegal activities are evaluated, investigated, and appropriately escalated in a timely and confidential manner by continually monitoring and refining our EthicsLine research and investigative processes. This will include the adoption of Speak Up, Investigative, and Nonretaliation Standards to help guide the research and investigative process.
- Creating additional training, communications, and resources to help team members understand their responsibilities under the Code of Ethics and Business Conduct and related policies, the importance of speaking up, and what to do when faced with an ethical dilemma.

With respect to allegations from former team members who claim that their employment was terminated or they were demoted after refusing to open unauthorized accounts and/or after reporting concerns to the EthicsLine, we are reviewing each of the situations. As described above, team members have the option to raise concerns anonymously, so Wells Fargo likely will not have records identifying former team members who raised concerns anonymously through the EthicsLine. Nevertheless, Wells Fargo is taking steps to review such termination/demotion decisions where possible and has engaged outside consultants to help with this review. Moreover, Wells Fargo has established a process to enable former team members who contact the Company today to request a review of their termination, even if they did not utilize the Company's termination appeal and review processes at the time of their departure. Former team members who did utilize the Company's appeal processes in the past will be provided with an additional review. Former team members who express interest in reemployment and are deemed to be eligible for reemployment through this review process will be able to work with a special recruiting team to assist in exploring opportunities at Wells Fargo.

Question 15: How many employees who quit during the period of 2011- 2015 were given exit interviews?

Question 16: How many employees were asked during the exit interview why they were resigning?

Question 17: Please provide a list of the reasons cited by these employees for resigning.

Response to Questions 15–17: Wells Fargo engaged an external vendor to survey a random sample of voluntary terminations within the Community Banking division. Between 2011 to 2015, the vendor attempted to survey approximately 77,600 team members and successfully completed approximately 22,700 exit interviews. The most common primary reason for pursuing opportunities outside of Wells Fargo was dissatisfaction with supervisors (approximately 3,180) followed by personal, family, or health reasons (approximately 1,850). The other reasons cited included better pay or career opportunities, dissatisfaction with work hours or conditions, a poor fit with the Wells Fargo culture, and dissatisfaction with job duties or sales-related expectations.

Question 18: Of the employees who were fired or quit for failure to meet sales goals, how many have been contacted during the investigation period?

Question 19: How many of them will be contacted by the end of the investigation period?

Response to Questions 18–19: Wells Fargo has established a process to enable former team members who contact the Company today to request a review of their termination, even if they did not utilize the Company's termination appeal and review processes at the time of their departure. Former team members who did utilize the Company's appeal processes in the past will be provided with an additional review. Former team members who express interest in reemployment and are deemed to be eligible for reemployment through this review process will be able to work with a special recruiting team to assist in exploring opportunities at Wells Fargo.

Question 20: Your testimony focused heavily on the 5,300 employees who engaged in unethical behavior that goes against Wells Fargo culture. What does Wells Fargo intend to offer the employees who were fired for not meeting the sales goals, to compensate them for termination?

Question 21: Why, if sales goals were merely goals, to incent employees to engage in conversations with customers about products to suit their needs, was any employee fired for failing to meet these "goals?"

Response to Questions 20–21: Wells Fargo eliminated product sales goals effective October 1, 2016. Currently, and in recent years, Wells Fargo's policy has been that team members should not be terminated solely for failing to meet product sales goals. Wells Fargo cannot quantify with any degree of confidence, however, how many team members' employments were terminated solely for not meeting sales goals. The Bank tracks involuntary terminations for failure to perform job duties, which can include a range of issues. Wells Fargo has safeguards in place to help ensure managers remain focused on assessing team members' overall performance in helping customers succeed financially. This includes a formal performance-management program, which provides for coaching and feedback to help team members succeed, involvement of Human Resources in disciplinary decisions—including termination decisions—and a termination-review process undertaken by the Employee Relations function that is independent of the members of business management who made the termination decision.

If team members' employments were terminated solely for not meeting sales goals, despite the policy, Wells Fargo would like to hear from those former team members. Wells Fargo has established a process to enable former team members who contact the Company today to request a review of their termination, even if they did not utilize the Company's termination appeal and review processes at the time of their departure. Former team members who did utilize the Company's appeal processes in the past will be provided with an additional review. Former team members who express interest in reemployment and are deemed to be eligible for reemployment through this review process will be able to work with a special recruiting team to assist in exploring opportunities at Wells Fargo.

Question: Fair Treatment of Employees

You mentioned Wells Fargo has a plan to increase the pay of current front-line workers to compensate for the lost bonuses due to the upcoming elimination of aggressive sales goals.

Question 22: Provide a list of the starting compensations of front-line workers prior to the elimination of sales goals in Minnesota and by state or region.

Response: Below is a table that provides the median hourly wage and median Full Time Equivalent ("FTE") base pay earned by tellers, customer sales and service representatives, and personal bankers as of September 1, 2016, before the elimination of product sales goals.[2] In addition, all salaried and hourly team members classified as regular or part-time (i.e., those who are regularly scheduled to work 17.5 hours or more per week) are eligible for Wells Fargo-sponsored benefits, including tuition reimbursement, health-care insurance, dental insurance, vision insurance, life insurance, short- and long-term disability, 401(k) plan, and paid parental leave. Wells Fargo eliminated sales goals effective October 1, 2016, but did not change base salaries. Separately from the elimination of sales goals, we increased the minimum wage for Wells Fargo team members from $12.00/hour to $13.50/hour, which affected approximately two-thirds of tellers.

Job Title / Group	Median Hourly Wage	Median FTE Base Pay[3]
TELLERS	**$ 12.59**	**$ 26,187**
TELLER	*$ 12.00*	*$ 24,960*

[2] Because varying levels of experience cause base pay rates to vary significantly, median figures are reported.

[3] Median FTE base pay calculated as hourly rate X 2080.

Job Title / Group	Median Hourly Wage		Median FTE Base Pay[3]	
LEAD TELLER	*$*	*14.75*	*$*	*30,680*
CUST SLS & SVC REPS	**$**	**15.16**	**$**	**31,533**
CUST SLS & SVC REP-RTL (SAFE)	*$*	*15.11*	*$*	*31,429*
CUST SLS & SVC REP-RTL (LO)	*$*	*15.16*	*$*	*31,533*
PERSONAL BANKERS	**$**	**18.51**	**$**	**38,501**
ASST STORE MANAGER (SAFE)	*$*	*20.80*	*$*	*43,264*
PERSONAL BANKER (SAFE) 1	*$*	*17.25*	*$*	*35,880*
PERSONAL BANKER REG (SAFE) 1	*$*	*19.04*	*$*	*39,603*
PERSONAL BANKER (SAFE) 2	*$*	*21.64*	*$*	*45,011*
PERSONAL BANKER REG (SAFE) 2	*$*	*25.50*	*$*	*53,040*

Question 23: Provide a list of the starting compensations of front-line workers following the elimination of sales goals in Minnesota and by state or region.

Question 24: The elimination date of the sales goals has been moved up to October 1, 2016. What is the effective date of the increase in compensation for these employees?

Question 25: Will employees whose pay has been increased through incremental or yearly raises also be compensated?

Question 26: What is the percentage of compensation increases for these employees whose pay has been increased from starting compensation?

> *Response to Questions 23–26*: Wells Fargo eliminated product sales goals effective October 1, 2016, but did not change base salaries. The incentive opportunity formerly associated with sales goals was changed to emphasize customer service. To ensure no team member experienced a decline in total compensation resulting from the new plan, we guaranteed the greater of the incentives under the Q4 plan OR the average of the Q1-Q3 plan under the old plan.
>
> Effective January 1, 2017, a new incentive plan was introduced based on customer service and customer outcomes; there are no product sales goals in the new plan. The plan was designed to ensure maximum participation and, based on current levels of performance, we expect the majority of team members to earn incentives equal to or greater than historical earnings.
>
> Separately from the elimination of sales goals, we increased the minimum wage for Wells Fargo team members from $12.00/hour to $13.50/hour, which affected approximately two-thirds of tellers. Additionally, as part of our annual salary-review process, we are reviewing base compensation and performance of all team members and adjusting base salaries upwards as warranted.

Question 27: If these workers had been part of a union, there would have been a more powerful force pushing back on these exploitative management practices. Will you support the formation of unions in your banks?

Question 28: What will you do to incorporate worker voice or some form of worker representation in major management decisions?

Response to Questions 27–28: Wells Fargo does not believe our team members need a third party to represent them in matters involving terms and conditions of employment. We offer competitive pay, benefits, career and development opportunities, and reward and recognize performance. Our open door policy provides our team members the ability to communicate and problem solve directly with either their managers or any other Wells Fargo team member. We strongly believe that individuals who are also Wells Fargo team members can be more responsive to the needs and concerns of our team members than anyone outside of our Company.

We encourage team members to speak up if they experience or witness something that makes them feel uncomfortable, and we have measures in place to protect team members from retaliation. The EthicsLine provides team members with a confidential way to report possible violations of Wells Fargo's Code of Ethics and Business Conduct or any laws, rules, or regulations. Team members have the option to remain anonymous through the EthicsLine. It is available to all team members (U.S. and international) 24 hours a day, seven days a week, via toll-free telephone or online web reporting. The EthicsLine has been operated and staffed by a third-party vendor since its inception in 2004, and translation services are available. This process helps ensure team-member confidentiality and preserves anonymity when requested.

Questions: The Investigation

Question 29: The timeline of information presented during the Congressional hearings on this activity is roughly that approximately 939 employees were fired by Wells Fargo in 2011. The Office of the Comptroller of the Currency (OCC) became aware of customer and employee complains in or around March 2012. Approximately 1,000 additional employees were fired in 2012. The Consumer Financial Protection Bureau (CFPB) became aware of whistle-blower complaints in mid-2013. The *L.A. Times* article was published in December 2013. You have repeatedly said you did not learn of the fraudulent accounts until "sometime mid-2013" and that the Board of Directors did not learn of this until "later 2013." Another approximately 1,000 employees were fired in 2013. What is the typical reporting process when significant numbers of employees are terminated?

Question 30: What is the typical reporting process when illegal, fraudulent, or other unauthorized activities are the reason for termination?

Response to Questions 29–30: From at least 2011 forward, the Board's Audit and Examination Committee received periodic reports on the activities of Wells Fargo's Internal Investigations group (which investigates issues involving team members), as well as information on EthicsLine and whistleblower reporting. Among other things, several of those reports discussed increases in sales-practices issues. Some reporting discussed reasons for increases in sales-practices investigations and reporting, which included improved controls, tightening existing controls, and enhancements to better facilitate referrals of potential sales-practices violations to Internal Investigations. In 2014, Corporate Risk reported heightened focus on risks associated with sales practices, cross-sell strategy, and team-member conduct to the Audit and Examination Committee, and the Risk Committee began receiving reports from Corporate Risk of noteworthy risk issues, which included, among other risks, sales conduct and practices issues affecting customers and management's efforts to address those risks. The Board and certain committees received reports of such risks in 2014 and thereafter, including reports and updates relating to the lawsuit filed by the Los Angeles City Attorney relating to Wells Fargo's sales practices. For example, in April 2015, the Risk Committee received a presentation from Community Banking management relating to Community Banking's risk-management practices and quality-control standards in connection with the delivery of products and services to its customers.

Question 31: Is standard practice for Suspicious Activity Reports to be filed for each fraudulent account identified?

Response: Wells Fargo has policies, procedures, and internal controls that are reasonably designed to comply with its legal obligations to monitor, detect, and report suspicious activities. Under federal law, Suspicious Activity Reports ("SARs"), and any information that would reveal the existence of a SAR, are confidential. 31 U.S.C. § 5318(g)(2)(A)(i); 31 C.F.R. § 1020.320(e); 12 C.F.R. § 21.11(k).

Question 32: When were the Compliance/Risk Departments notified?

Response: The risk-management function receives periodic reporting regarding various types of misconduct, including identified instances of sales-practices violations.

Question 33: What is the normal process for reporting issues identified in Compliance/Risk to the Board? Were these processes followed?

Question 34: If these processes were followed as intended, when should you/the Board have been notified?

Response to Questions 33–34: From at least 2011 forward, the Board's Audit and Examination Committee received periodic reports on the activities of Wells Fargo's Internal Investigations group (which investigates issues involving team members), as well as information on EthicsLine and whistleblower reporting. Among other things, several of those reports discussed increases in sales-practices issues. Some reporting discussed reasons for increases in sales-practices investigations and reporting, which included improved controls, tightening existing controls, and enhancements to better facilitate referrals of potential sales-practices violations to Internal Investigations. In 2014, Corporate Risk reported heightened focus on risks associated with sales practices, cross-sell strategy, and team-member conduct to the Audit and Examination Committee, and the Risk Committee began receiving reports from Corporate Risk of noteworthy risk issues, which included, among other risks, sales conduct and practices issues affecting customers and management's efforts to address those risks. The Board and certain committees received reports of such risks in 2014 and thereafter, including reports and updates relating to the lawsuit filed by the Los Angeles City Attorney relating to Wells Fargo's sales practices. For example, in April 2015, the Risk Committee received a presentation from Community Banking management relating to Community Banking's risk-management practices and quality-control standards in connection with the delivery of products and services to its customers.

Question 35: You have also stated multiple times that you should have known sooner or should have taken corrective action sooner. What plans or steps are in place to ensure that, going forward, the Board is properly notified and action to address the root causes of issues such as this are addressed and remediated timely?

Response: Wells Fargo has made several recent changes to its policies and practices to enhance oversight, expand customer transparency, and improve the customer experience. We would like to highlight the following points:

- Consistent with the reorganization of enterprise functions, we have transitioned or are in the process of transitioning key control functions, including compliance and operations risk, finance, compensation, and human resources, to their respective corporate groups, creating a stronger risk and control foundation that allows senior team members across the Company to provide more independent, credible challenges to how we operate.

- As we continue to design the optimal risk organization for Wells Fargo and seek to rebuild trust with our stakeholders, we have made the important decision to create the Office of Ethics, Oversight, and Integrity. This office will be responsible for ensuring that all Wells Fargo team members are working according to our vision and values, that team members and customers are protected, and that we value listening when team members believe the enterprise falls short of our goal of operating with integrity. Theresa LaPlaca and Julie Williams, the former first senior deputy comptroller and chief counsel of the OCC, are leading the newly created Office of Ethics, Oversight, and Integrity.

- For all Community Banking team members who serve customers in our retail branches, we have eliminated product sales goals in our performance management and incentive plans so that performance and earning incentives are not dependent on, or measured by, reaching sales goals.

- We launched our 2017 Performance Management & Rewards program for Community Banking team members:

  - Incentive compensation plan metrics include customer experience, primary customer growth (which measures the growth of customers who use Wells Fargo as their primary financial institution), household relationship balance growth (which measures how Wells Fargo satisfies the customer's broad financial needs), and a Branch Management Risk Score (designed to measure conduct and operational risk within a branch). Product sales goals are not part of the incentive compensation plan for Retail Bank team members.

  - Enhanced focus on the team, not just individuals. Incentive compensation plan metrics will be weighted towards team (branch) goals, rather than individual goals.

- We have made system and process enhancements, including sending automated confirmation emails to our customers every time a new personal or small business checking account or a savings account is opened, or a new application for a customer credit card or unsecured line of credit is submitted (small-business applicants for credit card or unsecured line of credit products will begin receiving these email notifications later this month).

- We also have improved multi-factor authentication to protect our customers' information. In addition, we are automatically closing inactive new deposit accounts that, after 62 days, have a zero balance, without assessing a monthly fee.

- In 2016, we committed more than $50 million to enhanced quality-assurance monitoring, and are continuing to make investments in this space.

- We are performing analytics on customer complaints, both those made to government agencies and those made directly to the Bank, to identify any sales-practices concerns.

- We are making changes and enhancements to our training and development programs to provide additional education regarding appropriate product delivery to customers.

- We are providing additional training to managers about how to support team members and escalate issues to more senior managers because managers are often the first to hear about ethical concerns.

- We have implemented an independent third-party mystery shopper program that will conduct 15,000–20,000 visits annually.

- We have been adding risk professionals to provide greater oversight and expanded our customer-complaint servicing and resolution process.

- We are surveying team members to understand their views on our Company's approach to ethics and integrity.

- We have commenced the process with our regulators to engage an independent consultant to review sales practices in Community Banking. In addition, we will be engaging external consultants to review sales practices across the Company.

- We have engaged outside independent culture experts to help us understand where we have cultural weaknesses that need to be strengthened or fixed.

- Our Board of Directors has enhanced its oversight of conduct risk, including sales-practices risk, by focusing management's reporting to the Board on the alignment of team-member conduct with (1) our Company's risk appetite and (2) our Company's culture as reflected in our Visions and Values and Code of Ethics and Business Conduct.

- Our Board enhanced Board committee oversight of conduct risk as follows:

  - Expanded the Risk Committee's oversight responsibilities to include oversight of enterprise-wide conduct risk, risk culture, and the new Office of Ethics, Oversight, and Integrity. The Risk Committee will continue to oversee our enterprise risk-management framework, Corporate Risk function, and key risks identified by our Company.

  - Expanded the Human Resources Committee's oversight responsibilities to include human capital management, culture, Code of Ethics and Business Conduct, and implementation and effectiveness of our ethics, business conduct, and conflicts of interest program (including training on ethical decision-making and processes for reporting and resolution of ethics issues). The Human Resources Committee will continue to oversee our expanded Incentive Compensation Risk Management program.

  - Expanded the Audit and Examination Committee's oversight responsibilities for legal and regulatory compliance to include our Company's compliance culture. The Audit and Examination Committee will continue to oversee our operational risk program and all operational risk types, as well as complaints and allegations related to accounting, internal accounting control, and auditing matters.

  - The Corporate Responsibility Committee will continue to oversee our Company's reputation, customer complaints policy and processes, and complaints and allegations relating to customers and will receive enhanced reporting from management on complaints and allegations from all sources, including EthicsLine, relating to customers.

Question 36: You stated during the hearing that you cannot recall who informed you, when you were informed, what you were doing when you were informed, or anything more specific than "sometime mid-2013" when you were notified of the opening of unauthorized accounts. The OCC began its investigation in March 2012. The CFPB began its investigation mid-2013. What is the process for communicating with regulators regarding investigations?

Was this process followed?

Response: As Comptroller Curry testified before the Senate Banking Committee on September 20, 2016, Wells Fargo management meets regularly with the Office of the

Comptroller of the Currency ("OCC"), our prudential regulator, about a variety of issues. Wells Fargo immediately cooperated with the OCC upon its first contact with the Bank concerning these issues. Ultimately, that involved addressing Matters Requiring Attention the OCC imposed, as well as providing relevant documents in 2015.

Wells Fargo's General Counsel notified the Consumer Financial Protection Bureau ("CFPB") of the Los Angeles City Attorney's lawsuit at or about the time it was filed in May 2015. The CFPB requested information shortly after Wells Fargo notified the Bureau of the lawsuit. In June and July 2015, Wells Fargo provided information to the CFPB.

The City Attorney filed its complaint in May 2015. Wells Fargo did not have substantive conversations with the City Attorney's office prior to that time.

Question 37: Was the Board made aware of these investigations when they began?

If not, why not?

Question 38: If the normal process was followed and the Board was not routinely made aware of ongoing investigations, what plans or steps are in place to ensure that, going forward, the Board is timely aware of regulator investigations?

Response to Questions 37–38: Following the filing on May 4, 2015 of the lawsuit by the Los Angeles City Attorney relating to Wells Fargo's sales practices, the Board received at its meetings regular reports from the General Counsel on the status of legal and regulatory matters relating to Wells Fargo's sales practices.

Question 39: Of the 2 million accounts identified by PricewaterhouseCoopers (PWC), has there been any investigation into which of the accounts were opened by pressuring customers and which were opened fraudulently?

Question 40: If not, will Wells Fargo make a determination in their self-led investigation?

Response to Questions 39–40: In connection with ensuring that Wells Fargo did not retain fees that were charged as a result of accounts that potentially were unauthorized, the Bank retained PricewaterhouseCoopers ("PwC") to employ large data analytics to identify a population of deposit and credit card accounts that might not have been authorized. Wells Fargo directed PwC to take a conservative approach and to err on the side of the customer in determining whether an account may not have been authorized. Accordingly, PwC analyzed approximately 82 million deposit accounts and approximately 11 million credit card accounts opened from May 1, 2011 to mid-2015 (July 31, 2015 for deposit accounts, September 30, 2015 for credit cards). Of the accounts reviewed, PwC initially found that approximately 623,000 consumer and business credit card accounts ***could have been*** unauthorized, and approximately 1.5 million deposit accounts ***could have*** experienced simulated funding—that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. Regarding credit cards, PwC identified accounts that, at the time of its analysis, had not been "fraud activated" or otherwise demonstrated account activity. With respect to deposit accounts, PwC focused on potential simulated funding, as such transaction patterns are atypical and potentially indicative of improper sales behavior. However, identification of atypical account activity does not equate with determining that an account was not authorized. PwC ***did not*** conclude that the above-identified accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities. PwC continues to conduct data analytics and to refine its methodology. This work could lead to, among other things, an increase in the identified number of potentially impacted customers. In addition, Wells Fargo has conducted a public outreach campaign to 40 million consumers and three million small business customers who were potentially impacted to ensure they still want and need their products. Wells Fargo also has committed to conduct a review of accounts for the years 2009 and 2010.

Wells Fargo has found indications that the initial PwC number includes accounts where the customer authorized their opening. For example, we have worked to contact customers with open, inactive credit card accounts identified by PwC (i.e., the customers with accounts that could have been unauthorized) to determine whether they want these credit cards. Approximately 25 percent of the customers we reached have informed us that they either did not apply, or did not recall whether or not they applied, for their card. Moreover, in the 267,000 cases where Wells Fargo has a signature from a credit card application and a signature from the corresponding deposit account, over 90 percent of those signatures match. We will examine this information as part of our continuing efforts to evaluate potentially unauthorized credit card accounts.

Question 41: Although the sales goals were reduced in the past 4 years, why has there not been a bigger push by Wells Fargo to eliminate sales goals before now?

Response: Wells Fargo should have eliminated retail-banking product sales goals sooner. To ensure problems like this do not get missed again, Wells Fargo has made several recent changes to its policies and practices to enhance oversight, expand customer transparency, and improve the customer experience. We would like to highlight the following points:

- Consistent with the reorganization of enterprise functions, we have transitioned or are in the process of transitioning key control functions, including compliance and operations risk, finance, compensation, and human resources, to their respective corporate groups, creating a stronger risk and control foundation that allows senior team members across the Company to provide more independent, credible challenges to how we operate.

- As we continue to design the optimal risk organization for Wells Fargo and seek to rebuild trust with our stakeholders, we have made the important decision to create the Office of Ethics, Oversight, and Integrity. This office will be responsible for ensuring that all Wells Fargo team members are working according to our vision and values, that team members and customers are protected, and that we value listening when team members believe the enterprise falls short of our goal of operating with integrity. Theresa LaPlaca and Julie Williams, the former first senior deputy comptroller and chief counsel of the OCC, are leading the newly created Office of Ethics, Oversight, and Integrity.

- For all Community Banking team members who serve customers in our retail branches, we have eliminated product sales goals in our performance management and incentive plans so that performance and earning incentives are not dependent on, or measured by, reaching sales goals.

- We launched our 2017 Performance Management & Rewards program for Community Banking team members:

  - Incentive compensation plan metrics include customer experience, primary customer growth (which measures the growth of customers who use Wells Fargo as their primary financial institution), household relationship balance growth (which measures how Wells Fargo satisfies the customer's broad financial needs), and a Branch Management Risk Score (designed to measure conduct and operational risk within a branch). Product sales goals are not part of the incentive compensation plan for Retail Bank team members.

  - Enhanced focus on the team, not just individuals. Incentive compensation plan metrics will be weighted towards team (branch) goals, rather than individual goals.

- We have made system and process enhancements, including sending automated confirmation emails to our customers every time a new personal or small business checking account or a savings account is opened, or a new application for a credit card or unsecured line of credit is submitted (small business applicants for credit card or unsecured line of credit products will begin receiving these email notifications later this month).

- We also have improved multi-factor authentication to protect our customers' information. In addition, we are automatically closing inactive new deposit accounts that, after 62 days, have a zero balance, without assessing a monthly fee.

- In 2016, we committed more than $50 million to enhanced quality-assurance monitoring, and are continuing to make investments in this space.

- We are performing analytics on customer complaints, both those made to government agencies and those made directly to the Bank, to identify any sales-practices concerns.

- We are making changes and enhancements to our training and development programs to provide additional education regarding appropriate product delivery to customers.

- We are providing additional training to managers about how to support team members and escalate issues to more senior managers because managers are often the first to hear about ethical concerns.

- We have implemented an independent third-party mystery shopper program that will conduct 15,000–20,000 visits annually.

- We have been adding risk professionals to provide greater oversight and expanded our customer-complaint servicing and resolution process.

- We are surveying team members to understand their views on our Company's approach to ethics and integrity.

- We have commenced the process with our regulators to engage an independent consultant to review sales practices in Community Banking. In addition, we will be engaging external consultants to review sales practices across the Company.

- We have engaged outside independent culture experts to help us understand where we have cultural weaknesses that need to be strengthened or fixed.

- Our Board of Directors has enhanced its oversight of conduct risk, including sales-practices risk, by focusing management's reporting to the Board on the alignment of team-member conduct with (1) our Company's risk appetite and (2) our Company's culture as reflected in our Visions and Values and Code of Ethics and Business Conduct.

- Our Board enhanced Board committee oversight of conduct risk as follows:

  - Expanded the Risk Committee's oversight responsibilities to include oversight of enterprise-wide conduct risk, risk culture, and the new Office of Ethics, Oversight, and Integrity. The Risk Committee will continue to oversee our enterprise risk-management framework, Corporate Risk function, and key risks identified by our Company.

  - Expanded the Human Resources Committee's oversight responsibilities to include human capital management, culture, Code of Ethics and Business Conduct, and implementation and effectiveness of our ethics, business conduct, and conflicts of interest program (including training on ethical decision-making and processes for reporting and resolution of ethics issues). The Human Resources Committee will continue to oversee our expanded Incentive Compensation Risk Management program.

  - Expanded the Audit and Examination Committee's oversight responsibilities for legal and regulatory compliance to include our Company's compliance culture. The Audit and Examination Committee will continue to oversee our operational risk program and all operational risk types, as well as complaints and allegations related to accounting, internal accounting control, and auditing matters.

- The Corporate Responsibility Committee will continue to oversee our Company's reputation, customer complaints policy and processes, and complaints and allegations relating to customers and will receive enhanced reporting from management on complaints and allegations from all sources, including EthicsLine, relating to customers.

Questions: Arbitration

Question 42: You stated that Wells Fargo would be adding mediation as an option for customers who had unauthorized accounts opened in their names, in addition to the option for arbitration. Why are you binding customers to terms in an agreement they *did not make*, to an agreement *your employees made for them*?

Question 43: You have stated multiple times that you want to make it right for affected customers, that you have ordered "no stone be left unturned" in Wells Fargo's internal investigation. How is prohibiting customers from having their day in court, through limiting the means of remediation to arbitration or mediation, going to make it right?

Question 44: Will Wells Fargo support the CFPB's rulemaking on mandatory arbitration going forward?

> *Response to Questions 42–44*: Wells Fargo's goal is to make things right for our customers so that formal dispute resolution proceedings are unnecessary for as many of our customers as possible. We are working to connect with customers and, for those negatively impacted by unauthorized accounts, to fix the issues. For those cases that may require additional attention, Wells Fargo is offering a no-cost mediation option to its customers. A mediation option for California customers was part of Wells Fargo's agreement with the Los Angeles City Attorney, and we have extended that program nationwide. For those customers dissatisfied with our efforts to make them whole, Wells Fargo believes that arbitration offers a process that is fair and efficient.

Question: Resigning From Federal Reserve Board and Other Boards

Question 45: Why did you resign from the Federal Reserve Advisory Council?

Question 46: What does that say about the other big banks like Citigroup who are represented on the Council, or Morgan Stanley, whose CEO sits on the New York Federal Reserve's Board of Directors?

> *Response to Questions 45–46*: It is the Company's understanding that Mr. Stumpf resigned from the Federal Reserve Advisory Council to eliminate that time commitment.

Question 47: You serve on the Board of Directors for Target and Chevron, do you serve on any other boards of directors?

Question 48: Do any of the companies whose boards you serve on also have incentive pay practices for their front-line staff?

Question 49: Will you recommend prompt elimination of incentive pay practices for these companies as well?

> *Response to Questions 47–49*: It is the Company's understanding that Mr. Stumpf is no longer on the boards of Target and Chevron, and that Mr. Stumpf does not serve on any other company boards of directors.

Question 50: Are you planning to resign from those boards?

> *Response*: It is the Company's understanding that Mr. Stumpf resigned from the boards of Target and Chevron on or about October 17, 2016.

Questions: Why Cross Selling?

Question 51: You have stated multiple times that the purpose of cross-selling, upselling, or the "Go for Gr8" sales goals was to facilitate a relationship with customers to ensure they receive the products they need for their goals and lifestyle. How does Wells Fargo make money from providing a credit card or opening an additional account or product?

> *Response*: In the case of credit cards, Wells Fargo's primary sources of income are fee income from credit card purchase volume (paid by the merchant) and interest income on credit card balances. While over 25 percent of our retail banking households have more than eight products with Wells Fargo, this was an aspirational goal. The average U.S. household has more than 14 financial products, and we aspired to become our customers' primary financial institution by providing them with the majority of products and services they need and use and by driving increased customer value through consolidating multiple financial products and services with one provider. We want to offer our customers valuable products and services and, to that end, we use our cross-sell metrics as a proxy for the depth of the relationships that we are building with our customers. As our annual reports make clear, Wells Fargo has always focused on the quality of our relationships with customers, not quantity. Wells Fargo makes money when our customers use the products and services we provide them; we generally lose money if accounts are opened and not used. As such, providing services that the customer does not need or want is not in our interest or the interest of our customers. Clearly that happened in some cases.

Question 52: You also stated that the bank loses money when accounts go unused. What reviews are in place to determine how many accounts are unused?

Question 53: What is the process of monitoring and tracking unused accounts?

> *Response to Questions 52–53*: Wells Fargo has automated processes in place to close accounts that are unused. The specifics of those processes have varied over time and from product-to-product, but they generally systematically close checking and savings accounts that have a zero balance and have gone a certain period of time without account activity.

Question 54: How much did Wells Fargo lose from the fraudulently opened accounts from 2011-2016?

Question 55: How much did Wells Fargo gain from overdraft fees, swipe fees, late fees, interest charges from the fraudulently opened accounts/accounts opened under pressure?

Response to Questions 54–55: The total net cost of the potentially unauthorized accounts to Wells Fargo was approximately $10 million. That figure includes costs incurred by Wells Fargo directly as a result of the opening of the accounts, such as the costs of generating and mailing statements, the cost of the credit cards themselves, and incentive compensation. It does not include costs such as ordinary compensation expenses (e.g., employee salaries) that would have been incurred whether or not the accounts had been opened.

PwC analyzed approximately 82 million deposit accounts and approximately 11 million credit card accounts opened from May 1, 2011 to mid-2015 (July 31, 2015 for deposit accounts, September 30, 2015 for credit cards). Of the accounts reviewed, PwC initially found that approximately 623,000 consumer and business credit card accounts could have been unauthorized, and approximately 1.5 million deposit accounts could have experienced simulated funding—that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. Wells Fargo has already issued account credits and checks to refund the fees incurred for the accounts identified by PwC, even if it could not conclusively determine that the accounts were unauthorized and/or experienced simulated funding. We took this intentionally expansive approach because we were willing to refund fees to customers who in fact approved account openings, but subsequently allowed the accounts to lapse, so that we did not exclude customers who may have suffered harm.

Wells Fargo has also established a Sales Practice Consent Order Program Office reporting directly to its Chief Risk Officer, which is undertaking actions to meet the requirements of the Consent Orders that were issued as part of the OCC and CFPB settlements in September 2016. As part of this effort, Wells Fargo submitted a Reimbursement and Redress Plan to the OCC and the CFPB on December 5, 2016. To date, we have refunded a total of $3.2 million to our customers, including refunds for fees connected to consumer and small business unsecured line of credit accounts, for the period of May 2011 to June 2015. As part of the Consent Orders, work is now under way to expand the time periods of our review to cover the beginning of 2011 and the period through September 2016. We have also gone beyond the requirements of the Consent Orders as part of our effort to make things right for our customers, including establishing a nationwide mediation program at no cost to our customers.

In addition, we have made progress on evaluating potentially unauthorized credit card accounts, including evaluating any impact to our customers' credit scores and undertaking an analysis of credit signatures to verify authorization. We want to identify anyone who was negatively impacted so we can make things right.

Question 56: In Wells Fargo's 2015 annual report, you stated "products and services that generally do not meet [revenue generation and long-term viability potential] – such as ATM cards, online banking, and direct deposit—are not included [in the cross-selling sales goals]." Yet, there are multiple first-hand accounts of employees admitting they have engaged in "pinning" -- where bank-issued ATM cards are assigned PIN numbers without customer authorization by using a phony email address. When did non-revenue generating products such as ATM cards stop being included in the sales goals for Wells Fargo employees?

Question 57: Of the 2 million accounts identified by PWC, was there a decline in the number of ATM cards opened that corresponds with the elimination of ATM cards being included in the sales goals?

> *Response to Questions 56–57*: Wells Fargo has not had sales goals for ATM cards, nor has there been banker compensation for ATM cards, since at least 2005. While Wells Fargo does not know the specifics of the accounts referenced in these questions, they may refer to debit cards, rather than ATM cards. Debit cards, which can be used for point-of-sale transactions, are distinct from ATM cards, which cannot be used for such transactions. Debit cards generate revenue in the form of interchange fees paid by merchants.

Question: Remediation

Question 58: You have stated that going forward, Wells Fargo will be contacting customers to confirm an account opening or confirm other products. Yet, there are many first-person accounts of employees creating phony email accounts. What steps are in place to ensure that the email address or phone number called to verify the account opening is legitimate?

Question 59: What steps will Wells Fargo take if the person answering the phone states they are not the person that is attempting to be contacted?

Question 60: If the customer is not reached at the first attempt, will there be any follow up? Will the customer be contacted in another manner? Will there be any "cross-account" verification of information among the other products a customer has during the verification process?

Question 61: What will be the process of reporting any suspicious phone number or email addresses discovered during the verification process?

> *Response to Questions 58–61*: Wells Fargo believes that even one unauthorized account is too many, and is committed to ensuring that its customers have only the accounts they actually want. That is why in our Community Banking branches, when a customer opens a consumer or small business checking, savings, or credit card account, Wells Fargo now sends an email or a letter via the U.S. Postal Service to that customer to notify him or her of the account. If the email address associated with that customer has been recently changed or altered, Wells Fargo sends an email to both the old email address and the new address. Additionally, before a banker is able to submit a customer's credit card application, the customer must electronically confirm his or her desire to apply for the specific product. When the credit card account is opened, a letter is mailed to the

customer within two business days. Beginning in February 2017, consumer credit card customers receive a same-day email to notify them of their application; small business credit card applicants will begin receiving these email notifications later this month. Customers can always view their eligible accounts anytime when enrolled in Wells Fargo Online®.

Question 62: You have stated that customers received refunds for fees assessed for accounts opened without the customers' authorization. You have stated that customers with credit cards opened have been contacted and provided an option to close the account and notify the credit bureau. What steps is Wells Fargo taking to remediate negative credit reporting for customers from the inception of the fraudulently opened credit cards?

Question 63: Will Wells Fargo be refunding customers not just for fees incurred as a result of an unauthorized account, but from any subsequent transactions incurring fees as a result of the initial fraudulent activity (such as if, as some employees have reported, an employee would fraudulently open an account and then transfer funds into the new account from one of the customer's existing accounts, resulting in returned payment fees, insufficient funds fees, or late fees resulting from the initial unauthorized transfer of funds and could cascade through a series of payments if multiple creditors assessed these fees for each payment)?

Question 64: You have stated multiple times that you are sorry, that you want to make things right for these customers. How do you intend to make things right for customers who incurred negative credit reporting through no fault of their own and were denied home loans, car loans, business loans?

Question 65: What about customers who received a higher interest rate on the loans they were approved for, as a result of negative credit reporting stemming from the unauthorized, fraudulently opened accounts?

Response to Questions 62–65: Wells Fargo is working very hard to remediate harm that may have been caused to our customers. To that end, pursuant to the Consumer Financial Protection Bureau ("CFPB") and Office of the Comptroller of the Currency ("OCC") Consent Orders, Wells Fargo has retained the services of a third-party consultant to assist in the development of redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including potential harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments. These plans were submitted to our regulators in accordance with the Consent Orders on December 5, 2016.

In connection with ensuring that Wells Fargo did not retain fees that were charged as a result of accounts that potentially were unauthorized, the Bank retained PricewaterhouseCoopers ("PwC") to employ large data analytics to identify a population of deposit and credit card accounts that might not have been authorized. Wells Fargo directed PwC to take a conservative approach and to err on the side of the customer in determining whether an account may not have been authorized. Accordingly, PwC analyzed approximately 82 million deposit accounts and approximately 11 million credit card accounts opened from May 1, 2011 to mid-2015 (July 31, 2015 for deposit accounts, September 30, 2015 for credit cards). Of the accounts reviewed, PwC initially found that approximately 623,000 consumer and business credit card accounts ***could have been*** unauthorized, and approximately 1.5 million deposit accounts ***could have*** experienced simulated funding—that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. Regarding credit cards, PwC identified accounts that, at the time of its analysis, had not been "fraud activated" or otherwise demonstrated account activity. With respect to deposit accounts, PwC focused on potential simulated funding, as such transaction patterns are atypical and potentially indicative of improper sales behavior. However, identification of atypical account activity does not equate with determining that an account was not authorized. PwC ***did not*** conclude that the above-identified accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities. PwC continues to conduct data analytics and to refine its methodology. This work could lead to, among other things, an increase in the identified number of potentially impacted customers. In addition, Wells Fargo has conducted a public outreach campaign to 40 million consumers and three million small business customers who were potentially impacted to ensure they still want and need their products.

Wells Fargo has found indications that the initial PwC number includes accounts where the customer authorized their opening. For example, we have worked to contact customers with open, inactive credit card accounts identified by PwC (i.e., the customers with accounts that could have been unauthorized) to determine whether they want these credit cards. For those customers who want the credit card, the account will remain open, and if the customer no longer wants the account, Wells Fargo is closing the account. For any customer who did not apply, or did not recall whether he or she applied, for his or her credit card Wells Fargo is closing the account and correcting credit bureau reporting. This means we are suppressing the Wells Fargo account tradeline from the customers' credit reports so that it appears the account was never opened and suppressing the existence of the Wells Fargo Bank inquiry so that it is not viewable to other lenders or requestors. (The Fair Credit Reporting Act prohibits us removing the inquiry altogether, and it will still be visible to customers pulling their own credit reports.) Approximately 25 percent of the customers we reached have informed us that they either did not apply, or did not recall whether or not they applied, for their card. Moreover, in the 267,000 cases where Wells Fargo has a signature from a credit card application and a signature from the corresponding deposit account, over 90 percent of those signatures match. We will examine this information as part of our continuing efforts to evaluate potentially unauthorized credit card accounts.

Moreover, we are in the process of determining how many customers obtained a credit product, with Wells Fargo or another company, during the time period in which their credit score may have been impacted by an unauthorized credit inquiry or existence of the trade line. While it may be difficult to calculate the precise impact for every customer, our intent is to make things right for customers who had negative repercussions that were tied to a drop in their credit scores. This could include impacts on pricing, line or loan size, or credit decision. We have allocated significant resources to this effort and are working with the credit bureaus to develop a plan for submission to our regulators.

Going forward, Wells Fargo is voluntarily expanding its review of accounts to include 2009 and 2010. Moreover, Wells Fargo also provides resources to help customers request free credit reports and is offering a no-cost mediation option to impacted customers to help identify and remediate any other forms of harm.

Finally, anyone who has questions or concerns related to their accounts—regardless of whether those accounts were authorized or may have been unauthorized—is invited and encouraged to speak with a Wells Fargo representative. In addition to contacting the Bank through the phone number included on statements or visiting a branch, individuals with questions can call a special hotline (877-924-8697) at any time. Information is also continually updated and available at wellsfargo.com/commitment, and online customers have the ability to review their accounts at their convenience at any time.

Question 66: Twice during the hearing you mentioned you are "interested in the results, not the process." Is this line of thought indicative of how you have managed Wells Fargo to this point?

Response: It is the Company's understanding that the above quote was said in response to a question regarding those customers who were harmed by the unauthorized accounts, and referred to making things right for each customer.

Question 67: Is this the mindset you conveyed to the lower-level employees who engaged in fraud, who you are now blaming for being unethical?

Question 68: Is this the mindset of someone who should be leading one of the biggest banks?

Response to Questions 67–68: The Independent Directors of the Board of Directors of Wells Fargo announced on September 27, 2016 that they have launched an independent investigation into the Company's retail banking sales practices and related matters, including to determine whether compensation clawbacks are appropriate. A special committee of Independent Directors is leading the investigation, working with the Board's Human Resources Committee and independent counsel.

The Independent Directors have taken a number of initial steps they believe are appropriate to promote accountability at the Company. Mr. Stumpf has left Wells Fargo. The Board and Mr. Stumpf agreed that he will forfeit all of his outstanding unvested equity awards, valued at approximately $41 million. In addition, he will not receive a bonus for 2016 and will not be paid severance or receive any retirement enhancements in connection with his separation from the Company.

Carrie Tolstedt has also left Wells Fargo, and the Independent Directors have determined that she will forfeit all of her outstanding unvested equity awards, valued at approximately $19 million. Ms. Tolstedt will not receive a bonus for 2016 and will not be paid severance or receive any retirement enhancements in connection with her separation from the Company. She has also agreed that she will not exercise her outstanding options during the pendency of the investigation. These initial actions will not preclude additional steps being taken with respect to Mr. Stumpf, Ms. Tolstedt, or other employees as a consequence of the information developed in the investigation.[4]

Additionally, on February 21, 2017, the Company announced that four senior managers in Community Banking were terminated for cause based on the investigation by the Independent Directors of Wells Fargo's Board of Directors.

Wells Fargo is continuing to investigate allegations of misconduct and is committed to determining appropriate accountability. The Board expects to disclose findings from its investigation publicly in April prior to our annual meeting.

4 Wells Fargo, "Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters (press release)" (Sept. 27, 2016) (available at https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927/).

Questions for the Record, from Congressman Randy Hultgren:

Question 1: I am most concerned about the impact the fraud perpetuated by Wells Fargo has had on my constituents. How many customers does the Wells Fargo consumer bank maintain in the 14th District of Illinois, and how many were victims of fraud?

Response: In connection with ensuring that Wells Fargo did not retain fees that were charged as a result of accounts that potentially were unauthorized, the Bank retained PricewaterhouseCoopers ("PwC") to employ large data analytics to identify a population of deposit and credit card accounts that might not have been authorized. Wells Fargo directed PwC to take a conservative approach and to err on the side of the customer in determining whether an account may not have been authorized. Accordingly, PwC analyzed approximately 82 million deposit accounts and approximately 11 million credit card accounts opened from May 1, 2011 to mid-2015 (July 31, 2015 for deposit accounts, September 30, 2015 for credit cards). Of the accounts reviewed, PwC initially found that approximately 623,000 consumer and business credit card accounts ***could have been*** unauthorized, and approximately 1.5 million deposit accounts ***could have*** experienced simulated funding—that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. Regarding credit cards, PwC identified accounts that, at the time of its analysis, had not been "fraud activated" or otherwise demonstrated account activity. With respect to deposit accounts, PwC focused on potential simulated funding, as such transaction patterns are atypical and potentially indicative of improper sales behavior. However, identification of atypical account activity does not equate with determining that an account was not authorized. PwC ***did not*** conclude that the above-identified accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities. PwC continues to conduct data analytics and to refine its methodology. This work could lead to, among other things, an increase in the identified number of potentially impacted customers. In addition, Wells Fargo has conducted a public outreach campaign to 40 million consumers and three million small business customers who were potentially impacted to ensure they still want and need their products. Wells Fargo also has committed to conduct a review of accounts for the years 2009 and 2010.

Wells Fargo has found indications that the initial PwC number includes accounts where the customer authorized their opening. For example, we have worked to contact customers with open, inactive credit card accounts identified by PwC (i.e., the customers with accounts that could have been unauthorized) to determine whether they want these credit cards. Approximately 25 percent of the customers we reached have informed us that they either did not apply, or did not recall whether or not they applied, for their card. Moreover, in the 267,000 cases where Wells Fargo has a signature from a credit card application and a signature from the corresponding deposit account, over 90 percent of those signatures match. We will examine this information as part of our continuing efforts to evaluate potentially unauthorized credit card accounts.

Wells Fargo does not have a means of determining how many of the accounts identified by PwC were opened in the 14th Congressional District of Illinois or how many of its customers are located in that District. However, within the State of Illinois, PwC identified 3,295 deposit accounts that potentially experienced simulated funding and 1,423 credit card accounts that were potentially unauthorized. But for the reasons discussed, it is not clear that all of these accounts actually were unauthorized.

a. In addition to the minimum requirements placed upon Wells Fargo through its settlement with the Consumer Financial Protection Bureau, the Office of the Comptroller of the Currency, and the City of Los Angeles, what steps is the bank taking to make customers whole and to restore trust in the banking system?

b. What protocols is Wells Fargo employing to make sure that no customer has to bear any negative consequence as a result of the illegal activities of your employees, such as a negative impact on its customers' credit reports?

Response to Question 1, subparts (a)–(b): Wells Fargo is working very hard to remediate harm that may have been caused to our customers. To that end, pursuant to the Consumer Financial Protection Bureau ("CFPB") and Office of the Comptroller of the Currency ("OCC") Consent Orders, Wells Fargo has retained the services of a third-party consultant to assist in the development of redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including potential harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments. These plans were submitted to our regulators in accordance with the Consent Orders on December 5, 2016.

In connection with ensuring that Wells Fargo did not retain fees that were charged as a result of accounts that potentially were unauthorized, the Bank retained PricewaterhouseCoopers ("PwC") to employ large data analytics to identify a population of deposit and credit card accounts that might not have been authorized. Wells Fargo directed PwC to take a conservative approach and to err on the side of the customer in determining whether an account may not have been authorized. Accordingly, PwC analyzed approximately 82 million deposit accounts and approximately 11 million credit card accounts opened from May 1, 2011 to mid-2015 (July 31, 2015 for deposit accounts, September 30, 2015 for credit cards). Of the accounts reviewed, PwC initially found that approximately 623,000 consumer and business credit card accounts ***could have been*** unauthorized, and approximately 1.5 million deposit accounts ***could have*** experienced simulated funding—that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. Regarding credit cards, PwC identified accounts that, at the time of its analysis, had not been "fraud activated" or otherwise demonstrated account activity. With respect to deposit accounts, PwC focused on potential simulated funding, as such transaction patterns are atypical and potentially indicative of improper sales behavior. However, identification of atypical account activity does not equate with determining that an account was not authorized. PwC ***did not*** conclude that the above-identified accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities. PwC continues to conduct data analytics and to refine its methodology. This work could lead to, among other things, an increase in the identified number of potentially impacted customers. In addition, Wells Fargo has conducted a public outreach campaign to 40 million consumers and three million small business customers who were potentially impacted to ensure they still want and need their products.

Wells Fargo has found indications that the initial PwC number includes accounts where the customer authorized their opening. For example, we have worked to contact customers with open, inactive credit card accounts identified by PwC (i.e., the customers with accounts that could have been unauthorized) to determine whether they want these credit cards. For those customers who want the credit card, the account will remain open, and if the customer no longer wants the account, Wells Fargo is closing the account. For any customer who did not apply, or did not recall whether he or she applied, for his or her credit card Wells Fargo is closing the account and correcting credit bureau reporting. This means we are suppressing the Wells Fargo account tradeline from the customers' credit reports so that it appears the account was never opened and suppressing the existence of the Wells Fargo Bank inquiry so that it is not viewable to other lenders or requestors. (The Fair Credit Reporting Act prohibits us removing the inquiry altogether, and it will still be visible to customers pulling their own credit reports.) Approximately 25 percent of the customers we reached have informed us that they either did not apply, or did not recall whether or not they applied, for their card. Moreover, in the 267,000 cases where Wells Fargo has a signature from a credit card application and a signature from the corresponding deposit account, over 90 percent of those signatures match. We will examine this information as part of our continuing efforts to evaluate potentially unauthorized credit card accounts.

Wells Fargo has already issued account credits and checks to refund the fees incurred for the accounts identified by PwC, even if it could not conclusively determine that the accounts were unauthorized and/or experienced simulated funding. We took this intentionally expansive approach because we were willing to refund fees to customers who in fact approved account openings, but subsequently allowed the accounts to lapse, so that we did not exclude customers who may have suffered harm. To date we have refunded a total of $3.2 million to customers for fees incurred by potentially unauthorized deposit, credit card, and line of credit accounts.

Moreover, we are in the process of determining how many customers obtained a credit product, with Wells Fargo or another company, during the time period in which their credit score may have been impacted by an unauthorized credit inquiry or existence of the trade line. While it may be difficult to calculate the precise impact for every customer, our intent is to make things right for customers who had negative repercussions that were tied to a drop in their credit scores. This could include impacts on pricing, line or loan size, or credit decision. We have allocated significant resources to this effort and are working with the credit bureaus to develop a plan for submission to our regulators.

Going forward, Wells Fargo is voluntarily expanding its review of accounts dating back to 2009 and 2010. Wells Fargo also provides resources to help customers request free credit reports and is offering a no-cost mediation option to impacted customers to help identify and remediate any other forms of harm.

Finally, anyone who has questions or concerns related to their accounts—regardless of whether those accounts were authorized or may have been unauthorized—is invited and encouraged to speak with a Wells Fargo representative. In addition to contacting the Bank through the phone number included on statements or visiting a branch, individuals with questions can call a special hotline (877-924-8697) at any time. Information is also continually updated and available at wellsfargo.com/commitment, and online customers have the ability to review their accounts at their convenience at any time.

Question 2: The Wells Fargo Board of Directors has placed in you the authority to manage the corporation. Do you believe that all of the individuals responsible for the sales practice violations have been held accountable for their involvement? If not, how long will it take for you to hold these individuals accountable?

Response: Violations of Wells Fargo's Code of Ethics are taken extremely seriously, and undue pressure on team members to do things inconsistent with our vision and values has no place in our culture.

The Independent Directors of the Board of Directors of Wells Fargo announced on September 27, 2016 that they have launched an independent investigation into the Company's retail banking sales practices and related matters. A Special Committee of Independent Directors is leading the investigation, working with the Board's Human Resources Committee and independent counsel.

The Independent Directors have taken a number of initial steps they believe are appropriate to promote accountability at the Company. Mr. Stumpf has left Wells Fargo. The Board and Mr. Stumpf agreed that he will forfeit all of his outstanding unvested equity awards, valued at approximately $41 million. In addition, he will not receive a bonus for 2016 and will not be paid severance or receive any retirement enhancements in connection with his separation from the Company.

Carrie Tolstedt has also left Wells Fargo, and on September 27, 2016, the Board announced that the Independent Directors had determined that Ms. Tolstedt would forfeit all of her unvested equity awards, valued at approximately $19 million, that she will not receive a bonus for 2016, and that she will not receive any retirement enhancements or severance package in connection with her separation from Wells Fargo. No incentive compensation was granted as a result of Ms. Tolstedt's separation, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her separation.[5]

These initial actions will not preclude additional steps being taken with respect to Mr. Stumpf, Ms. Tolstedt, or other employees as a consequence of the information developed in the investigation.

Moreover, when investigations have found that team members engaged in or directed improper sales practices or exhibited excessive pressure and did not respond promptly

[5] Wells Fargo, "Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters (press release)" (Sept. 27, 2016) (available at https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927/).

and decisively to change their behavior, those team members have been terminated. That is why the terminations over the last five years have included 483 managers, up to three levels above bankers and tellers, when investigations have found that managers engaged in or directed improper sales practices or exhibited excessive pressure and did not respond promptly and decisively to change their behavior.

Additionally, on February 21, 2017, the Company announced that four senior managers in Community Banking were terminated for cause based on the investigation by the Independent Directors of Wells Fargo's Board of Directors.

Wells Fargo is continuing to investigate allegations of team-member misconduct and is committed to determining appropriate accountability. The Board expects to disclose findings from its investigation publicly in April prior to our annual meeting.

<u>Questions for the Record, from Congresswoman Mia Love</u>:

Question 1: Mr. Stumpf, you testified on September 20, 2016 before the Senate Banking Committee that you and every senior manager in your company became aware that endemic fraud had been occurring at Wells Fargo under your watch in 2013. When and how specifically did you find out? What did you do about it or what did you direct others to do about it when you found out? Who were your outside auditors in 2013 and did you advise them of this two-year-old, systemic fraud?

> *Response*: It is our understanding that, from time to time, because of Mr. Stumpf's position, individuals would contact him directly and complain about issues and that Mr. Stumpf did receive complaints about sales-practices issues over the years. When Mr. Stumpf received such complaints, our understanding is that his practice was to forward them to the appropriate internal team, such as the Human Resources group, to address.
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> Mr. Stumpf has said that he recalls learning in late 2013 that the sales-practices issues were more prevalent than he had previously understood.
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> Please note that the Independent Directors of Wells Fargo's Board of Directors have launched an investigation into sales-practices issues, and that investigation is ongoing.
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> In 2013, Wells Fargo's outside auditors were KPMG, LLP.

Question 2: Mr. Stumpf, as both the CEO and Chairman of the Board at Wells Fargo, how often do you meet with your Board of Directors? When did you first raise the issue of unauthorized customer accounts with your Board? Did anyone on your Board raise any concerns with the incentive program or tell you to stop offering incentive compensation in the retail banking division?

> *Response*: The Board of Directors typically meets at least eight times per year. Although it is difficult to identify a specific date on which the Board, including any of its committees, first became aware of allegations that Wells Fargo employees were inappropriately opening unauthorized accounts, the paragraph that follows discusses some of the information provided to the Board and its committees. Please note that the Independent Directors of the Board have launched an investigation into sales-practices issues, and that investigation is ongoing.
>
> From at least 2011 forward, the Board's Audit and Examination Committee received periodic reports on the activities of Wells Fargo's Internal Investigations group (which investigates issues involving team members), as well as information on EthicsLine and whistleblower reporting. Among other things, several of those reports discussed increases in sales-practices issues. Some reporting discussed reasons for increases in sales-practices investigations and reporting, which included improved controls, tightening existing controls, and enhancements to better facilitate referrals of potential sales-practices violations to Internal Investigations. In 2014, Corporate Risk reported heightened focus on risks associated with sales practices, cross-sell strategy, and team-member conduct to the Audit and Examination Committee, and the Risk Committee

began receiving reports from Corporate Risk of noteworthy risk issues, which included, among other risks, sales conduct and practices issues affecting customers and management's efforts to address those risks. The Board and certain committees received reports of such risks in 2014 and thereafter, including reports and updates relating to the lawsuit filed by the Los Angeles City Attorney relating to Wells Fargo's sales practices. For example, in April 2015, the Risk Committee received a presentation from Community Banking management relating to Community Banking's risk-management practices and quality-control standards in connection with the delivery of products and services to its customers.

Question 3: Mr. Stumpf, it is laudable that you have taken responsibility for the fraudulent and deceptive sales practices of certain Wells employees, but I would like to know more about the specific level of engagement from your senior executives after they found out about the fraud. Who specifically on the Wells Fargo senior management team became aware of the problem in 2013? To the best of your knowledge, when did John Shrewsberry, Michael Loughlin, and James Strother become aware of the widespread problem of unauthorized customer accounts?

Response: At this time, Wells Fargo cannot provide specific dates on which individual executives became aware of the opening of unauthorized accounts. The investigation of the matter is ongoing.

Question 4: Was Carrie Tolstedt, the former head of the Community Banking division, aware of the problems prior to 2013? If so, are you troubled that she neglected to report this information before then?

Response: Wells Fargo cannot determine for certain the first time Ms. Tolstedt was told that a team member's employment was terminated for committing a sales violation. Like any large employer, Wells Fargo constantly monitors sales-practices and sales-quality issues so that, as issues came up that needed to be addressed, Ms. Tolstedt would be informed about those issues. The ongoing investigation by the Independent Directors of the Board of Directors and others is looking carefully at this question.

Question 5: According to Wells Fargo's own timeline, from 2011 to 2016 "terminations averaged roughly 1,000 people per year ... and peaked in 2013 after the additional monitoring efforts were implemented." Wells Fargo says it also put together a special "task force" to identify suspicious patterns of high-pressure sales tactics used to meet cross-marketing goals, but rather than extinguish the practice from the top down, unnamed Wells Fargo executives have been quoted in the *Wall Street Journal* as saying they "were making changes as quickly as we could, as incrementally as we could, without blowing things up." Mr. Stumpf, were you directing individuals managing the corrective actions taken to end this fraudulent activity within your bank? Who was in charge of managing those efforts? What would the executive quoted have been referring to with regard to attempting to keep things from "blowing up?"

Response: Wells Fargo is not in a position to say what an anonymous person quoted in the press meant. During an employee town hall meeting that took place following the

December 2013 *Los Angeles Times* story, Mr. Stumpf made clear that improper sales practices were unacceptable, saying:

> Our culture is about service. We want to help our customers succeed financially, and we're not in the product-pushing business. Think of . . . yourselves [] no matter what business you're in, whether you help those who service our external customers or if you serve them directly, I think of all of us as being financial physicians. We meet our customers . . . and we have a conversation with them. And we listen carefully for their needs. And once we discover a need, we then through our skill set, understanding, and experience, our value-add, we offer a product or a service or a series of products and services to help them. We don't try to sell them something that they don't need or don't want[.][6]
>
> Here's my ask of you and for everybody listening today. If you believe that your team, your boss, your boss' boss somehow is putting pressure on you to sell things that your customers don't want, don't need, raise your hand. . . . And if you're not comfortable doing that, there's an anonymous . . . ethics line, [or you can] talk to somebody in HR. We want to do the right thing. We're in the long-term business.

Based on the proactive monitoring that occurred in 2013, Wells Fargo began to implement changes to its policies and procedures in 2014 to attempt to mitigate the occurrence of sales-practices violations. Wells Fargo's efforts to further refine its policies and procedures and to investigate instances of sales-practices violations continued up until, and after, the Los Angeles City Attorney lawsuit was filed in May 2015.

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6 Hollywood, FL, Town Hall, February 5, 2014 (transcript on file).

Question for the Record, from Congressman Blaine Luetkemeyer:

Question 1: In the course of your testimony, you indicated that Wells Fargo has a blanket bond in place to cover losses stemming from employee and fraud. When did you first notify your blanket bond broker of the fraud that had taken place inside the institution? Were there any subsequent notifications as fraudulent activity continued?

> *Response*: Federal law requires that all officers and employees of a national bank have adequate fidelity coverage. *See* 12 C.F.R. § 7.2013. Wells Fargo's financial institution bond accordingly provides fidelity coverage for all team members and currently is provided by National Union Fire Insurance Company of Pittsburgh, Pennsylvania, a subsidiary of AIG.
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> The purpose of the fidelity bond is to provide insurance coverage to Wells Fargo for losses arising directly from dishonest or fraudulent acts by a team member. Because Wells Fargo did not make a claim for a financial loss under the fidelity bond, no notice was required by or provided to the insurers or reinsurers.

Questions for the Record, from Congressman Stephen Lynch:

Response: A September 13, 2016 letter from Representative Elijah E. Cummings to Wells Fargo was attached to the Questions for the Record submitted by Representative Stephen Lynch. Attached as Appendix A is a copy of the letter that Wells Fargo submitted to Representative Cummings on October 13, 2016. Representative Cummings is in possession of the documents submitted along with that letter. Please note that Wells Fargo's responses to the House Financial Services Committee Questions for the Record reflect the most updated information to which Wells Fargo currently has access, so some variations may exist between Wells Fargo's responses to Representative Cummings in October 2016, its responses to the Senate Banking Committee's Questions for the Record, and its responses to the House Financial Services Committee's Questions for the Record. Please also note that investigations into many of these issues are ongoing.

Questions for the Record, from Congressman Mick Mulvaney:

Question 1: Mr. Stumpf, Wells Fargo settled with the U.S. Government for $335 million to settle charges that your company defrauded Fannie and Fannie leading up to the mortgage crisis. Can you inform the Committee of the consumer protections you have created to prevent this reoccurrence?

> *Response*: The $335 million amount is the approximate amount paid by Wells Fargo to settle claims relating to the sale of mortgage-backed securities to Fannie Mae and Freddie Mac. The parties to the settlement were Wells Fargo, each of the Government Sponsored Enterprises, and the Federal Housing Finance Administration. The settlements resolved various contractual issues relating to the sale of mortgage-backed securities. The settlement did not relate to any consumer-protection issues.
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> The home-lending industry is very different than it was ten years ago, and the loans originated in recent years are fully documented, carefully underwritten to analyze the borrower's ability to repay, and reflect the highest quality standards. Significant enhancements have been implemented including improved underwriter and originator training, operational controls, and quality-control monitoring and self-reporting procedures. Delinquency rates are below the industry average and have been for a number of years, reflecting the success of Wells Fargo's efforts to prudently and responsibly serve mortgage customers and provide access to credit.

Question 2: Over the past several years, Wells Fargo has spent over $20 million lobbying Congress to fundamentally change the GSE mortgage model. Can you inform the Committee of the future model you are advocating for? How would a Wells Fargo controlled or centric GSE system be good for community banks and its customers?

> *Response*: It is the view of Wells Fargo that the current housing finance system with Fannie Mae and Freddie Mac in conservatorship is unsustainable, and that Congress has the opportunity to best address the public policy questions around reform efforts.
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> There are several proposals for how to transition from a conservatorship status to a new system that promotes a liquid housing market, attracts global investors, relies on more private capital, protects taxpayers, and ensures access to all market participants.
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> Congress will ultimately have to make the public-policy decision on the best model, and three clear alternatives exist: one guarantor acting as a utility; two guarantors, either the existing enterprises or entities acting as successors to the current enterprises; or a system with more than two guarantors, in which the market determines the number. In the last case, regulators need the ability to charter new entrants. The number of guarantors could change over time and would depend on the market participants.
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> The system should support issuers of all sizes. For instance, the charters permit guarantors to buy loans for cash or use a swap against mortgage-backed securities. Congress could also consider restricting affiliate relationships with these secondary market participants.

It should be noted that significant progress to transitioning to a more sustainable housing finance system is underway. The mortgage-finance industry views priorities in this space to include: developments on infrastructure changes such as a Single Security that improves TBA ("to be announced") market liquidity; a successful Common Securitization Platform; a credit risk transfer market that provides adequate countercyclical protection to taxpayers and allows for small and large institutions alike to bring private capital into the system; and competition in the marketplace that incentivizes high-quality lending for qualified borrowers.

Questions for the Record, from Congressman Ed Perlmutter:

Question 1: Mr. Stumpf - To date Wells Fargo has disclosed the opening of 2 million unauthorized deposit accounts and credit cards within the Community Banking Division. However, it appears unauthorized sales practices weren't limited to the consumer banking division. Recent reports indicate up to 10,000 small business accounts may have been affected within the Wholesale Banking division. Has Wells Fargo commenced an examination whether unauthorized accounts in the Wealth and Investment Management division were compromised and fraudulently opened? It is entirely possible, the cross selling tactics employed enterprise-wide by Wells Fargo have also compromised SEC regulated investment accounts at the bank. Therefore, I'm curious to know what steps the Board has taken to ensure its customers, shareholders and the public that fraudulent accounts in the Wealth and Investment Management were not compromised.

> *Response*: Wells Fargo has engaged Protiviti to conduct a review of the businesses not covered by the review being performed pursuant to the agreements with the Office of Federal Contract Compliance Programs ("OFCCP") and the OCC. This review will include the Wealth and Investment Management businesses.

Question 2: Mr. Stumpf – According to your testimony, approximately 1 percent of the Wells Fargo workforce was "terminated over time for sales-related misconduct as a result of investigations opened from January 1, 2011 through March 7, 2016." Of those approximately 1,000 employees terminated per year since 2011, can you please provide me the geographical breakdown of where those employees operated? Are these employees concentrated in a particular geographical region or did the terminations occur evenly across the United States?

> *Response*: Wells Fargo team members' employments were terminated in the following states (and District of Columbia):

State	Total
CA	1,421
FL	602
TX	529
NJ	302
PA	241
CO	235
AZ	211
VA	189
MN	172
NC	168
NV	154
GA	128
NY	102
OR	87
AL	86

State	Total
SC	78
UT	72
CT	64
IA	58
WA	58
MD	56
NM	53
NE	47
ID	31
SD	31
WI	27
DC	25
DE	19
WY	18
IN	18
MT	16
IL	14
TN	10
MI	8
MO	7
OH	7
AK	7
ND	5
AR	4
MS	3
KS	2
MA	1
KY	1
Total	**5,367**

Of the approximately 5,300 terminations made for sales-practices violations in the years in question, the greatest number occurred in California, Florida, Texas, and New Jersey. Together, the terminations in those states comprise more than half of the total.

Question for the Record, from Congressman Robert Pittenger:

Question 1: Small businesses have reported that at some Wells Fargo locations, tellers receive checks from customers, physically cash those checks without customer notice or consent, and subsequently deposit the extracted cash – thus triggering a fee for physical cash deposit. In these instances, the customer never requested to physically cash the check, yet the teller would do so to trigger the fee. My office has received complaints about this practice. Would you qualify this as behavior related to forged bank accounts to similarly excise fees without consent?

> *Response*: Violations of Wells Fargo's Code of Ethics and Business Conduct are taken extremely seriously. If any customer has any questions or concerns regarding his or her accounts, he or she is invited to contact us so that Wells Fargo can address those questions or concerns.

Question for the Record, from Congressman Marlin Stutzman:

Question 1: According to Wharton School professor of legal studies and business ethics, Peter Conti-Brown, the impact of the fraudulent accounts "will be marginal" on the credit scores of affected Wells Fargo customers, but the costs will be high for those people "who were at the cusp of between excellent and good." He predicted that those who refinanced a house or a car loan will incur additional fees that could run into thousands of dollars. Brown stated that "There was real harm done to these people through the manipulation of credit scores." What specific steps will Wells Fargo be taking to remedy this situation and make those affected whole again?

Response: Wells Fargo is working very hard to remediate harm that may have been caused to our customers. To that end, pursuant to the Consumer Financial Protection Bureau ("CFPB") and Office of the Comptroller of the Currency ("OCC") Consent Orders, Wells Fargo has retained the services of a third-party consultant to assist in the development of redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including potential harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments. These plans were submitted to our regulators in accordance with the Consent Orders on December 5, 2016.

In connection with ensuring that Wells Fargo did not retain fees that were charged as a result of accounts that potentially were unauthorized, the Bank retained PricewaterhouseCoopers ("PwC") to employ large data analytics to identify a population of deposit and credit card accounts that might not have been authorized. Wells Fargo directed PwC to take a conservative approach and to err on the side of the customer in determining whether an account may not have been authorized. Accordingly, PwC analyzed approximately 82 million deposit accounts and approximately 11 million credit card accounts opened from May 1, 2011 to mid-2015 (July 31, 2015 for deposit accounts, September 30, 2015 for credit cards). Of the accounts reviewed, PwC initially found that approximately 623,000 consumer and business credit card accounts ***could have been*** unauthorized, and approximately 1.5 million deposit accounts ***could have*** experienced simulated funding—that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. Regarding credit cards, PwC identified accounts that, at the time of its analysis, had not been "fraud activated" or otherwise demonstrated account activity. With respect to deposit accounts, PwC focused on potential simulated funding, as such transaction patterns are atypical and potentially indicative of improper sales behavior. However, identification of atypical account activity does not equate with determining that an account was not authorized. PwC ***did not*** conclude that the above-identified accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities. PwC continues to conduct data analytics and to refine its methodology. This work could lead to, among other things, an increase in the identified number of potentially impacted customers. In addition, Wells Fargo has conducted a public outreach campaign to 40 million consumers and three million small business customers who were potentially impacted to ensure they still want and need their products.

Wells Fargo has found indications that the initial PwC number includes accounts where the customer authorized their opening. For example, we have worked to contact customers with open, inactive credit card accounts identified by PwC (i.e., the customers with accounts that could have been unauthorized) to determine whether they want these credit cards. For those customers who want the credit card, the account will remain open, and if the customer no longer wants the account, Wells Fargo is closing the account. For any customer who did not apply, or did not recall whether he or she applied, for his or her credit card Wells Fargo is closing the account and correcting credit bureau reporting. This means we are suppressing the Wells Fargo account tradeline from the customers' credit reports so that it appears the account was never opened and suppressing the existence of the Wells Fargo Bank inquiry so that it is not viewable to other lenders or requestors. (The Fair Credit Reporting Act prohibits us removing the inquiry altogether, and it will still be visible to customers pulling their own credit reports.) Approximately 25 percent of the customers we reached have informed us that they either did not apply, or did not recall whether or not they applied, for their card. Moreover, in the 267,000 cases where Wells Fargo has a signature from a credit card application and a signature from the corresponding deposit account, over 90 percent of those signatures match. We will examine this information as part of our continuing efforts to evaluate potentially unauthorized credit card accounts.

Wells Fargo has already issued account credits and checks to refund the fees incurred for the accounts identified by PwC, even if it could not conclusively determine that the accounts were unauthorized and/or experienced simulated funding. We took this intentionally expansive approach because we were willing to refund fees to customers who in fact approved account openings, but subsequently allowed the accounts to lapse, so that we did not exclude customers who may have suffered harm. To date we have refunded a total of $3.2 million to customers for fees incurred by potentially unauthorized deposit, credit card, and line of credit accounts.

Moreover, we are in the process of determining how many customers obtained a credit product, with Wells Fargo or another company, during the time period in which their credit score may have been impacted by an unauthorized credit inquiry or existence of the trade line. While it may be difficult to calculate the precise impact for every customer, our intent is to make things right for customers who had negative repercussions that were tied to a drop in their credit scores. This could include impacts on pricing, line or loan size, or credit decision. We have allocated significant resources to this effort and are working with the credit bureaus to develop a plan for submission to our regulators.

Going forward, Wells Fargo is voluntarily expanding its review of accounts dating back to 2009 and 2010. Wells Fargo also provides resources to help customers request free credit reports and is offering a no-cost mediation option to impacted customers to help identify and remediate any other forms of harm.

Finally, anyone who has questions or concerns related to their accounts—regardless of whether those accounts were authorized or may have been unauthorized—is invited and encouraged to speak with a Wells Fargo representative. In addition to contacting the Bank through the phone number included on statements or visiting a branch, individuals with questions can call a special hotline (877-924-8697) at any time. Information is also continually updated and available at wellsfargo.com/commitment, and online customers have the ability to review their accounts at their convenience at any time.

Questions for the Record, from House Financial Services Committee Democrats:

SALES PRACTICES

Question 1: Please provide any verifiable data used by Wells Fargo to determine that cross-selling deepens relationships or drives customer satisfaction.

> *Response*: Wells Fargo's cross-selling model was developed to deliver value to customers, by providing them with convenience, relationship discounts, consolidated statementing and online access, ease of money movement, and diversified options covering a broad range of financial needs. The average U.S. consumer has 14-16 financial products, which may include transactional accounts like checking accounts and debit cards, savings and investment accounts, retirement accounts, credit cards, home loans, student loans, car loans, and other types of loans and lines of credit, as well as insurance. For example, Wells Fargo customers who use their debit cards frequently can qualify for free checking, and for most of our loan products, customers who have a checking account and sign up for automatic payments also get a relationship discount on their loan pricing. Some Wells Fargo credit cards offer bonus points for customers who maintain certain balance levels in their checking accounts. Importantly, this value is delivered when customers ***use*** the products and services they have. There is no value to Wells Fargo or to its customers to have products they do not use.
>
> Customers who have more products and services with Wells Fargo also tend to maintain higher balances, remain a customer longer, report being more satisfied and loyal to Wells Fargo, and purchase additional products and services more frequently.

Question 2: Are/were bankers employed by Wells Fargo required to make prospecting calls? If yes, how many prospecting calls do/did bankers have to make? How are/were prospecting call lists generated for individual employees?

> *Response*: Wells Fargo strives to create deep and enduring relationships with customers by discovering their needs and delivering the most relevant products, services, and guidance. Wells Fargo expects team members to engage in dialogue with our customers to help us identify our customers' financial needs and priorities. In the Regional Bank, bankers are provided access to approved customer lists that comply with privacy and solicitation requirements for purposes of outbound calling to customers within their region. Effective July 1, 2014, the Regional Bank changed its policy to prohibit branch bankers from opening or taking an application for a consumer or business deposit or credit product or service by phone and to allow outbound calling to customers only for purposes of establishing an appointment to come into a retail branch.

ACTIONS TO PREVENT FUTURE CREATION OF UNAUTHORIZED ACCOUNTS

Question 3: Please explain the steps you are taking to ensure that e-mail notifications being sent to customers confirming any new deposit account openings or evaluations of credit card applications are being sent to legitimate e-mail accounts and not fake e-mail accounts generated by employees.

Response: Wells Fargo believes that even one unauthorized account is too many, and is committed to ensuring that its customers have only the accounts they actually want. That is why in our Community Banking branches, when a customer opens a consumer or small business checking, savings, or credit card account, Wells Fargo now sends an email or a letter via the U.S. Postal Service to that customer to notify him or her of the account. If the email address associated with that customer has been recently changed or altered, Wells Fargo sends an email to both the old email address and the new address. Additionally, before a banker is able to submit a customer's credit card application, the customer must electronically confirm his or her desire to apply for the specific product. When the credit card account is opened, a letter is mailed to the customer within two business days. Beginning in February 2017, consumer credit card customers receive a same-day email to notify them of their application; small business credit card applicants will begin receiving these email notifications later this month. Customers can always view their eligible accounts anytime when enrolled in Wells Fargo Online®.

AFFECTED CONSUMER DEMOGRAPHICS

Question 4: Please provide an analysis of customers affected by the opening of unauthorized or "potentially unauthorized" accounts broken down by income level or income tier adjusted for cost of living based on geography?

Response: Wells Fargo does not collect information concerning income from its deposit customers. Income information is solicited from credit card applicants, but it is self-reported by the applicant and so would presumably be inaccurate for any accounts that were not requested by the customer.

AFFECTED CONSUMER REMEDIATION

Question 5: At the hearing, you stated that Wells Fargo is "taking care of every one of [its] customers who was impacted" by the conduct underlying the September 8th settlement. Please outline how Wells Fargo will identify and determine which customers were impacted and how Wells Fargo will account for potential errors in its identification analysis. Also, please outline every possible form of remediation, including non-monetary compensation, available for harmed Wells Fargo customers.

Question 6: Please provide the precise number of staff and monetary resources that Wells Fargo is committing to its remediation program.

Response to Questions 5–6: Wells Fargo is working very hard to remediate harm that may have been caused to our customers. To that end, pursuant to the Consumer Financial Protection Bureau ("CFPB") and Office of the Comptroller of the Currency ("OCC") Consent Orders, Wells Fargo has retained the services of a third-party consultant to assist in the development of redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including potential harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments. These plans were submitted to our regulators in accordance with the Consent Orders on December 5, 2016.

In connection with ensuring that Wells Fargo did not retain fees that were charged as a result of accounts that potentially were unauthorized, the Bank retained PricewaterhouseCoopers ("PwC") to employ large data analytics to identify a population of deposit and credit card accounts that might not have been authorized. Wells Fargo directed PwC to take a conservative approach and to err on the side of the customer in determining whether an account may not have been authorized. Accordingly, PwC analyzed approximately 82 million deposit accounts and approximately 11 million credit card accounts opened from May 1, 2011 to mid-2015 (July 31, 2015 for deposit accounts, September 30, 2015 for credit cards). Of the accounts reviewed, PwC initially found that approximately 623,000 consumer and business credit card accounts ***could have been*** unauthorized, and approximately 1.5 million deposit accounts ***could have*** experienced simulated funding—that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. Regarding credit cards, PwC identified accounts that, at the time of its analysis, had not been "fraud activated" or otherwise demonstrated account activity. With respect to deposit accounts, PwC focused on potential simulated funding, as such transaction patterns are atypical and potentially indicative of improper sales behavior. However, identification of atypical account activity does not equate with determining that an account was not authorized. PwC ***did not*** conclude that the above-identified accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities. PwC continues to conduct data analytics and to refine its methodology. This work could lead to, among other things, an increase in the identified number of potentially impacted customers. In addition, Wells Fargo has conducted a public outreach campaign to 40 million consumers and three million small business customers who were potentially impacted to ensure they still want and need their products.

Wells Fargo has found indications that the initial PwC number includes accounts where the customer authorized their opening. For example, we have worked to contact customers with open, inactive credit card accounts identified by PwC (i.e., the customers with accounts that could have been unauthorized) to determine whether they want these credit cards. For those customers who want the credit card, the account will remain open, and if the customer no longer wants the account, Wells Fargo is closing the account. For any customer who did not apply, or did not recall whether he or she applied, for his or her credit card Wells Fargo is closing the account and correcting credit bureau reporting. This means we are suppressing the Wells Fargo account tradeline from the customers' credit reports so that it appears the account was never opened and suppressing the existence of the Wells Fargo Bank inquiry so that it is not viewable to other lenders or requestors. (The Fair Credit Reporting Act prohibits us removing the inquiry altogether, and it will still be visible to customers pulling their own credit reports.) Approximately 25 percent of the customers we reached have informed us that they either did not apply, or did not recall whether or not they applied, for their card. Moreover, in the 267,000 cases where Wells Fargo has a signature from a credit card application and a signature from the corresponding deposit account, over 90 percent of those signatures match. We will examine this information as part of our continuing efforts to evaluate potentially unauthorized credit card accounts.

Wells Fargo has already issued account credits and checks to refund the fees incurred for the accounts identified by PwC, even if it could not conclusively determine that the accounts were unauthorized and/or experienced simulated funding. We took this intentionally expansive approach because we were willing to refund fees to customers who in fact approved account openings, but subsequently allowed the accounts to lapse, so that we did not exclude customers who may have suffered harm. To date we have refunded a total of $3.2 million to customers for fees incurred by potentially unauthorized deposit, credit card, and line of credit accounts.

Moreover, we are in the process of determining how many customers obtained a credit product, with Wells Fargo or another company, during the time period in which their credit score may have been impacted by an unauthorized credit inquiry or existence of the trade line. While it may be difficult to calculate the precise impact for every customer, our intent is to make things right for customers who had negative repercussions that were tied to a drop in their credit scores. This could include impacts on pricing, line or loan size, or credit decision. We have allocated significant resources to this effort and are working with the credit bureaus to develop a plan for submission to our regulators.

Going forward, Wells Fargo is voluntarily expanding its review of accounts dating back to 2009 and 2010. Wells Fargo also provides resources to help customers request free credit reports and is offering a no-cost mediation option to impacted customers to help identify and remediate any other forms of harm.

Finally, anyone who has questions or concerns related to their accounts—regardless of whether those accounts were authorized or may have been unauthorized—is invited and encouraged to speak with a Wells Fargo representative. In addition to contacting the Bank through the phone number included on statements or visiting a branch, individuals with questions can call a special hotline (877-924-8697) at any time. Information is also continually updated and available at wellsfargo.com/commitment, and online customers have the ability to review their accounts at their convenience at any time.

Question 7: Wells Fargo reports information to check and bank screening nationwide specialty consumer reporting agencies if a customer's bank account is closed for unpaid overdrafts or suspected fraud. Is the bank reviewing its records to match unauthorized accounts with the accounts that the bank reported to any of the nationwide specialty consumer reporting agencies? If so, please provide the number of unauthorized bank accounts reported to any nationwide specialty consumer reporting agency grouped by agency. If not, please describe the specific steps that Wells Fargo is taking to determine this population of affected customers and to remove inaccurate account information from their reports.

Response: Wells Fargo is working very hard to remediate harm that may have been caused to our customers. To that end, pursuant to the Consumer Financial Protection Bureau ("CFPB") and Office of the Comptroller of the Currency ("OCC") Consent Orders, Wells Fargo has retained the services of a third-party consultant to assist in the development of redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including potential harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments. For consumer deposit products, we are reviewing reporting to specialty credit bureau reporting agencies, and where appropriate, updating the reporting. For credit cards, for any customer who does not want his or her credit card, Wells Fargo is closing the account and correcting credit bureau reporting. This means we are removing the account from the customers' credit reports going forward and suppressing the existence of the inquiry so that it is not viewable to other lenders or requestors. (The Fair Credit Reporting Act prohibits us removing the inquiry altogether and it will still be visible to customers pulling their own credit reports.)

Question 8: Please provide a copy of the contract or agreement between Wells Fargo and the independent monitor responsible for executing the remediation plan.

Response: Consistent with its obligations under the terms of its Consent Orders with the CFPB and OCC, Wells Fargo engaged an independent consultant to conduct a review of its governance and risk management of sales practices related to deposit accounts, credit card accounts, unsecured lines of credit, and related products and services. Under the terms of the agreement, the independent consultant will prepare a written report of its findings and recommendations once it has completed its review. Wells Fargo, in consultation with the independent consultant, will develop a plan for correcting any deficiencies identified in the report, and Wells Fargo will be responsible for executing that plan. Wells Fargo's agreement with the independent consultant is confidential supervisory information.

Question 9: In determining which credit cards were opened fraudulently, your review focused on credit cards that had not been used in order to show that they had not been requested by the customer. However, as you know, Wells Fargo offers credit-card-linked overdraft protection. That means that if a person overdrew on their bank account, they would be charged on the credit card instead. Since so many customers were signed up for products and services without their permission, and simulated funding practices left some customers' bank accounts underfunded, isn't it possible that customers may have had overdraft charges on credit cards they never requested? Is it possible that your review of credit card issuance fraud missed countless customers that could have been harmed by these practices? Will you commit to reviewing credit card charges further in order to identify cases where this may have happened?

Response: We appreciate and share your concern that any and all customers who may have been impacted should be identified and, if they suffered any harm, their harm should be remedied. PwC's review included any credit card account that had overdraft charges but had not otherwise been used. Wells Fargo has already reimbursed these credit card accounts for any fees, interest, or other charges that may have been applied, regardless of whether the account was actually unauthorized.

Wells Fargo has also established a Sales Practice Consent Order Program Office reporting directly to its Chief Risk Officer, which is undertaking actions to meet the requirements of the Consent Orders that were issued as part of the OCC and CFPB settlements in September 2016. As part of this effort, Wells Fargo submitted a Reimbursement and Redress Plan to the OCC and the CFPB on December 5, 2016. To date, we have refunded a total of $3.2 million to our customers, including refunds for fees connected to consumer and small business unsecured line of credit accounts, for the period of May 2011 to June 2015. As part of the Consent Orders, work is now under way to expand the time periods of our review to cover the beginning of 2011 and the period through September 2016. We have also gone beyond the requirements of the Consent Orders as part of our effort to make things right for our customers, including establishing a nationwide mediation program at no cost to our customers.

In addition, we have made progress on evaluating potentially unauthorized credit card accounts, including evaluating any impact to our customers' credit scores and undertaking an analysis of credit signatures to verify authorization. We want to identify anyone who was negatively impacted so we can make things right.

SENIOR EXECUTIVE KNOWLEDGE

Question 10: At the hearing in an exchange with Rep. Duffy, you explained that while Wells Fargo initially began to understand that several of its customers had unauthorized checking and savings accounts, the bank assumed that these accounts would automatically close and that it was not until 2015 that you realized a "zero" account could affect a customer. Can you explain the account automatic closure process at Wells Fargo? Can you also explain exactly when and how you realized that unauthorized customer accounts were not, in fact, subject to automatic closure, but instead were accumulating fees?

Response: Deposit accounts that are not used by a customer are automatically closed pursuant to Wells Fargo's policies and procedures. Because of the way that inactive accounts are automatically closed and the way that fees are assessed, Wells Fargo did not initially realize that certain customers may have been assessed fees on accounts that they did not authorize or use. In 2015, the Company realized that, in a small percentage of cases, fees were assessed.

After realizing that fees were assessed in a small percentage of cases, Wells Fargo took steps to prevent the collection of these fees in this manner and retained PwC to employ large data analytics to identify a population of deposit and credit card accounts that might not have been authorized. PwC's analysis focused on potential simulated funding in deposit accounts, and the potential lack of customer authorization of credit card accounts. After PwC completed its analysis, Wells Fargo promptly issued account credits and checks to refund all fees, with interest, that were assessed on the approximately 2.1 million accounts identified by PwC.[7] These refunds were issued, regardless of whether it was determined that any particular account was unauthorized.

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[7] Refunds were not made if the amount paid by the customer plus interest was less than $1.00.

Question 11: During the Senate Banking Committee hearing entitled "An Examination of Wells Fargo's Unauthorized Accounts and the Regulatory Response" on September 20, 2016, Senator Reed asked you what specific actions you took in response to learning in "later 2013" that this misconduct was occurring. In response to the Senator's question, you declined to cite specific measures, saying, "many different meetings and things [happened]." You generally discuss reducing sales goals, having manager meetings, talking with leaders, etc. Did a memorandum from your office get distributed to managers and team members specifically referencing this specific misconduct that you then knew was happening? If so, did the memorandum specifically direct team members and managers to cease this conduct?

Further, in the quarterly town halls you have with team members, which you referenced in your Senate testimony, did you specifically reference unauthorized account openings? If so, can you provide the dates of those town halls and any transcripts of commentary you made about unauthorized account openings.

> *Response*: Mr. Stumpf addressed the unauthorized accounts issues during a town hall meeting following the December 2013 *Los Angeles Times* story. During that town hall, Mr. Stumpf informed team members he "want[ed] to address" the issues discussed in the article "head on." Of note, he said:
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>> Our culture is about service. We want to help our customers succeed financially, and we're not in the product-pushing business. Think of . . . yourselves [] no matter what business you're in, whether you help those who service our external customers or if you serve them directly, I think of all of us as being financial physicians. We meet our customers . . . and we have a conversation with them. And we listen carefully for their needs. And once we discover a need, we then through our skill set, understanding, and experience, our value-add, we offer a product or a service or a series of products and services to help them. We don't try to sell them something that they don't need or don't want, that's not the business we're in.
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>> Who would ever go to a doctor and the doctor would go—you'd go there with a sore arm and the doctor would look at your arm, but then he or she had a special on hip replacement parts and before you left he tried to sell you a hip replacement and convince you [that you] need[ed] one. That doesn't make any sense. So in our culture of putting customers first and growing revenue, which we love growing revenue. Revenue is nothing more than wealth, brokerage accounts, checking accounts, savings accounts, commercial loans, asset-based lending, you name it. Our different 90 products to help customers succeed financially and we love to grow revenues, but only the right way.
>>
>> Here's my ask of you and for everybody listening today. If you believe that your team, your boss, your boss' boss somehow is putting pressure on you to sell things that your customers don't want, don't need, raise your hand. . . . And if you're not comfortable doing that, there's an anonymous . . . ethics line, [or you can] talk to somebody in HR. We want to do the right thing. We're in the long-term business.

In addition, Mr. Stumpf included comments about business ethics in numerous town hall meetings from 2011 through 2016. These included: August 2011 (San Francisco), November 2011 (Minneapolis), February 2012 (Pasadena), April 2012 (Phoenix), July 2012 (Houston), October 2012 (Washington, D.C.), April 2013 (Des Moines), July 2013 (Denver), October 2013 (St. Louis), April 2014 (Portland), October 2014 (Sioux Falls), July 2015 (Newark), November 2015 (Charlotte), and April 2016 (Milwaukee). Senior executives were present at a number of these town hall meetings.

Question 12: What is the earliest date that Chief Operating Officer Tim Sloan was made aware that employees had been reprimanded or terminated for opening unauthorized accounts with customers' personal information? What is the earliest date that Chief Operating Officer Tim Sloan and other executives were aware that federal regulators and the Los Angeles City Attorney were filing suit alleging that Wells Fargo had intimidated employees into opening unauthorized deposit and credit accounts?

Response: Wells Fargo cannot provide specific dates on which individual executives became aware of terminations or other discipline resulting from the opening of unauthorized accounts. Mr. Sloan was made aware of the lawsuit filed by the City Attorney of Los Angeles shortly after it was filed. Federal regulators did not file suit regarding this matter.

Question 13: On June 16, 2016, in an American Banker article entitled "Picking the Brain of Wells Fargo's (Likely) Next CEO," Tim Sloan was asked on the topic of cross-selling: "Is there any sense that the bank has pushed that strategy to the limit?" to which Mr. Sloan responded: "No."[8] Prior to that date, had Mr. Sloan been in any meetings or other company functions where either the consent order with regulators or the suit with the City of Los Angeles had been discussed?

Response: Mr. Sloan was aware of the City Attorney suit at that time. His response to the quoted question acknowledged that Wells Fargo would be making changes to prevent improper sales conduct. He stated, in reference to cross-selling: "How we do it, how we talk about it, making sure that we do it correctly, and appropriately—and making sure we follow regulations—that will continue to evolve."

DISCLOSURE REQUIREMENTS AND REPORTING

SEC Reporting

Question 14: In response to questions by Rep. Himes regarding materiality, you agreed that the damage to Wells Fargo resulting from the misconduct was "bigger than the 185" million dollar fine. Rep. Himes pointed out that the lost market capitalization of Wells Fargo as of the date of the hearing was $25 billion and you agreed with Rep. Himes that reputation and brand are an important part of the company's value. In determining whether and when to disclose the misconduct in the company's securities filings, did Wells Fargo take into account these

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8 http://www.americanbanker.com/news/national-regional/picking-the-brain-of-wells-fargos-likely-next-ceo-1081550-1.html.

additional factors or any other factors that could impact the company's value aside from the $185 million settlement? Does Wells Fargo's assessment of "materiality" generally consider reputational impact, loss of trust of customers, or other qualitative factors?

> *Response*: Each quarter, we look at the relevant and appropriate facts available to us to determine whether a legal matter is material and should be disclosed in our public filings. Discerning materiality is not a mechanical exercise but rather is a determination based on judgments informed by the facts and circumstances known at the time the determination is made.
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> Based on the facts and circumstances as we knew them at the time, we concluded that the sales-practices investigations by the Consumer Financial Protection Bureau ("CFPB"), the Office of the Comptroller of the Currency ("OCC"), and the Los Angeles City Attorney were not material. This was a considered determination based upon what we understood at the time these investigations were occurring.
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> As part of our ongoing review process, we continued to evaluate ongoing developments since the announcement of the settlements to determine whether any filings or disclosures should be made. In conjunction with our Form 8-K filing on September 28, 2016 announcing our former CEO John Stumpf's and our former Community Banking head Carrie Tolstedt's forfeiture of their unvested equity awards, we determined that it was appropriate to disclose the relevant legal developments that had occurred *since* the announcement of the settlements. As noted in our Form 8-K, these included "formal or informal inquiries, investigations or examinations" from "[f]ederal, state, and local government agencies, including the United States Department of Justice, and state attorneys general and prosecutors' offices, as well as Congressional committees. . . ."[9]
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> Furthermore, our Form 10-Q filing on November 3, 2016 contained additional disclosures concerning sales-practices matters, including an update to our legal-actions disclosures and the addition of a new risk factor summarizing the legal developments and related events that had occurred since the announcement of the settlements and noting the potential that "negative publicity or public opinion resulting from these matters may increase the risk of reputational harm to our business . . . ."[10] We will continue to review developments related to sales-practices matters and make additional disclosures as the facts and circumstances warrant.

SARs Reporting

Question 15: In 2003, the Office of the Comptroller of the Currency (OCC) revised its Suspicious Activity Reporting Form to include a reporting tool for "identify theft." In the notice sent to banks, the OCC specifically stated that "occurrences of identity theft or suspected identity theft may increasingly be the result of bank insider or employee misconduct." The form also

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9 *See* Wells Fargo, September 28, 2016 Form 8-K (available at https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm).

10 *See* Wells Fargo, November 3, 2016 Form 10-Q at 67 (available at https://www.sec.gov/Archives/edgar/data/72971/000007297116001340/wfc-9302016x10q.htm).

describes that it would be appropriate to report to the OCC when a person is suspected to have "Established fraudulent bank accounts using the identities of numerous persons."[11]

When a Wells Fargo employee opens unauthorized accounts using customers' personal information without consent has that bank employee "established fraudulent bank accounts using the identities of numerous persons"?

> *Response*: Wells Fargo has policies, procedures, and internal controls that are reasonably designed to comply with its legal obligations to monitor, detect, and report suspicious activities. Under federal law, Suspicious Activity Reports ("SARs"), and any information that would reveal the existence of a SAR, are confidential. 31 U.S.C. § 5318(g)(2)(A)(i); 31 C.F.R. § 1020.320(e); 12 C.F.R. § 21.11(k).

FORCED ARBITRATION

Question 16: Please provide any updates on Wells Fargo's use of mandatory arbitration agreements since the September 8th settlement. Is Wells Fargo prepared to support the CFPB's work to limit the use of mandatory arbitration agreements in consumer financial contracts? If so, how will Wells Fargo demonstrate that support? If not, why not?

> *Response*: Wells Fargo's goal is to make things right for our customers so that formal dispute resolution proceedings are unnecessary for as many of our customers as possible. We are working to connect with customers and, for those negatively impacted by unauthorized accounts, to fix the issues. For those cases that may require additional attention, Wells Fargo is offering a no-cost mediation option to its customers. A mediation option for California customers was part of Wells Fargo's agreement with the Los Angeles City Attorney, and we have extended that program nationwide. For those customers dissatisfied with our efforts to make each customer whole, Wells Fargo believes that arbitration offers a process that is fair and efficient.

Question 17: From 2007 onward, please describe whom at Wells Fargo (i.e., members of the executive leadership team, the Board of Directors, the legal team, etc.) would approve of changes to customer agreements? Would changes to forced arbitration policies specifically be reviewed and approved by yourself, the Board of Directors or the legal team?

> *Response*: The Wells Fargo Legal Department approved changes to customer account agreements, including arbitration agreements.

Question 18: According to a news article from February 2012, Wells Fargo adopted a new policy that "customers with checking and savings accounts...will be required to use binding arbitration to settle disputes..."[12] When did Wells Fargo decide to adopt this new policy? Whom within the Wells Fargo leadership structure approved of these changes? Was this change reviewed by yourself, the Board of Directors or other members of the executive leadership team? Prior to the decision to adopt this policy, was any Wells Fargo employee responsible for making

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11 https://www.occ.gov/news-issuances/bulletins/2003/bulletin-2003-27.html.

12 http://www.northjersey.com/news/banks-tighten-rules-over-disputes-1.853812?page=all.

the forced arbitration policy change aware that employees had been terminated for the opening of unauthorized deposit accounts? Had any employees taken legal action against Wells Fargo alleging unauthorized account openings prior to the decision to adopt the new policy? Had any customers or classes of customers taken legal action against Wells Fargo alleging unauthorized account openings prior to the decision to adopt the new policy? Were Wells Fargo executives, the Board of Directors, or the legal team at Wells Fargo aware of any potential for legal action related to opening of unauthorized accounts prior to the decision to adopt the new policy? Did Wells Fargo executives, the Board of Directors, or the legal team, including outside consulting or legal teams working on behalf of Wells Fargo, perform, request, or receive any studies or other research related to potential legal liabilities resulting from the opening of unauthorized accounts prior to the decision to adopt a new policy? What is the date on which the executives, board or legal teams first performed, requested, or received any studies or other research or data related to potential legal liabilities resulting from the opening of unauthorized accounts?

Question 19: Please describe any additional disclosures or notices sent to customers which explained that forced arbitration policies may be imposed on them when additional accounts were opened in their names without their consent.

> *Response to Questions 18–19*: Wells Fargo's account agreements for deposit accounts have incorporated arbitration agreements since at least 1992—they were not added in 2012. The specific arbitration terms are set forth in the Customer Account Agreement provided to each customer.

Question 20: Your annual privacy policy indicates that you share personal information with affiliates - with which affiliates is this personal information shared, is that sharing bilateral, and by what process can customers of your affiliates check to ensure their personal information has not been used to open a Wells Fargo deposit account or credit card or that they are not subject to a forced arbitration agreement with Wells Fargo or any of its affiliates?

> *Response*: Subject to applicable federal and state legal requirements and restrictions, Wells Fargo Bank, N.A. shares certain information with affiliates, such as Wells Fargo entities that offer insurance and investment products. Wells Fargo Bank, N.A. also receives certain information from affiliates within Wells Fargo & Company. Additional information concerning Wells Fargo's privacy and affiliate policies is available at this website: wellsfargo.com/privacy-security/privacy.
>
> With regard to arbitration, Wells Fargo's goal is to make things right for our customers so that formal dispute resolution proceedings are unnecessary for as many of our customers as possible. We are working to connect with customers and, for those negatively impacted by unauthorized accounts, to fix the issues. For those cases that may require additional attention, Wells Fargo is offering a no-cost mediation option to its customers. A mediation option for California customers was part of Wells Fargo's agreement with the Los Angeles City Attorney, and we have extended that program nationwide. For those customers dissatisfied with our efforts to make them whole, Wells Fargo believes that arbitration offers a process that is fair and efficient.

Anyone who has questions or concerns related to their accounts—regardless of whether those accounts were authorized or may have been unauthorized—is invited and encouraged to speak with a Wells Fargo representative. In addition to contacting the Bank through the phone number included on statements or visiting a branch, individuals with questions can call a special hotline (877-924-8697) at any time. Information is also continually updated and available at wellsfargo.com/commitment, and online customers have the ability to review their accounts at their convenience at any time.

Question 21: In 2011, Wells Fargo settled a class action suit for gender discrimination with approximately 1,200 female financial advisors. In May 2015, Wells Fargo reached a settlement with a class of account executives in its insurance arm for misclassifying employees and failing to pay overtime. Wells Fargo was also sued by a number of employees between 2007 and 2015 related to wrongful termination for failure to meet strenuous sales goals. After being sued by the Los Angeles City Attorney in May 2015, but before settling with the city and multiple regulators in September 2016, Wells Fargo updated its employee handbook with the following language:

> "Team members hired on or after December 11, 2015
>
> All team members hired on or after December 11, 2015 are required to sign an Arbitration Agreement in which the team member and Wells Fargo mutually agree to final and binding arbitration of employment disputes" (with very limited exceptions outlined in the agreement).

Did the executives, board, or legal team perform, request or receive any studies or other research related to the impact of this language on legal liabilities that might have been incurred due to Wells Fargo's settlement with regulators for the creation of unauthorized accounts? Did the executives, board, or legal team perform, request or receive any studies, research or information related to the impact of this language on legal liabilities that might be incurred due to claims filed against Wells Fargo for terminating employees involved in the opening of unauthorized accounts? Did the executives, board, or legal team perform, request or receive any studies, research, or other information related to the impact of this language on legal liabilities that might be incurred due to claims filed against Wells Fargo for the termination of employees who reported information related to the opening of unauthorized accounts? Were employees hired prior to December 11th, 2015 at any time before or after the adoption of this language asked, encouraged, or intimidated to amend any of their employment documents in a way that would subject them to the same or similar mandatory binding arbitration process?

> *Response*: Wells Fargo's decision to require an arbitration agreement for new hires in December 2015 was not influenced by the City of Los Angeles action and/or the claims related to unauthorized accounts. At the time of the decision to require an arbitration agreement, the City of Los Angeles action was still in litigation and no settlements had been reached with the City or any regulators. No studies or research or other information related to the claims of unauthorized accounts or potential liability associated with such claims were requested, received, or considered when the decision was made to institute the requirement of an arbitration agreement for new hires. Wells Fargo did not ask, encourage, and simply would never "intimidate" team members hired prior to December

11, 2015 to amend any "employment documents" that would subject them to the same or similar arbitration language as the arbitration agreement required for new team members hired on or after December 11, 2015. It is worth noting, however, that registered team members are already required to arbitrate many disputes via the Financial Industry Regulatory Authority ("FINRA"). As such, all team members hired into registered positions prior to December 11, 2015 already had existing arbitration agreements. Additionally, other team members initially hired by other entities that have been acquired by Wells Fargo may have signed broader arbitration agreements with those entities prior to December 11, 2015.

LOBBYING

Question 22: During your tenure as a Board Member of the Financial Services Roundtable (FSR) and as Chairman and CEO of Wells Fargo, both FSR and Wells Fargo have criticized and/or opposed the CFPB's efforts to publish consumers' narratives within the Bureau's complaint database.[13] These narratives explain why consumers may have a dispute with their financial institution, and the nature of the company's response. Moving forward, will Wells Fargo commit to supporting the CFPB's complaint database, including the publication of consumers' narratives and responses, and reject attempts to undermine, limit or weaken it, both in your capacity at Wells Fargo and via trade associations of which Wells is a part?

> *Response*: Wells Fargo shares the CFPB's goal of assisting consumers in making wise choices related to financial services products. In response to the CFPB's request for comments on its proposal regarding the complaint database, we provided suggestions and comments that Wells Fargo felt served consumers' best interests and encouraged informed choices. Wells Fargo addresses each and every customer complaint with care and works directly with every individual customer to fully resolve his or her concerns. Wells Fargo then informs both the customer and the CFPB of the resolution. In Wells Fargo's comment letter, we expressed concern about the public nature of the database and resulting risks to consumers, such as privacy concerns, identity theft, and the inability of the public to reach fully informed conclusions about the confidential nature of a consumer's personal financial circumstances. Wells Fargo's comment letter also expressed concerns that the publication of responses to complaints would negatively interfere with the communication between a consumer and a financial institution and could mislead consumers about financial products and providers.

Question 23: Mr. Stumpf, you are on the Board of Directors of the Financial Services Roundtable (FSR). FSR wrote to the Financial Services Committee last month to support the Financial CHOICE Act, H.R. 5983, which in Title III makes major changes to the Consumer Financial Protection Bureau (CFPB). In fact, the FSR wrote in their September 12th letter to the Committee that "[FSR] believes the Consumer Financial Protection Bureau would be a more effective and transparent advocate for consumers under the vision articulated in the Financial CHOICE Act."

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[13] See, for example: https://www.regulations.gov/document?D=CFPB-2014-0016-0065 and http://fsroundtable.org/banks-fight-back-cfpb-complaint-database/.

a) Do you agree with FSR's assessment of H.R. 5983 on this point? If so, why? If not, why not? Did the Board of FSR approve of the publication and distribution of this letter, and if so, did you dissent?

Response: Mr. Stumpf no longer works for Wells Fargo.

b) What is Wells Fargo's position on Section 337 of H.R. 5983, which repeals the CFPB's authority pursuant to sections 1013(g), 1021(b)(2), 1031, 1036(a)(1)(B) and 1076(b)(2)(A) of the Dodd-Frank Act to prohibit "abusive" acts and practices?

Response: Wells Fargo has not taken any position on the CFPB's authority pursuant to sections 1013(g), 1021(b)(2), 1031, 1036(a)(1)(B), and 1076(b)(2)(A) of the Dodd-Frank Act to prohibit "abusive" acts and practices.

c) What is Wells Fargo's position on Section 338 of H.R. 5983, which repeals Section 1028 of the Dodd-Frank Act, which provides the CFPB with the ability to restrict the use of mandatory pre-dispute arbitration clauses in connection with the offering or providing of consumer financial products or services?

Response: Arbitration is a fair, efficient, and effective forum available for a customer to pursue a legal claim and resolve a legal dispute through an impartial third party. Arbitration clauses are commonly included in customer agreements at financial institutions and businesses in other industries, and offer benefits to both the business and the consumer. By resolving legal disputes through arbitration, both the consumer and the business have the ability to reach a positive resolution at a lower cost.

d) How much has Wells Fargo spent lobbying on issues related to the structure, funding, rulemakings or enforcement activities of the CFPB since the Bureau opened its doors in 2011?

Response: Wells Fargo participates in the public-policy arena on a wide range of issues that may impact the Company and our business lines. All federal lobbying activities are disclosed under the Lobbying Disclosure Act, which requires reports to be filed quarterly with the United States Congress.

OTHER

Internal Audit System

Question 24: As was requested of you at the hearing by Rep. Sherman, please outline Wells Fargo's internal audit system in place during 2007-2016 that failed to expose the underlying issues alleged in the September 8th settlement in a timely manner.

Response: Wells Fargo Audit Services acts as our third line of defense. It reports to the Audit and Examination Committee of the Board, and utilizes a systematic approach to evaluate and provide recommendations which assist management in improving the effectiveness of governance, risk management, and control processes. As stated in the Charter Mission and Purpose of Wells Fargo Audit Services:

> Audit is a provider of independent, objective assurance and consulting services delivered through a highly competent and diverse team. As a business partner, Audit helps the Company accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Through its assurance and consulting work, Audit:
>
> - Conducts tests and provides conclusive reporting regarding the health of the risk management and internal control structure within the Company.
> - Advises management on risk-based management practices and controls in the design of new business products and processes. This includes timely involvement in product and system development, operations changes, and strategic initiatives to ensure risks are identified at an early stage.
> - Functions as a change agent to ensure risk issues are escalated and resolved.

Community Reinvestment Act (CRA) Performance Evaluation

Question 25: Please provide Wells Fargo's CRA rating and full results from any CRA exam conducted since 2009.

Response: The OCC's most-recent public disclosure of Wells Fargo's Community Reinvestment Act ("CRA") rating and performance results occurred on December 31, 2009. Wells Fargo's publicly available CRA ratings and evaluations are available on its website: https://www.wellsfargo.com/about/corporate-responsibility/economic-empowerment/.

Diversity

Question 26: In the 2015 Annual Report, under the section entitled, "Making diversity and inclusion part of our DNA," starting on page 9, you highlighted that Wells Fargo is "characterized by diversity—from [its] board of directors to customer-facing team members. . .and our board is among the most diverse in the industry (44 percent women and 31 percent ethnically/racially diverse)." Please provide the gender, race, and ethnicity of each member of your Board of Directors from January 1, 2011 to September 8, 2016.

Response: Wells Fargo is committed to diversity at every level of the Company. Detailed profiles of each member of its Board of Directors are available at this website: https://www.wellsfargo.com/about/corporate/governance/.

Question 27: In the 2015 Annual Report, you highlighted the overall diversity of Wells Fargo's domestic workforce noting that "57 percent of [the] U.S.-based team members are women, and 41 percent are ethnically/racially diverse. Women head two of our four major businesses." Please provide the gender, race, and ethnicity, along with the respective job titles, of each of the 5,300 Well Fargo's employees that have been discharged, to date, due to the improper sales practices that are the subject of the September 8^{th} settlement.

> *Response*: Of the approximately 5,300 team members whose employments were terminated for sales-practices violations from 2011 to 2015, 39 percent were white, 33 percent were Hispanic, and 15 percent were black/African American.
>
> Approximately 65 percent of the terminated team members were in Personal Banker positions or functionally similar roles and seven percent were in Teller positions. In addition, we terminated the employment of more than 480 team members in supervisory positions, including store managers and persons up to three levels above bankers and tellers, when investigations have found that those team members engaged in or directed improper sales practices or exhibited excessive pressure and did not respond promptly and decisively to change their behavior.

Whistleblowers

Question 28: Is Wells Fargo engaged in a process to identify potential "whistleblowers" who may have been terminated, demoted or otherwise punished for attempting to report behavior underlying the September 8^{th} settlement? If such an effort is underway, how many full time employees are devoted to this task, and what resources are available to them? Also, if such an effort is underway, please describe the methods Wells Fargo is utilizing to make such determinations (i.e., reviewing ethics hotline recordings, scanning employee emails, etc.).

> *Response*: It has never been a policy or practice of Wells Fargo to terminate team members who voiced their concerns. We are aware that certain former team members are making these allegations, and we take them very seriously.
>
> Wells Fargo has long had internal processes in place for team members to raise issues or concerns through multiple channels, including managers, HR, Compliance and/or the EthicsLine. We encourage team members to speak up if they experience or witness something that makes them feel uncomfortable, and we have measures in place to protect team members from retaliation. The EthicsLine provides team members with a confidential way to report possible violations of Wells Fargo's Code of Ethics and Business Conduct or any laws, rules, or regulations. Team members have the option to remain anonymous through the EthicsLine. It is available to all team members (U.S. and international) 24 hours a day, seven days a week, via toll-free telephone or online web reporting. The EthicsLine has been operated and staffed by a third-party vendor since its inception in 2004, and translation services are available. This process helps ensure team-member confidentiality and preserves anonymity when requested.
>
> As team members have the option to raise concerns anonymously, Wells Fargo likely will not have records identifying former team members who raised concerns anonymously

through the EthicsLine. Nevertheless, Wells Fargo is taking steps to review such termination/demotion decisions where possible and has engaged outside consultants to help us with this review. Moreover, Wells Fargo has established a process to enable former team members who contact the Company today to request a review of their termination, even if they did not utilize the Company's termination appeal and review processes at the time of their departure. Former team members who did utilize the Company's appeal processes in the past will be provided with an additional review. Former team members who express interest in reemployment and are deemed to be eligible for reemployment through this review process will be able to work with a special recruiting team to assist in exploring opportunities at Wells Fargo.

Code of Ethics

Question 29: At the hearing, in response to Rep. Cleaver, you referred to Wells Fargo's code of ethics. Please provide a copy of the referenced code of ethics, along with any ethics guidance and other materials provided to Wells Fargo employees, from 2011 to present; a description of any mandatory or discretionary ethics training provided to Wells Fargo employees; a description of how employees were informed of any changes to the code of ethics; and the number and job titles of employees that completed ethics training.

Response: From 2011 through 2015, the Code of Ethics and Business Conduct was part of the Wells Fargo Team Member Handbook. Any updates to the Code of Ethics during that time period were communicated to all team members through Wells Fargo's Teamworks intranet site. Additionally, articles outlining key changes or providing guidance concerning various issues under the Code were published to Teamworks from time to time for review by team members.

In April 2016, an updated Code of Ethics and Business Conduct was published as a stand-alone document and delivered through an interactive online format, including video reinforcement messages from key leaders and an interactive tool that guides team members in making the right choice when facing an ethical dilemma. The updated Code was introduced through overview sessions with HR and Compliance professionals, leadership briefings, Teamworks articles, and graphic promotions, as well as direct email to all team members. Throughout 2016, reinforcement articles around the Code and supporting policies were published to Teamworks and spotlighted in regular communications to all team members.

New team members joining Wells Fargo are required to complete the training within their first 60 days. Additionally, Wells Fargo requires annual Code of Ethics and Business Conduct training for *all* U.S. and international team members in all job titles. The annual Code of Ethics training is updated each year. In 2016, 260,972 team members completed the required Code of Ethics and Business Conduct training. The mandatory 2017 annual Code of Ethics and Business Conduct training includes video scenarios and interactive activities that require team members to work through ethical dilemmas to apply their knowledge of the Code and policies.

Miscellaneous

Question 30: What was your thought process behind the July 12, 2016 Wells Fargo press release announcing the retirement of Senior Executive President for Community Banking Carrie Tolstedt, in which you offered glowing praise for her tenure at the bank?[14]

At the time that the press release was published, Wells Fargo had already been sued by the City of Los Angeles over unauthorized account openings and was presumably in settlement negotiations with the City, the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency. Knowing the scope and scale of misconduct which occurred within Ms. Tolstedt's unit, please explain why you are quoted as saying that Tolstedt, "has been one of our most valuable Wells Fargo leaders, a standard-bearer of our culture, a champion for our customers, and a role model for responsible, principled and inclusive leadership?" Did you personally approve this quote to be used?

> *Response*: Mr. Stumpf and Ms. Tolstedt have left Wells Fargo. The ongoing investigation by the Independent Directors of the Board of Directors is looking carefully at when Mr. Stumpf and Ms. Tolstedt were first informed of the unauthorized accounts.
>
> The Independent Directors have taken a number of initial steps they believe are appropriate to promote accountability at the Company. The Board and Mr. Stumpf agreed that he will forfeit all of his outstanding unvested equity awards, valued at approximately $41 million. In addition, he will not receive a bonus for 2016 and will not be paid severance or receive any retirement enhancements in connection with his separation from the Company.
>
> Ms. Tolstedt has agreed to not exercise any outstanding stock options previously awarded by Wells Fargo until the completion of the Board of Directors' investigation. At the conclusion of this investigation, the Board (or the Independent Directors of the Board or the Human Resources Committee, through Board delegation) will have the authority to determine the extent to which such options will be forfeited. And on September 27, 2016, the Board announced that the Independent Directors had determined that Ms. Tolstedt would forfeit all of her unvested equity awards, valued at approximately $19 million, and that she will not receive a bonus for 2016 and will not receive any retirement enhancements or severance package in connection with her separation from Wells Fargo. No incentive compensation was granted as a result of Ms. Tolstedt's separation, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her separation.[15]
>
> These initial actions will not preclude additional steps being taken with respect to Mr. Stumpf, Ms. Tolstedt, or other employees as a consequence of the information developed in the investigation.

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[14] https://www.wellsfargo.com/about/press/2016/tolstedt-to-retire_0712/.

[15] Wells Fargo, "Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters (press release)" (Sept. 27, 2016) (available at https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927/).

Additionally, on February 21, 2017, the Company announced that four senior managers in Community Banking were terminated for cause based on the investigation by the Independent Directors of Wells Fargo's Board of Directors.

Wells Fargo is continuing to investigate allegations of team-member misconduct and is committed to determining appropriate accountability. The Board expects to disclose findings from its investigation publicly in April prior to our annual meeting.

Items Requested by FSC Dem Staff via E-mail Dated September 22, 2016

Please provide the following items:

Question 31: Organizational charts that outline the chain-of-command for all positions/categories of Wells Fargo employees within Wells Fargo's retail banking operation (from Chief Executive Officer and Chief Operating Officer to Senior Executive Vice President for Community Banking through branch manager) from January 1, 2011 through September 8, 2016;

Response: The table below lists the executive leadership within the Community Banking division as it was at year end from 2010 to August 31, 2016.

Community Banking Organizational Chart as of 08/31/2016		
Mary T. Mack: Head Of Community Banking		
Lisa J. Stevens: Regional Bank Executive 2 (Pacific Midwest)	John K. Sotoodeh: Regional Bank Executive 1 (Southwest)	Michelle Y. Lee: Regional Bank Executive 2 (Eastern Region)

Community Banking Organizational Chart as of 12/31/2015		
Carrie L. Tolstedt: Senior EVP, Community Banking		
Lisa J. Stevens: Regional Bank Executive 2 (Pacific Midwest)	John K. Sotoodeh: Regional Bank Executive 1 (Southwest)	Michelle Y. Lee: Regional Bank Executive 2 (Eastern Region)

Community Banking Organizational Chart as of 12/31/2014			
Carrie L. Tolstedt: Senior EVP, Community Banking			
Lisa J. Stevens: Regional Bank Executive 2 (Pacific Midwest)	John K. Sotoodeh: Regional Bank Executive 1 (Southwest)	Michelle Y. Lee: Regional Bank Executive 2 (Eastern Region)	Gerrit A. Van Huisstede: Regional Bank Executive 1 (Western Mountain)

Community Banking Organizational Chart as of 12/31/2013			
Carrie L. Tolstedt: Senior EVP, Community Banking			
Lisa J. Stevens: Regional Bank Executive 2 (Pacific Midwest)	Paul W. Carlisle, Jr.: Regional Bank Executive 1 (Southwest)	Laura A. Schulte: Regional Bank Executive (Eastern Region)	Gerrit A. Van Huisstede: Regional Bank Executive 1 (Western Mountain)

Community Banking Organizational Chart as of 12/31/2012				
Carrie L. Tolstedt: Senior EVP, Community Banking				
Lisa J. Stevens: Regional Bank Executive 2 (West Coast)	Paul W. Carlisle, Jr.: Regional Bank Executive 1 (Southwest)	Laura A. Schulte: Regional Bank Executive (Eastern Region)	Gerrit A. Van Huisstede: Regional Bank Executive 1 (Western Mountain)	Thomas W. Honig: Regional Bank Executive 1 (Mountain Midwest)

Community Banking Organizational Chart as of 12/31/2011				
Carrie L. Tolstedt: Senior EVP, Community Banking				
Lisa J. Stevens: Region President (West Coast)	Paul W. Carlisle, Jr.: Region President (Southwest)	Laura A. Schulte: Regional Bank Executive (Eastern Region)	Gerrit A. Van Huisstede: Region President (Western Mountain)	Thomas W. Honig: Region President (Mountain Midwest)

Community Banking Organizational Chart as of 12/31/2010					
Carrie L. Tolstedt: Senior EVP, Community Banking					
Lisa J. Stevens: Region President (California)	Paul W. Carlisle, Jr.: Region President (Texas)	Laura A. Schulte: Regional Bank Executive (Eastern Region)	Gerrit A. Van Huisstede: Region President (Desert Mountain)	Thomas W. Honig: Region President (Mountain West)	James O. Prunty: Region President (Great Lakes)

Question 32: A chart or list of the total number of unauthorized or "potentially unauthorized" accounts that Wells Fargo (or a consultant acting on Wells Fargo's behalf) has identified grouped by account type and the year that the account was created, starting with the year 2011 and ending with the year 2016, for the period from January 1, 2011 through September 8, 2016;

Response: Wells Fargo and PwC are in the process of finalizing updated numbers for deposit accounts that could have experienced simulated funding and credit card accounts and lines of credit that could have been unauthorized. Wells Fargo will submit these figures to the Committee once they have been finalized.

Question 33: A list or chart identifying the total number of Wells Fargo employees that were fired or otherwise involuntarily separated in connection with the opening of unauthorized accounts grouped by job title and broken down on an annual basis, starting with the year 2011 and ending with the year 2016, for the period from January 1, 2011 through September 8, 2016;

Response: Of the 5,367 team members whose employment was terminated for sales-practices violations from January 1, 2011 through March 7, 2016, approximately 65 percent of the terminated team members were in Personal Banker positions or functionally similar roles and seven percent were in Teller positions. In addition, Wells Fargo terminated the employment of more than 480 team members in supervisory positions, including store managers and persons up to three levels above bankers and tellers, when investigations have found that those team members engaged in or directed improper sales practices or exhibited excessive pressure and did not respond promptly and decisively to change their behavior. The sales-practices violations cover a range of activities and, in addition to opening unauthorized accounts, include, for example, bundling, delaying in opening an account, changing email addresses in connection with online banking enrollment, and changing phone numbers to avoid customer-satisfaction surveys.

Question 34: A list or chart identifying the total number of Wells Fargo employees that were fired or otherwise involuntarily separated for failing to meet sales goals grouped by job title and broken down on an annual basis, starting with the year 2011 and ending with the year 2016, for the period from January 1, 2011 through September 8, 2016;

Question 35: A list or chart identifying the total number of employees that Wells Fargo suspended, demoted, put on administrative leave or otherwise disciplined (without being involuntarily separated) in connection with the opening of unauthorized accounts grouped by job title and broken down on an annual basis, starting with the year 2011 and ending with the year 2016, for the period from January 1, 2011 through September 8, 2016;

Response: Wells Fargo's Internal Investigations group refers managers to Human Resources for corrective-action consultation when an initial investigative review produces sales-practices concerns. The sales-practices violations that could result in a referral to Human Resources comprise a range of activities and, in addition to opening unauthorized accounts, include, for example, bundling, delaying in opening an account, changing email addresses in connection with online-banking enrollment, and changing phone numbers to avoid customer-satisfaction surveys. Typically, a referral to Human Resources for consultation means that an investigation did not establish that the team member's conduct rose to a level that necessitated termination without further deliberation (i.e., was an act of dishonesty or breach of trust). Human Resources review is used to determine whether the team member's conduct was a training or performance concern or nonetheless violated Wells Fargo policies, and if so, the appropriate level of corrective action that is warranted. Appropriate resolution following referral to Human Resources could range from no further action being required to a range of corrective action depending upon the specific findings (e.g., management setting expectations with the team member, issuance of a formal warning or final notice, or, in some cases, termination, depending upon the severity of the violation or if there was a history of policy violations).

Question 36: A list or chart identifying the total number of employees that Wells Fargo suspended, demoted, put on administrative leave or otherwise disciplined (without being involuntarily separated) for failing to meet sales goals grouped by job title and broken down on an annual basis, starting with the year 2011 and ending with the year 2016, for the period from January 1, 2011 through September 8, 2016;

Response to Questions 34 and 36: Wells Fargo eliminated product sales goals effective October 1, 2016. Currently, and in recent years, Wells Fargo's policy has been that team members should not be terminated solely for failing to meet product sales goals. Wells Fargo cannot quantify with any degree of confidence, however, how many team members' employments were terminated solely for not meeting sales goals. The Bank tracks involuntary terminations for failure to perform job duties, which can include a range of issues. Wells Fargo has safeguards in place to help ensure managers remain focused on assessing team members' overall performance in helping customers succeed financially. This includes a formal performance-management program, which provides for coaching and feedback to help team members succeed, involvement of Human Resources in disciplinary decisions—including termination decisions—and a termination-review process undertaken by the Employee Relations function that is independent of the members of business management who made the termination decision.

If team members' employments were terminated solely for not meeting sales goals, despite the policy, Wells Fargo would like to hear from those former team members. Wells Fargo has established a process to enable former team members who contact the Company today to request a review of their termination, even if they did not utilize the Company's termination appeal and review processes at the time of their departure. Former team members who did utilize the Company's appeal processes in the past will be provided with an additional review. Former team members who express interest in reemployment and are deemed to be eligible for reemployment through this review process will be able to work with a special recruiting team to assist in exploring opportunities at Wells Fargo.

Question 37: Identified by bank branch, please provide a list or chart identifying the total number of employees that Wells Fargo fired or otherwise involuntarily separated in connection with the opening of unauthorized accounts grouped by job title and the year the discipline occurred during the period of January 1, 2011 through September 8, 2016;

Response: The following chart provides a geographic breakdown of the approximately 5,300 terminations for sales-practices violations from January 1, 2011 through March 7, 2016. The sales-practices violations cover a range of activities and, in addition to opening unauthorized accounts, include, for example, bundling, delaying in opening an account, changing email addresses in connection with online-banking enrollment, and changing phone numbers to avoid customer-satisfaction surveys.

State	Total
CA	1,421
FL	602
TX	529
NJ	302
PA	241
CO	235
AZ	211
VA	189
MN	172
NC	168

State	Total
NV	154
GA	128
NY	102
OR	87
AL	86
SC	78
UT	72
CT	64
IA	58
WA	58
MD	56
NM	53
NE	47
ID	31
SD	31
WI	27
DC	25
DE	19
WY	18
IN	18
MT	16
IL	14
TN	10
MI	8
MO	7
OH	7
AK	7
ND	5
AR	4
MS	3
KS	2
MA	1
KY	1
Total	**5,367**

Of the approximately 5,300 terminations, approximately 65 percent of the terminated team members were in Personal Banker positions or functionally similar roles and seven percent were in Teller positions. In addition, we terminated the employment of more than 480 team members in supervisory positions, including store managers and persons up to three levels above bankers and tellers, when investigations have found that those team members engaged in or directed improper sales practices or exhibited excessive pressure and did not respond promptly and decisively to change their behavior.

Question 38: A list or chart that states the total number of police reports filed by Wells Fargo in connection with any unauthorized or "potentially unauthorized" accounts that Wells Fargo (or a consultant acting on Wells Fargo's behalf) has identified, grouped by the year that the report was filed starting in the year 2011 and ending with the year 2016, for the period from January 1, 2011 through September 8, 2016;

Response: Wells Fargo has policies, procedures, and internal controls that are reasonably designed to comply with its legal obligations to monitor, detect, and report suspicious activities. Under federal law, Suspicious Activity Reports ("SARs"), and any information that would reveal the existence of a SAR, are confidential. 31 U.S.C. § 5318(g)(2)(A)(i); 31 C.F.R. § 1020.320(e); 12 C.F.R. § 21.11(k).

Question 39: A list or chart identifying the average/median wage of a Wells Fargo teller for each year from January 1, 2011 through September 8, 2016;

Question 40: The average/median base salary and the average/median bonus compensation of the following categories of Wells Fargo employees: personal bankers, customer service & sales representatives, business specialists, regional bank private bankers, assistant store managers, service managers, store managers, branch managers, district managers, regional/state presidents, lead regional presidents, regional banking executives and any other category of employee within Wells Fargo's retail banking operation from January 1, 2011 through September 8, 2016;

Response to Questions 39–40: Below is a table that provides the median hourly wage and median Full Time Equivalent ("FTE") base pay for the positions requested as of September 1, 2016.[16] In addition, all salaried and hourly team members classified as regular or part-time (i.e., those who are regularly scheduled to work 17.5 hours or more per week) are eligible for Wells Fargo-sponsored benefits, including tuition reimbursement, health-care insurance, dental insurance, vision insurance, life insurance, short- and long-term disability, 401(k) plan, and paid parental leave. Wells Fargo eliminated sales goals effective October 1, 2016, but did not change base salaries. Separately from the elimination of sales goals, we increased the minimum wage for Wells Fargo team members from $12.00/hour to $13.50/hour, which affected approximately two-thirds of tellers.

Job Title / Group	Median Hourly Wage	Median FTE Base Pay[17]
TELLERS	**$ 12.59**	**$ 26,187**
TELLER	*$ 12.00*	*$ 24,960*
LEAD TELLER	*$ 14.75*	*$ 30,680*

[16] Because varying levels of experience cause base pay rates to vary significantly, median figures are reported.

[17] Median FTE base pay calculated as hourly rate X 2080.

Job Title / Group	Median Hourly Wage	Median FTE Base Pay[17]
CUST SLS & SVC REPS	**$ 15.16**	**$ 31,533**
CUST SLS & SVC REP-RTL (SAFE)	*$ 15.11*	*$ 31,429*
CUST SLS & SVC REP-RTL (LO)	*$ 15.16*	*$ 31,533*
PERSONAL BANKERS	**$ 18.51**	**$ 38,501**
ASST STORE MANAGER (SAFE)	*$ 20.80*	*$ 43,264*
PERSONAL BANKER (SAFE) 1	*$ 17.25*	*$ 35,880*
PERSONAL BANKER REG (SAFE) 1	*$ 19.04*	*$ 39,603*
PERSONAL BANKER (SAFE) 2	*$ 21.64*	*$ 45,011*
PERSONAL BANKER REG (SAFE) 2	*$ 25.50*	*$ 53,040*
SERVICE MANAGERS	**$ 20.60**	**$ 42,848**
SERVICE MANAGER (LO) 1	*$ 18.87*	*$ 39,250*
*SERVICE MANAGER (LO) 2**	*$ 22.20*	*$ 46,176*
STORE MANAGERS	**$ 31.26**	**$ 65,021**
*RB STORE MANAGER (SAFE) 1**	*$ 26.77*	*$ 55,682*
RB STORE MANAGER (SAFE) 2	*$ 31.15*	*$ 64,792*
RB STORE MANAGER (SAFE) 3	*$ 37.77*	*$ 78,562*
STORE MANAGER SENIOR (SAFE) 3	*$ 44.34*	*$ 92,227*
BUS BANKING SPECIALISTS	**$ 23.73**	**$ 49,358**
BUSINESS BANKING SPEC (SAFE)	*$ 23.54*	*$ 48,963*
SR BUSINESS BNKG SPEC (SAFE)	*$ 25.44*	*$ 52,915*
PRIVATE BANKERS	**$ 33.66**	**$ 70,013**
RB PRIVATE BANKER UL (SAFE) 1	*$ 31.25*	*$ 65,000*
RB PRIVATE BANKER (SAFE) 1	*$ 31.38*	*$ 65,270*
RB PRIVATE BANKER (SAFE) 2	*$ 39.21*	*$ 81,557*
WM PRIVATE BANKER (SAFE) 3	*$ 45.23*	*$ 94,078*
DISTRICT MANAGERS	**$ 57.69**	**$ 119,995**
REGIONAL BKG DISTRICT MGR 1	*$ 44.55*	*$ 92,664*
REGIONAL BKG DISTRICT MGR 2	*$ 50.00*	*$ 104,000*
REGIONAL BKG DISTRICT MGR 3	*$ 62.50*	*$ 130,000*

As Wells Fargo previously announced, effective October 1, 2016, product sales goals for our Regional Bank team members in our bank branches have been eliminated. Leading up to the elimination of product sales goals, the actual incentive payouts based on sales-related performance objectives (distinct from service and other performance objectives) declined considerably: the median incentive paid as a percentage of total salary for sales-performance incentives for tellers, for example, declined from 4.6 percent in 2011 to 0.9 percent in 2015. Historically, the target incentive payment for overall performance objectives, not just sales-related objectives, was approximately three percent of base compensation for tellers and the target for the majority of personal bankers was approximately 10 percent of base compensation. All incentive plans were capped.

Question 41: The number of Wells Fargo employees within Wells Fargo's retail banking operation for the each of the years within the period from January 1, 2011 through September 8, 2016;

Question 42: The number of Wells Fargo employees within Wells Fargo's retail banking operation that are subject to sales goals or quotas and/or incentive-based compensation agreements;

Response to Questions 41–42: As Wells Fargo previously announced, effective October 1, 2016, product sales goals for our Regional Bank team members in our bank branches have been eliminated. The following chart provides the total number of Regional Bank team members who participated in incentive compensation plans with product sales goals from January 1, 2011 through August 31, 2016.

2011	2012	2013	2014	2015	Aug. 31, 2016
107,908	109,212	105,641	102,599	98,762	86,900

Question 43: The number of Wells Fargo employees within Wells Fargo's retail banking operation that voluntarily left Wells Fargo for each of the years within the period from January 1, 2011 through September 8, 2016;

Question 44: The number of Wells Fargo employees within Wells Fargo's retail banking operation that were subject to sales goals or quotas and/or incentive-based compensation agreements that voluntarily left Wells Fargo for each of the years within the period from January 1, 2011 through September 8, 2016;

Response to Questions 43–44: As Wells Fargo previously announced, effective October 1, 2016, product sales goals for our Regional Bank team members in our bank branches have been eliminated. The following chart provides the number of voluntary resignations of Regional Bank team members who participated in incentive compensation plans with product sales goals from January 1, 2011 through August 31, 2016.

2011	2012	2013	2014	2015	Aug. 31, 2016
23,571	25,301	23,480	20,996	20,502	12,394

Question 45: The number of Wells Fargo employees within Wells Fargo's retail banking operation that were involuntarily separated from Wells Fargo (for any reason) for each of the years within the period from January 1, 2011 through September 8, 2016;

Question 46: The number of Wells Fargo employees within Wells Fargo's retail banking operation that were subject to sales goals or quotas and/or incentive-based compensation agreements that were involuntarily separated from Wells Fargo (for any reason) for each of the years within the period from January 1, 2011 through September 8, 2016;

Response to Questions 45–46: As Wells Fargo previously announced, effective October 1, 2016, product sales goals for our Regional Bank team members in our bank branches have been eliminated. The following chart provides the number of involuntary terminations of Regional Bank team members who participated in incentive compensation plans with product sales goals from January 1, 2011 through August 31, 2016.

2011	2012	2013	2014	2015	Aug. 31, 2016
7,073	6,985	6,111	5,796	5,045	3,270

Question 47: The number of Wells Fargo employees within Wells Fargo's retail banking operation that were subject to sales goals or quotas and/or incentive-based compensation agreements that were involuntarily separated from Wells Fargo in connection with the opening of unauthorized accounts for each of the years within the period from January 1, 2011 through September 8, 2016;

> *Response*: Prior to our elimination of product sales goals, Community Banking team members serving customers in our retail branches were eligible for earned incentive compensation based in part on sales performance. The employment of approximately 45,000 Community Banking team members was terminated between 2011 and 2015. Of the approximately 5,300 team members whose employment was terminated for sales-practices violations, the violations covered a range of activities and, in addition to opening unauthorized accounts, include, for example, bundling, delaying in opening an account, changing email addresses in connection with online-banking enrollment, and changing phone numbers to avoid customer-satisfaction surveys.

Question 48: The field codes or fixed narrative descriptions used in any information technology systems to describe/track the manner or circumstances in which employees were separated from Wells Fargo within the period from January 1, 2011 through September 8, 2016;

> *Response*: From January 1, 2011 to present, Wells Fargo has utilized the following codes to classify the circumstances of team members' separation from the Company:

Effective Date	Status	Description
3/1/2002	Active	Assignment Completed-Flex Empl
9/15/2004	Active	Abandoned Job
3/1/2002	Active	Excessive Absenteeism/Tardies
3/1/2002	Active	Background Check Negative
6/1/2014	Inactive	Employer Bankruptcy
5/31/2014	Active	Employer Bankruptcy
3/1/2002	Active	COBRA Termination
4/6/2016	Active	Legal Termination of Contract
8/1/2003	Active	Legal Termination of a Contract
4/6/2016	Active	Deceased
3/1/2002	Active	Deceased
6/17/2006	Active	Never Started
6/1/2015	Active	Disability Retirement
4/6/2016	Active	Duplicate Hire- SSN Error
3/1/2002	Active	Duplicate Hire- SSN Error

Effective Date	Status	Description
6/1/2015	Active	Early Retirement
5/3/2016	Active	Extd Absence Policy Expired
1/3/2011	Active	Extd Absence Policy Expired
6/1/2003	Active	Extd Absence Policy Expired
6/1/2013	Active	Non-Compliance I9/E-Verify
3/1/2002	Active	Job Opportunity Unavailable
3/1/2002	Active	Relocated/Moved Away
6/17/2006	Active	Retirement
6/1/2012	Active	Not Started, Neg Background
6/1/2014	Inactive	Become Self-Employed
5/31/2014	Active	Become Self-Employed
3/1/2002	Active	Other Involuntary
4/6/2016	Active	Other Voluntary
3/1/2002	Active	Other Voluntary
3/1/2002	Active	Position Eliminated
3/1/2002	Active	Personal/Family Reasons
6/1/2015	Active	Post-Retirement Employment
1/1/2016	Active	Permitted to Resign
1/1/2010	Active	Permitted to Resign
1/1/2010	Active	Resigned During Investigation
3/1/2002	Active	Failed to Perform Job Duties
3/1/2002	Active	To Attend School
3/1/2002	Active	Retirement from Severance
4/6/2016	Active	Retired with Pay- Special
3/1/2002	Active	Retired with Pay- Special
3/1/2002	Active	Location Closed/Sold
4/1/2011	Active	Sale of Legal Entity
3/1/2002	Active	Termination at end of SCL
5/3/2016	Active	Termed Acquisition
3/1/2002	Active	Termed Acquisition
1/1/2009	Active	TERM INELIG ACQ
1/1/2009	Active	Termed Acquisition Wachovia
3/1/2002	Active	Theft
5/3/2016	Active	Terminated with Pay
1/1/1901[18]	Active	Terminated with Pay
1/1/2008	Active	Unapproved Leave
3/1/2002	Active	Benefits/Compensation
3/1/2002	Active	Coworkers

18 At the time the system was established, tables that were effective dated were defaulted to 1/1/1900 or 1/1/1901 as the initial set-up date.

Effective Date	Status	Description
3/1/2002	Active	Supervisor/Manager
3/1/2002	Active	Career Opportunity
3/25/2010	Active	Violation of Company Policies
3/1/2002	Active	Perf Review/Counseling
3/1/2002	Active	Hours/Policy/Work

Question 49: Each version of the "Wells Fargo Team Member Handbook" or other Wells Fargo employee handbooks or guides from January 1, 2011 to September 8, 2016;

Response: Wells Fargo publishes a Team Member Handbook on its intranet, which can also be accessed publicly via the following link: http://teamworks.wellsfargo.com/handbook/HB_Online.pdf. Wells Fargo's Team Member Handbook sets forth the policies that govern its workforce and work locations. The policies in the Handbook include, among other topics, important guidance on workplace conduct, harassment and retaliation, performance management, and safety and health. It provides links to detailed procedures relating to the identified policies as well as numerous resources for questions or assistance. It applies to all U.S.-based Wells Fargo team members. The Handbook is updated on a biannual basis.

Question 50: Each version of any guide, manual, or document containing Wells Fargo employee performance evaluation metrics for any category of employee within Wells Fargo's retail banking operation from January 1, 2011 to September 8, 2016;

Question 51: Each version of any incentive compensation plan for any and all categories of Wells Fargo employee within Wells Fargo's retail banking operation from January 1, 2011 to September 8, 2016;

Question 52: Each version of the sales goals for any and all categories of Wells Fargo employee within Wells Fargo's retail banking operation from January 1, 2011 to September 8, 2016;

Response to Questions 50–52: As Wells Fargo previously announced, effective October 1, 2016, product sales goals for our Regional Bank team members in our bank branches have been eliminated. Leading up to the elimination of product sales goals, the actual incentive payouts based on sales-related performance objectives (distinct from service and other performance objectives) declined considerably: the median incentive paid as a percentage of total salary for sales-performance incentives for tellers, for example, declined from 4.6 percent in 2011 to 0.9 percent in 2015. Historically, the target incentive payment for overall performance objectives, not just sales-related objectives, was approximately 3 percent of base compensation for tellers and the target for the majority of personal bankers was approximately 10 percent of base compensation. All incentive plans were capped.

Wells Fargo has safeguards in place to help ensure that managers remain focused on assessing team members' overall performance in helping customers succeed financially. This includes a formal performance management program, which provides for coaching

> and feedback to help team members succeed, involvement of Human Resources in disciplinary decisions, including termination decisions, and a termination-review process undertaken by the Employee Relations function that is independent of the members of business management who made the termination decision.

Question 53: The number of, office locations for, different job classifications of, any incentive-based agreements, and any time quotas or targets related to, employees responsible for the handling, including receiving, reviewing, and responding to, any customers' complaints about inaccurate information related to unauthorized Wells Fargo accounts on their consumer reports compiled and maintained by the nationwide consumer reporting agencies and the nationwide specialty consumer reporting agencies for the each of the years within the period from January 1, 2011 through September 8, 2016;

Question 54: The average/median wage of any employee responsible for the handling, including receiving, reviewing, and responding to, any customers' complaints about inaccurate information related to unauthorized Wells Fargo accounts on their consumer reports compiled and maintained by the nationwide consumer reporting agencies and the nationwide specialty consumer reporting agencies for the each of the years within the period from January 1, 2011 through September 8, 2016;

Question 55: Any training manual, employee suggested scripts, employee suggested answers to commonly asked questions for employees responsible for the handling, including receiving, reviewing, and responding to, any customers' complaints about unauthorized Wells Fargo accounts on their consumer reports compiled and maintained by the nationwide consumer reporting agencies and the nationwide specialty consumer reporting agencies for each of the years within the period from January 1, 2011 through September 8, 2016;

> *Response to Questions 53–55*: Wells Fargo employs team members who are dedicated to receiving, reviewing, and resolving inquiries from customers timely and effectively across various sites and locations. These team members take accountability for the entire process from receipt of the inquiry to resolution, coordinating information among various operational areas. Team members who are directly responsible for receiving, reviewing, and resolving customer inquiries pertaining to consumer credit bureau reports do not have incentive-based agreements. Wells Fargo reviews the Fair Credit Reporting Act and its implementing Regulation V, the METRO 2 guidelines (industry-developed guidelines for reporting), and the CFPB examination manual to assist Wells Fargo's businesses in the development of appropriate training and procedures. We provide our team members with training and information to perform their roles in compliance with our responsibilities under applicable law and our company policies. These policies are periodically reviewed by our regulatory compliance and law departments as needed.

Question 56: The number of "hard inquiries" for consumer reports and the names of the consumer reporting agencies in which these inquiries occurred that were made by the employees that have been discharged in connection with the opening of unauthorized accounts from January 1, 2011 through September 8, 2016;

Response: Wells Fargo does not yet fully know the number of hard inquiries that were made by the employees that have been discharged in connection with the opening of unauthorized accounts. Wells Fargo is working with its independent consultant, PwC, to identify this population.

Question 57: Any document, manual, or other material related to compliance procedures, program, and system of Wells Fargo related to compliance with the federal Fair Credit Reporting Act for each of the years within the period from January 1, 2011 through September 8, 2016; and

Question 58: The number of, job classifications for, and average/media wage and financial and non-financial compensation and bonus for any executive, officer, supervisor, or manager responsible for the development and monitoring of Wells Fargo compliance program with the federal Fair Credit Reporting Act for the bank for each of the years within the period from January 1, 2011 through September 8, 2016.

Response to Questions 57–58: Wells Fargo reviews the Fair Credit Reporting Act and its implementing Regulation V, the METRO 2 guidelines (industry-developed guidelines for reporting), and the CFPB examination manual to assist Wells Fargo's businesses in the development of appropriate policies and procedures. Wells Fargo team members in the business and risk management functions (including operating risk, compliance, legal, and audit) develop programs and procedures for compliance with the Fair Credit Reporting Act, and its implementing Regulation V, the METRO 2 guidelines, and the CFPB examination manuals.

QFRs from Senate Banking Committee Democrats following the September 20, 2016 Hearing entitled "An Examination of Wells Fargo's Unauthorized Accounts and the Regulatory Response"

The Questions for the Record submitted by Democratic Members of the Senate Banking Committee are hereby incorporated by reference. Please provide the identical responses to those questions herein.

Response: The responses to the Questions for the Record submitted by Democratic Members of the Senate Banking Committee are attached as Appendix B.

APPENDIX A

GIBSON DUNN

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CONFIDENTIAL

October 13, 2016

VIA HAND DELIVERY

The Honorable Elijah E. Cummings
Ranking Member
Committee on Oversight and Government Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Re: September 13, 2016 Request for Information, First Response

Dear Ranking Member Cummings:

We represent Wells Fargo & Company ("Wells Fargo") and are writing in response to your letter dated September 13, 2016 ("Letter"). Below and enclosed please find information responsive to the requests in the Letter.

Certain information provided in connection with this response is business-sensitive and, if released, would cause injury to Wells Fargo. We have marked this letter "Confidential" and request that it not be disclosed beyond the House Committee on Oversight and Government Reform (the "Committee") or made public. We also ask that you inform us of any proposed use of the information contained herein or the enclosed materials and provide Wells Fargo with an opportunity to be heard prior to any such proposed use.

* * *

For your convenience, we have identified the Requests to which Wells Fargo is responding at this time:

Request 5:

Documents detailing any Wells Fargo compensation policies permitting "compensation clawbacks" for participation in activities leading to consent orders, settlement agreements, or court orders.

Wells Fargo is producing, at Bates range WF-CUMMINGS-0000001–WF-CUMMINGS-0000097, a document responsive to this Request.

Request 6:

Documents and communications sufficient to detail the development of compensation policies permitting "compensation clawbacks" for participation in activities leading to consent orders, settlement agreements, or court orders.

Wells Fargo is producing, at Bates range WF-CUMMINGS-0000001–WF-CUMMINGS-0000097, a document responsive to this Request.

Request 9:

All documents and communications referring or relating to whether the compensation of Carrie Tolstedt will be "clawed back" when she leaves the bank and the discussions leading to this decision.

Wells Fargo is producing, at Bates range WF-CUMMINGS-0000098–WF-CUMMINGS-0000104, documents responsive to this Request.

Request 10:

Documents and communications sufficient to show the number of customers impacted by these improper sales tactics, and how many of those customers were reported to any credit rating agency or collection agency for an overage, forced closure, or any other credit issue.

Wells Fargo retained PricewaterhouseCoopers ("PwC") to identify deposit and credit card accounts that could have been unauthorized since 2011. As part of its analysis, PwC analyzed approximately 82 million deposit accounts and approximately 11 million credit card accounts. Of the accounts reviewed, PwC found that approximately 1.5 million deposit accounts and approximately 623,000 credit card accounts ***could have been*** unauthorized. In other words, PwC ***did not*** conclude that these accounts were unauthorized; it just could not rule out the possibility that they were unauthorized (e.g., because the credit card was not activated).

Of the subset of accounts that were found to be potentially unauthorized, PwC determined that roughly 100,000 deposit accounts incurred fees totaling approximately $2.2 million and roughly 15,000 credit card accounts incurred fees totaling approximately $460,000. Wells Fargo has already made direct deposits and issued checks to refund these fees.

Notably, Wells Fargo has begun contacting the customers with open credit card accounts identified by PwC (i.e., the customers with accounts that ***could have been*** unauthorized) to determine whether they want these credit cards. The process is ongoing, but so far only approximately 25 percent have informed the bank that they either did not apply or did not recall whether or not they applied for their card. For those customers who want the credit card, the card will remain open. For any customer who does not want their credit card, Wells Fargo is closing the account and informing the credit bureaus. Although even one unauthorized account is too many, the preliminary results of this extensive outreach effort suggest that the initial estimates of the number of potentially unauthorized accounts opened by Wells Fargo employees may have been less than originally reported.

Going forward, Wells Fargo is voluntarily expanding its review of accounts to include 2009 and 2010.

Request 15:

Documents and communications sufficient to detail the positions and salaries of all employees terminated for the improper sales tactics.

The average base compensation for terminated employees ranged from approximately $26,000 for Tellers to over $170,000 for a Regional Banking Area President. In general, Community Banking division team members earn an average total compensation of more than $50,000 ($62,000 inclusive of benefits).

GIBSON DUNN

The Honorable Elijah E. Cummings
October 13, 2016
Page 4

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* * *

Please feel free to have your staff contact me with any questions concerning the above response.

Sincerely,

Michael D. Bopp

Enclosure

cc: The Honorable Jason Chaffetz
Chairman
Committee on Oversight and Government Reform

APPENDIX B

Committee on Banking, Housing, and Urban Affairs
An Examination of Wells Fargo's Unauthorized Accounts and the Regulatory Response
September 20, 2016

Questions for Mr. John G. Stumpf, Chairman and CEO, Wells Fargo & Company, from Senators Brown, Reed, Schumer, Menendez, Tester, Warner, Merkley, Warren, Heitkamp and Donnelly:

1) **As was requested of you at the hearing, what is the precise date in 2013 when you became aware of these issues in the Community Banking Division? How was this information conveyed to you, and by whom?**

   Response: It is our understanding that, from time to time, because of Mr. Stumpf's position, individuals would contact him directly and complain about issues and that Mr. Stumpf did receive complaints about sales-practice issues over the years. When Mr. Stumpf received such complaints, our understanding is that his practice was to forward them to the appropriate internal team, such as Human Resources, to address.

   Mr. Stumpf has said that he recalls learning of the increase in the number of reports of sales-practice issues in late 2013.

   Please note that the Independent Directors of Wells Fargo's Board of Directors have launched an investigation into sales-practice issues, and that investigation is ongoing.

2) **As was asked at the hearing, what is the precise date when the Board of Directors became aware? How was this information conveyed to the Board, and by whom? Please provide a list of the dates of the Board meetings when this matter was discussed, as well as which Board members were in attendance at these meetings.**

3) **At the hearing, you were asked whether any Board members or executives had fraudulent accounts opened in their names. Please provide any names and titles.**

   Response to Questions 2-3: From at least 2011 forward, the Board's Audit and Examination Committee received periodic reports on the activities of Wells Fargo's Internal Investigations group (which investigates issues involving team members), as well as information on EthicsLine and suspicious activity reporting. Among other things, several of those reports discussed increases in sales integrity issues or in notifications to law enforcement in part relating to the uptick in sales integrity issues. Some reporting discussed reasons for increases in sales integrity investigations and reporting, which included improved controls, tightening existing controls, and enhancements to better facilitate referrals of potential sales integrity violations to Internal Investigations.

   Later, the Risk Committee began to receive reports from management of noteworthy risk issues, which included, among other risks, sales conduct and practice issues affecting customers and management's efforts to address those risks. The Board's Human Resources Committee also received reports from management that it was monitoring sales integrity in Community Banking. Sales integrity issues also were discussed periodically with the Board.

Committee on Banking, Housing, and Urban Affairs
An Examination of Wells Fargo's Unauthorized Accounts and the Regulatory Response
September 20, 2016

4) **At the hearing, you stated that you did not learn of the systemic fraud occurring at Wells Fargo until late 2013, after interventions at lower levels of the company had failed to stem the creation of fraudulent accounts. Please provide a detailed timeline, from 2007 to 2015, of when different segments of Wells Fargo learned that employees were creating fraudulent accounts and what actions those segments took address the problem, including which Wells Fargo employees (such as senior executives) and federal and state regulators they informed of the problem.**

   Response: Prior to the summer of 2011, it was Wells Fargo's practice to address individual instances of alleged unauthorized accounts as they were brought to its attention by customers or bank team members. In 2012, the task of dealing with such complaints was assigned to the risk management function within Community Banking, which initiated a number of efforts to proactively monitor sales-integrity issues—which might include unauthorized accounts, but might also involve opening accounts that are a poor fit for the customer. This monitoring included tracking metrics such as how many accounts were funded within the first 30 days, how many accounts were closed within the first 30 days after opening, and how frequently accounts were downgraded from a higher value account type to a lower value account type. In April 2012, a report called the Quality of Sales Report Card was created to assist managers to monitor how their bankers were performing on these measures.

   In 2013, Wells Fargo conducted its first data analysis intended to identify bankers who were opening accounts in which money was initially deposited, but then removed and no further account activity occurred. This analysis was conducted out of concern that bankers might be trying to manipulate the sales-integrity metrics—particularly the rate of accounts funded within the first 30 days, by "simulating" funding of the accounts through transfers of funds. Based on the findings from this analysis, Wells Fargo's Corporate Investigations conducted an intensive investigation in the Los Angeles/Orange County region, resulting ultimately in the termination of several team members. The fact of this investigation, and some of the terminations, were what was publicized in the *Los Angeles Times* article on October 3, 2013. Wells Fargo's investigation continued into 2014 and resulted in further terminations.

   Based on the information learned from this initial proactive analysis, Wells Fargo began to implement changes to its policies and procedures in 2014 to attempt to mitigate the occurrence of sales-practices violations. Wells Fargo's efforts to further refine its policies and procedures and to investigate instances of sales-practices violations continued up until, and after, the Los Angeles City Attorney lawsuit was filed in May 2015. A third-party consulting firm, PricewaterhouseCoopers (PwC), was engaged in September 2015 to conduct a massive data-driven analysis of deposit and credit card accounts going back to May 2011. The results of this analysis for checking and savings accounts and credit cards were available in 2016.

5) **Does Wells Fargo have any information indicating that company employees created bank accounts or credit card accounts without customer consent prior to 2009? If so,**

how did the company obtain this information? When was the first reported case, and how many cases that occurred prior to 2009 have been discovered? Have you reported those cases to federal financial regulators?

6) **At the hearing, Wells Fargo announced that it would expand its "remediation review" to bank accounts and credit card accounts created in 2009 and 2010.[35] As was asked at the hearing, we have received reports of company employees creating false accounts before 2009, why have you limited your remediation review to 2009-2015? What steps will Wells Fargo take to ensure that customers with fraudulent accounts created before 2009 are compensated?**

   Response to Questions 5-6: As is the case with any large organization involved in sales, Wells Fargo has never been immune to issues of sales-practice violations or related incidents of unethical behavior on the part of some of our team members.

   We appreciate and share your concern that any and all customers who may have been impacted should be identified. Therefore, we are continuing to examine whether there are ways to identify unauthorized accounts opened prior to 2009. As an important initial step, we are notifying all of our consumer and small business Community Banking customers with a checking, savings, credit card, or line of credit account of this issue; we are also inviting and encouraging them to speak with a Wells Fargo representative if they have any questions or concerns about their accounts. Please also note that the Independent Directors of Wells Fargo's Board of Directors have launched an investigation into these issues, and that investigation is ongoing.

   Lastly, we would note again that pursuant to the CFPB and the OCC Consent Orders, Wells Fargo will retain the services of an independent consultant and develop redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments.

7) **As was asked at the hearing, are you confident that this type of fraudulent activity does not exist in other Wells business lines? Have you discovered other types of misconduct involving other products aside from credit cards or basic banking (such as misconduct related to applications for mortgages or personal or other loans, or lines of credit, insurance, or other investment areas)? If so, how did the company obtain this information? When was the first reported case, how many cases have been discovered, and what is the nature of these cases? Have you reported those cases to federal financial regulators?**

[35] Wells Fargo, "Wells Fargo Chairman and CEO John Stumpf Outlines a Series of New Actions to Strengthen Culture and Rebuild Trust of Customers and Team Members at Senate Banking Committee Hearing (press release)" (September 20, 2016) (online at https://www.wellsfargo.com/about/press/2016/new-actions-strengthen-culture_0920.content).

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Response: We believe that the activity at issue here was limited to certain team members within the Community Banking Division.

8) **Have you discovered misconduct relating to additional criminal or other misbehavior with the false accounts (such as bank employees using improperly created credit cards accounts for illegal purchases)? If so, how did the company obtain this information? When was the first reported case, how many cases have been discovered, and what is the nature of these cases? Have you reported those cases to federal financial regulators?**

Response: Although Wells Fargo can never be fully certain that it has identified all team member misconduct, the Company has increased its monitoring and compliance efforts to identify further misconduct. In addition, Wells Fargo has made significant changes to its policies and practices to prevent misconduct, enhance oversight, expand customer transparency, and improve the customer experience. We would like to highlight the following points:

- We have named a new head of our retail banking business.
- We have also changed the retail banking business's risk management processes. This is consistent with the reorganization of enterprise functions we have conducted across the Company to create a stronger risk and control foundation that allows senior team members across the Company to provide more independent, credible challenges to how we operate.
  - To this end, we are transitioning a number of control functions out of the lines of business, which includes Community Banking, and centralizing them within Wells Fargo's independent corporate Risk function, which will be responsible for sales-practice oversight, as well as establishing an independent Sales Practices Office.
- We have eliminated product sales goals for all Regional Bank team members who serve customers in our retail branches.
- We have made system and process enhancements, including sending automated confirmation emails to our customers every time a new personal or small business checking account or a savings account is opened; and acknowledgements are also sent for credit card applications. We are also working to improve multi-factor authentication to protect our customers' information, and signatures are captured electronically approximately 99% of the time for new checking, savings, and credit card applications. In addition, we are closing automatically inactive new deposit accounts that, after 62 days, have a zero balance, without assessing a monthly fee.
- This year alone, we have committed more than $50 million to enhanced quality assurance monitoring.
- We have expanded an independent third-party mystery shopper program, adding risk professionals to provide greater oversight, and expanding our customer complaint servicing and resolution process.

- We are surveying team members to understand their views on our Company's approach to ethics and integrity.
- We also have commenced the process with our regulators to engage an independent consultant to review sales practices in Community Banking. In addition, we will be engaging external consultants to review sales practices across the Company.
- And we will be engaging outside independent culture experts to help us understand where we have cultural weaknesses that need to be strengthened or fixed.

9) At the hearing you indicated that you met with Ms. Tolstedt weekly, but you did not answer how often you talked with her. How often did you have conversations with Ms. Toldstedt? At any point in your regular conversations or meetings did she raise concerns with you about the firms' cross-selling focus, sales goals, firings related to unauthorized accounts, or other related matters? When did she first raise these concerns with you?

10) You testified that it was in 2013 that the discussion with Ms. Tolstedt on this topic made an impression upon you. Does this mean that she raised this with you earlier and it did not make an impression? Please explain.

11) Did you ask Ms. Tolstedt when she first learned about this wrongdoing? If so, when did you ask her? If you asked her, what information did Ms. Tolstedt provide you to when you asked? Did you ever ask her why she waited so long before bringing this to the attention of other members of senior management? What did she say?

Response to Questions 9-11: It is our understanding that, from time to time, because of Mr. Stumpf's position, individuals would contact him directly and complain about issues and that Mr. Stumpf did receive complaints about sales-practice issues over the years. When Mr. Stumpf received such complaints, our understanding is that his practice was to forward them to the appropriate internal team, such as Human Resources, to address.

Mr. Stumpf has said that he recalls learning of the increase in the number of reports of sales-practice issues in late 2013.

Additionally, Wells Fargo cannot determine for certain the first time Ms. Tolstedt was told that a team member's employment was terminated for committing a sales violation. Like any large employer, Wells Fargo monitors sales-integrity and integrity issues so that, as issues came up that needed to be addressed, Ms. Tolstedt would be informed about those issues. The ongoing investigation by the Independent Directors of the Board of Directors and others is looking carefully at this question.

Again, please note that the Independent Directors of Wells Fargo's Board of Directors have launched an investigation into sales-practice issues, and that investigation is ongoing.

12) Please provide the committee with all communication between you and Ms. Tolstedt on this topic for which a record exists from 2007 forward. By way of illustration, this

should include communication regarding gaming, pinning, bundling, simulated funding, employee terminations, internal complaints, lawsuits, etc.

13) **As was requested in the hearing, please provide a timeline of Wells' first contact, and subsequent interactions, with the CFPB, OCC, and Los Angeles City Attorney's office. Please provide copies of the documents Wells Fargo produced to the CFPB, OCC, the Los Angeles prosecutor, and PWC in connection with this matter.**

Response to Questions 12-13: As Comptroller Curry testified before the Senate Banking Committee on September 20, 2016, Wells Fargo management meets regularly with the Office of the Comptroller of the Currency (OCC), our prudential regulator, about a variety of issues. Wells Fargo immediately cooperated with the OCC upon its first contact with the bank concerning these issues. Ultimately that involved addressing Matters Requiring Attention (MRAs) the OCC imposed as well as providing relevant documents in 2015.

Wells Fargo's General Counsel notified the CFPB of the Los Angeles City Attorney's lawsuit at or about the time it was filed in May of 2015. The CFPB requested information shortly after Wells Fargo notified the Bureau of the lawsuit. In June and July 2015, Wells Fargo provided information to the CFPB.

The City Attorney filed its complaint in May 2015. Wells Fargo did not have substantive conversations with the City Attorney's office prior to that time.

14) **Please provide the committee with all reports prepared internally or by third parties to evaluate policies and practices that led to these activities, the extent of these activities, as well as any reports to understand and address customer harm, including the PwC, Accenture and Skadden studies**

15) **Please provide the committee with all minutes and all materials related to these activities (including, but not limited to any report prepared by the investigations, compliance, bank secrecy /anti-money laundering, audit or human resources functions) provided to members of the Compensation, Risk, and Audit and Exam Committees, as well as the full board, for all meetings for the period 2007 to the present.**

16) **Please provide the committee with any communication that the Board of Directors, any committee of the Board or any individual Board member had with any government enforcement agency, any institution personnel or other Board member, regarding any matter relating to the activities.**

17) **Please identify the positions held by the personnel in the corporate General Counsel's office and other senior management offices that are involved with complaints by employees, former employees and customers that are filed in court and are subject to negotiation or arbitration and that allege or refer to the activities associated with the misuse of customer personal information or the opening of**

unauthorized accounts as well as any other practices used to further those activities, including but not limited to sales incentives and those practices described as pinning, sandbagging, bundling, gaming, or like actions.

18) Please describe the role and level of involvement that such personnel (and the General Counsel's office and other senior management offices to which they belong) have in monitoring, hiring outside counsel, directing, negotiating or the decision making in those matters, and how such matters are reported up to the General Counsel, senior management and Board members.

Response to Questions 14-18: The issues described above would be handled by a range of Wells Fargo team members depending on the nature of the allegations raised. Wells Fargo's Office of General Counsel monitors all legal claims against the bank and makes appropriate staffing decisions, including the use of outside counsel, when required.

19) When asked whether you have referred any of your personnel to law enforcement between when you learned about this issue until the present, you said that you did when it was required. Can you please specify the number of employees that you have referred, their names and titles, the agencies to which they have been referred, and the violations for which they were referred?

20) Please provide the number of Suspicious Activity Reports (SARs) related to these activities that were filed for each year from 2007 to the present.

Response to Questions 19-20: Wells Fargo has policies, procedures, and internal controls that are reasonably designed to comply with its legal obligations to monitor, detect, and report suspicious activities. Under federal law, Suspicious Activity Reports ("SARs"), and any information that would reveal the existence of a SAR, are confidential, 31 U.S.C. § 5318(g)(2)(A)(i) and 12 C.F.R. § 21.11(k).

21) As was requested at that hearing, when did you begin to disclose in SEC filings that you had this potentially material adverse set of circumstances that could damage your reputational value?

Response to Question 21: Each quarter, we look at the relevant and appropriate facts available to us to determine whether a legal matter is material and should be disclosed in our public filings. Discerning materiality is not a mechanical exercise but rather is a determination based on judgments informed by the facts and circumstances known at the time the determination is made.

Based on the facts and circumstances as we knew them at the time, we concluded that the sales-practices investigations by the Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency (OCC), and the Los Angeles City Attorney were not material. This was a considered determination based upon what we understood at the time these investigations were occurring.

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As part of our ongoing review process, we continued to evaluate the ongoing developments since the announcement of the settlements to determine whether any filings or disclosures should be made. In conjunction with our Form 8-K filing on September 28, 2016 announcing our former CEO John Stumpf's and our former Community Banking head Carrie Tolstedt's forfeiture of their unvested equity awards, we determined that it was appropriate to disclose the relevant legal developments that had occurred *since* the announcement of the settlements. As noted in our Form 8-K, these included "formal or informal inquiries, investigations or examinations" from "[f]ederal, state, and local government agencies, including the United States Department of Justice, and state attorneys general and prosecutors' offices, as well as Congressional committees. . . ."[36] Furthermore, our Form 10-Q filing on November 3, 2016 contained additional disclosures concerning sales practices matters, including an update to our legal actions disclosures and the addition of a new risk factor summarizing the legal developments and related events that had occurred since the announcement of the settlements and noting the potential that "negative publicity or public opinion resulting from these matters may increase the risk of reputational harm to our business . . . ."[37] We will continue to review developments related to sales practices matters and make additional disclosures as the facts and circumstances warrant.

__Employees__

22) Please provide the Committee with information on the following items for each year from 2007 to the present for the Community Banking Group and all of Wells Fargo, broken out by position (e.g. tellers, bankers, branch managers, district managers, regional managers, and senior management):

a. the number of employees terminated for engaging in, encouraging or tolerating such activities;

b. the number of employees who were terminated because they did not meet sales quotas;

c. the number of employees who resigned or retired or were asked or instructed to resign or retire for engaging in, encouraging or tolerating such activities;

d. the number of employees who were subject to internal disciplinary measures for engaging in, encouraging or tolerating such activities;

[36] *See* Wells Fargo, September 28, 2016 Form 8-K (available online at https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm).
[37] *See* Wells Fargo, November 3, 2016 Form 10-Q at 67 (available online at https://www.sec.gov/Archives/edgar/data/72971/000007297116001340/wfc-9302016x10q.htm).

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e. the median pay by position.

Response: Below is a table that provides the median Full Time Equivalent (FTE) base pay for positions within the Regional Bank from 2007 through September 1, 2016. In addition, all salaried and hourly team members classified as regular or part-time (i.e., those who are regularly scheduled to work 17.5 hours or more per week) are eligible for Wells Fargo-sponsored benefits, including tuition reimbursement, health care insurance, dental insurance, vision insurance, life insurance, short- and long-term disability, 401(k) plan, and paid parental leave.

Regional Bank Job Summary: 2007-2016 Median FTE Base Pay										
Job Grouping	**2007†**	**2008†**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Tellers	$22,672	$22,880	$23,920	$23,566	$23,858	$23,920	$23,920	$24,274	$24,752	$26,187
Customer Sales & Service Representatives	$29,931	$30,638	$31,200	$30,014	$30,950	$30,514	$30,992	$31,200	$31,304	$31,533
Personal Bankers	$35,006	$35,173	$38,002	$36,046	$36,005	$35,984	$36,005	$36,712	$36,837	$38,501
Service Managers	$36,754	$37,981	$38,002	$38,896	$39,499	$39,998	$40,498	$41,330	$42,037	$42,848
Store Managers	$56,659	$58,802	$58,198	$60,008	$59,987	$60,008	$60,570	$62,400	$63,752	$65,021
Business Banking Specialists	$47,174	$49,150	$49,150	$49,150	$49,504	$49,982	$49,150	$49,130	$48,859	$49,358
Private Bankers	$62,962	$65,562	$62,296	$64,314	$63,066	$64,522	$65,354	$67,392	$69,680	$70,013
District Managers	$98,322	$102,315	$100,152	$105,934	$109,262	$111,155	$113,256	$114,899	$118,248	$119,995

† 2007 and 2008 data excludes legacy Wachovia team members (pre-Wachovia merger).
** Data based on active population as of 12/31 of each respective year (2016 as of 9/1).*
*** Median FTE Base Pay calculated as hourly rate X 2080.*

23) Please provide the committee with any documentation related to sales quality metrics used by compliance, marketing, or any other unit within the Community Banking Division to evaluate employees' performance. Please provide documentation of how these metrics changed between 2007 and the present

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24) **Please also provide copies of written policies or procedures that outline how Wells Fargo disciplined employees that did not meet their sales quotas from 2007-2015. Finally, please provide your plans for making these employees whole.**

Response to Question 22, subparts (a-d) and Questions 23-24: From 2011 to 2015, approximately 5,300 team members were terminated for certain sales-integrity violations. The majority of the terminated team members held banker, management, or other functionally similar positions. Approximately 1,000 were terminated each year. For example, investigations by the Corporate Investigations group in 2013 resulted in the termination of 1,245 Community Banking team members. That is approximately 1% of Wells Fargo's total population of Community Banking employees.

Approximately 65% of the terminated team members were in Personal Banker positions or functionally similar roles and 7% were in Teller positions. In addition, we terminated the employment of over 480 team members in supervisory positions, including store managers and persons up to three levels above bankers and tellers, when investigations have found that those team members engaged in or directed improper sales practices or exhibited excessive pressure and did not respond promptly and decisively to change their behavior. All of these team members were terminated for sales-integrity violations, not for failing to meet product sales quotas.

Wells Fargo cannot quantify with any degree of confidence how many team members were disciplined solely for not meeting sales goals. Wells Fargo has safeguards in place to help ensure that managers remain focused on assessing team members' overall performance in helping customers succeed financially, not just whether they meet an individual sales goal. This includes a strong performance management program, which provides for coaching and feedback to help team members succeed and involvement of Human Resources in disciplinary decisions.

Wells Fargo team members who believe they were disciplined for not meeting sales goals can raise those concerns through a number of different channels, including through their management chain, Human Resources, or the EthicsLine. Moreover, Wells Fargo has established a process to enable former team members who contact the Company today to request a review of their termination, even if they did not utilize the Company's termination appeal and review processes at the time of their departure. Former team members who did utilize the Company's appeal processes in the past will be provided with an additional review. Former team members who express interest in reemployment and are deemed to be eligible for reemployment through this review process will be able to work with a special recruiting team to assist in exploring opportunities at Wells Fargo.

25) **Please provide the states and zip codes of the Wells Fargo branches where each of the 5,300 employees were terminated.**

Response: Wells Fargo team members' employments were terminated in the following states (and District of Columbia):

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Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
Florida
Georgia
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oregon
Pennsylvania
South Carolina
South Dakota
Tennessee
Texas
Utah
Virginia
Washington
Washington, DC
Wisconsin

Wyoming

Please see Appendix I for the list of zip codes of the affected branches.

26) **What was Wells Fargo's policy on the employees who reported concerns to their managers, human resources division or used the hotline and were fired? Please share with the Banking Committee any internal memos, or pertinent exchanges, outlining the strategy for firing employees who raised concerns.**

27) **At the hearing, you indicated that employee ethics complaints were handled by an outside firm and to resolve an issue an employee would not be confronted by his or her supervisor. Please provide a detailed description of the ethics complaint process in 2007, and any subsequent changes to it.**

Response to Questions 26-27: It has never been a policy or practice of Wells Fargo to terminate team members who voiced their concerns to managers, the human resources division, or through the ethics hotline. We are aware that certain former team members are making these allegations and we take them very seriously. We are currently investigating the issue.

Wells Fargo has long had internal processes in place for team members to raise issues or concerns through multiple channels, including managers, HR, Compliance and/or the EthicsLine. We encourage team members to speak up if they experience or witness something that makes them feel uncomfortable and have measures in place to protect team members from retaliation. The EthicsLine provides team members with a confidential way to report possible violations of Wells Fargo's Code of Ethics and Business Conduct or any laws, rules or regulations. Team members have the option to remain anonymous through the EthicsLine. It is available to all team members (U.S. and international) 24 hours a day, seven days a week, via toll-free telephone or online web reporting. The EthicsLine has been operated and staffed by a third-party vendor since its inception in 2004, and translation services are available. This process helps ensure team member confidentiality and preserves anonymity when requested.

All team members who call the EthicsLine are provided with an EthicsLine ID that is associated with their EthicsLine Report. Team members who elect to remain anonymous are asked to either call back to the EthicsLine or log into the EthicsLine Web Portal in 10 calendar days to provide additional information or answer any questions relating to their report. To further protect the integrity of the confidential hotline, the vendor does not record any data related to the incoming telephone calls or web reports. Team members who self-identify are advised that since they provided their name and contact information, Wells Fargo now has the option to contact them directly if needed. They are also told they can call the EthicsLine at any time to provide additional information.

Interview specialists with the EthicsLine vendor listen, ask clarifying questions if necessary, and then write a summary report of the call. The summary is then provided to

Wells Fargo's Office of Global Ethics and Integrity for assessment and referral to the appropriate review team.

Wells Fargo takes measures to protect team members from retaliation, including maintaining confidentially during the review process. Specifically:

- All reports of suspected unethical or illegal activities are taken seriously and measures are in place to ensure concerns are promptly evaluated and reviewed.

- The review of concerns in many cases will require a fact-finding that may involve interviews with individuals the Company determines may have information relevant to the underlying issue or concern. However, management of any review and updates regarding facts, progress and outcomes are limited to only those who have a legitimate business need to know.

- It may be possible in some cases for the researcher / investigator to determine the identity of the team member due to the nature of the issue reported and the information shared by the team member. However, the researcher / investigator would not ask the team member to self-identify as the person who made the EthicsLine Report.

In no circumstances is the team member told the specifics about any corrective action taken against another team member as it is not Wells Fargo's practice to discuss confidential information regarding one team member with another. Wells Fargo will only share information regarding the review, including any corrective action taken, with those who have a legitimate business need to know.

Wells Fargo's Nonretaliation Policy, which is available to all team members in the Team Member Handbook and reiterated in the Code of Ethics and Business Conduct, mandates that no team member may be retaliated against for providing information in good faith about suspected unethical or illegal activities, including fraud, securities law, or regulatory violations, or possible violations of any Wells Fargo policies. Retaliatory behavior has always been, and continues to be, grounds for corrective action, up to and including termination of employment. Team members who believe that they or someone else has been retaliated against for reporting an issue are instructed to report it as soon as possible to their supervisor or manager, HR Advisor team, or Corporate Employee Relations, to ensure that a prompt review is conducted and, where appropriate, corrective action is taken. Team members can also report retaliation concerns via the EthicsLine.

Wells Fargo has additional safeguards to prevent any form of retaliation, including the fact that Wells Fargo's Human Resources personnel are typically consulted in every termination decision. Additionally, team members whose employments have been terminated may utilize Wells Fargo's termination review process to request to have that decision reviewed by a Corporate Employee Relations professional who was not previously consulted in the termination decision.

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To further strengthen our program and foster an environment where all team members feel comfortable escalating matters without fear of retaliation, we are making improvements to the program, including:

- Enhancing our Company-wide standards to ensure a consistent team member experience and safeguards, regardless of the type of issue reported or which group is conducting the research or investigation.

- Reinforcing our standards and processes that protect team members from retaliation. This will include requiring that the appropriate review unit evaluating the underlying issues or concerns must provide a reminder of the Company's Nonretaliation Policy to all individuals interviewed or contacted as part of the review, as well as all managers who may be part of any corrective action decisions arising out of the review.

- Ensuring that reports of suspected unethical or illegal activities are evaluated, investigated, and appropriately escalated in a timely and confidential manner by continually monitoring and refining our EthicsLine research and investigative processes. This will include the adoption of Speak Up, Investigative, and Nonretaliation Standards to help guide the research and investigative process.

- Creating additional training, communications, and resources to help team members understand their responsibilities under the Code of Ethics and Business Conduct and related policies, the importance of speaking up, and what to do when faced with an ethical dilemma.

With respect to allegations from former team members who claim that their employment was terminated or they were demoted after refusing to open unauthorized accounts and/or after reporting concerns to the EthicsLine, we are reviewing each of the situations. As described above, team members have the option to raise concerns anonymously, so Wells Fargo likely will not have records identifying former team members who raised concerns anonymously through the EthicsLine. Nevertheless, Wells Fargo is taking steps to review such termination/demotion decisions where possible and has engaged outside consultants to help us with this review. Moreover, Wells Fargo has established a process to enable former team members who contact the Company today to request a review of their termination, even if they did not utilize the Company's termination appeal and review processes at the time of their departure. Former team members who did utilize the Company's appeal processes in the past will be provided with an additional review. Former team members who express interest in reemployment and are deemed to be eligible for reemployment through this review process will be able to work with a special recruiting team to assist in exploring opportunities at Wells Fargo.

28) During your testimony, you consistently cited your participation in "Town Hall" style meetings to explain how you communicated to employees that they should not, under any circumstances, create false accounts for customers in order to meet sales quotas. Please provide transcripts from all Town Hall-style meetings that you

participated in from 2011 to 2015. Please demarcate all areas of those transcripts in which you clearly state that employees should not be defrauding customers.

Response: Mr. Stumpf addressed the unauthorized accounts issues during a town hall meeting following the December 2013 *Los Angeles Times* story. During that town hall, Mr. Stumpf informed team members he "want[ed] to address" the issues discussed in the article "head on." Of note, he said:

> Our culture is about service. We want to help our customers succeed financially, and we're not in the product pushing business. Think of . . . yourselves [] no matter what business you're in, whether you help those who service our external customers or if you serve them directly, I think of all of us as being financial physicians. We meet our customers . . . and we have a conversation with them. And we listen carefully for their needs. And once we discover a need, we then through our skill set, understanding, and experience, our value-add, we offer a product or a service or a series of products and services to help them. We don't try to sell them something that they don't need or don't want. . . .
>
> Here's my ask of you and for everybody listening today. If you believe that your team, your boss, your boss' boss somehow is putting pressure on you to sell things that your customers don't want, don't need, raise your hand. . . . And if you're not comfortable doing that, there's an anonymous . . . ethics line, [or you can] talk to somebody in HR. We want to do the right thing. We're in the long-term business.[38]

29) **Were fraudulent accounts created in one branch location from the account information of customers of another branch? Did employees establish accounts or claim to sell additional products to customers in another state?**

Response: Wells Fargo customers frequently utilize multiple branches and will themselves open accounts at different locations at different times. Some potentially unauthorized accounts were opened at different locations than other accounts owned by the same customer, but we are not aware whether that is due to customer choice or banker conduct. We are not aware of unauthorized accounts being opened in states other than those where the customer banked, however, our internal review is ongoing.

30) **Did employees establish accounts or claim to sell additional products for minor children?**

[38] Hollywood, FL, Town Hall, February 5, 2014 (Transcript on file).

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Response: Wells Fargo does not currently know the extent to which unauthorized accounts were opened in the name of minor children, however, our internal review is ongoing.

We would note that the Consumer Financial Protection Bureau (CFPB) and Office of the Comptroller of the Currency (OCC) Consent Orders both require Wells Fargo to retain the services of an independent consultant and to develop redress and reimbursement plans that will identify the population of consumers who may have been affected by improper sales practices.

31) **During your testimony, you denied that the Wells Fargo incentive structure was responsible for the widespread fraudulent activity at your bank. Further, you and your colleagues at the bank have stated that the 5,300 fired employees acted without guidance from management and were rogue employees. In comparison, little has been reported on the bonuses or incentive structures for regional and branch managers. What bonuses did Wells Fargo pay to regional and branch managers for successful (either meeting or exceeding their sales quotas) cross-selling numbers?**

Response: Prior to our elimination of product sales goals, Regional Bank store managers in our retail branches earned incentive compensation based in part on the store's performance relative to store goals. If a particular store met its sales goal, the store manager would have been eligible for bonus compensation. The store manager would have been eligible for additional bonus compensation for exceeding the goal at various levels. For the purposes of context, between 2011 and 2014, the median incentive payout as a percentage of total salary earned by store managers based on sales-related performance objectives (versus incentive opportunities provided for service and other performance objectives) declined from 8.5% in 2011 to 4.0% in 2014. The median payout earned by district managers, who supervise store managers, also declined between 2011 and 2014, from 13.1% to 3.0%.

Consumer Harm

32) **Please provide a state-by-state list of the number Wells Fargo customers that you have determined may have been harmed by this misconduct.**

Response: We asked PwC to analyze approximately 82 million deposit accounts for instances of potential simulated funding and approximately 11 million credit card accounts for instances of lack of authorization. The accounts reviewed were opened between 2011 and 2015. Of the accounts reviewed, PwC found that approximately 623,000 consumer and business credit card accounts ***could have been*** unauthorized, and approximately 1.5 million deposit accounts ***could have*** experienced simulated funding, that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. PwC ***did not*** conclude that these accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities.

Below is the state-by-state list of the number of deposit and credit card accounts that PwC identified, within the total of approximately 2.1 million accounts identified. Although PwC identified accounts in all 50 states, for the reasons discussed it is not clear that unauthorized credit card accounts were actually opened and/or deposit accounts experienced simulated funding in all 50 states:

State	Number of Accounts Identified by PwC (Credit & Deposit)
Alabama	22,795
Alaska	5,970
Arizona	178,972
Arkansas	1,310
California	897,972
Colorado	64,481
Connecticut	11,497
Delaware	4,255
Florida	117,752
Georgia	55,579
Hawaii	805
Idaho	14,316
Illinois	4,890
Indiana	5,222
Iowa	12,630
Kansas	1,296
Kentucky	629
Louisiana	862
Maine	217
Maryland	15,391
Massachusetts	1,142
Michigan	2,891
Minnesota	31,238
Mississippi	2,355
Missouri	1,191
Montana	8,352
Nebraska	12,348
Nevada	53,675
New Hampshire	217
New Jersey	95,921
New Mexico	18,847
New York	24,048

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State	Number of Accounts Identified by PwC (Credit & Deposit)
North Carolina	38,722
North Dakota	1,939
Ohio	1,579
Oklahoma	761
Oregon	35,202
Pennsylvania	79,918
Rhode Island	192
South Carolina	23,327
South Dakota	4,803
Tennessee	3,534
Texas	149,857
Utah	41,686
Vermont	144
Virginia	41,703
Washington	38,861
Washington, DC	2,433
West Virginia	341
Wisconsin	8,922
Wyoming	2,317

33) As requested at the hearing, please provide the proportion of customers who were harmed by Wells' misconduct who are: elderly, racial/ethnic minorities, and military/veterans.

34) Please provide the number of customers identified by the PwC study as having had a fraudulent account opened by age cohort: 0-17; 18-30, 31-40, 41-50, 51-60, 61-70, 71-80, 81-90, 91+

Response to Questions 33-34: Wells Fargo collects date of birth data and our initial review indicates that elderly customers were not overrepresented among the population of customers who may have had an unauthorized deposit account opened in their name.

Of the 2.1 million accounts that PwC identified, 5,089 accounts were associated with customers who are identified in the Defense Manpower Data Center (DMDC) as being active duty, reserve, or National Guard. In other words, less than 0.3% of the accounts identified by PwC were associated with customers who are identified in the DMDC.

We do not collect data concerning race or ethnicity during the application process.

35) Please provide the committee with a list of the written policies for 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, and 2015 that Wells Fargo provided to consumers upon

their opening of a bank account or credit card account that explain the fees associated with those accounts.

36) **Will Wells Fargo be providing any non-monetary compensation (such as free credit reporting, ID protection, or discounted or free Wells Fargo services) to customers? Please explain.**

37) **Does Wells Fargo have a policy for assisting customers who had their identification stolen and faced significant costs due to actions taken by Wells Fargo employees? Please explain.**

38) **You indicated at the hearing that you would consult with your team as to any data limitations that would prevent you from identifying customers harmed earlier than 2009. What are the results of those conversations? How far back can Wells Fargo conduct an examination similar to the one conducted by PwC?**

Response: We appreciate and share your concern that any and all customers who may have been impacted should be identified. Therefore, we are continuing to examine ways to discern if any unauthorized accounts were opened prior to 2009. As an important initial step, we are notifying all of our consumer and small business Community Banking customers with a checking, savings, credit card, or line of credit account of this issue; we are also inviting and encouraging them to speak with a Wells Fargo representative if they have any questions or concerns about their accounts. Please also note that the Independent Directors of Wells Fargo's Board of Directors have launched an investigation into these issues, and that investigation is ongoing.

Further, we would note again that pursuant to the CFPB and the OCC Consent Orders, Wells Fargo will retain the services of an independent consultant and develop redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments.

39) **As requested during the hearing, please provide specific information related to overdraft protection products, including sales goals related to overdraft, the number of consumers who overdrew their accounts, the number of overdraft protection products sold without customer knowledge, and dollar amount of overdraft fees charged to consumers related to this episode.**

Response: Wells Fargo is committed to providing only those services that our customers need or want. Overdraft protection is one of those services. Customers are encouraged to contact us if they have any issues or concerns.

40) **During the hearing you were asked how Wells Fargo's cross-selling and sales targets compare to its competitors. Please provide your understanding of this answer.**

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Response: Wells Fargo is not aware of the degree to which our competitors use cross-sell strategies.

<u>Restoring the Credit Scores of Wells Fargo Customers</u>

41) **Has Wells Fargo contacted and instructed Transunion, Equifax and Experian, and any other credit bureaus, to determine and remediate any possible harm resulting from the opening of, and activity on, unauthorized credit cards? Please provide the date(s) of any outreach by Wells Fargo to these bureaus, the instructions and information provided to the bureaus, and the proposed remediation for those customers who may have suffered harm.**

42) **Your credit restoration plan provides Wells Fargo with the opportunity to push new products onto customers, urge them to hold on to credit cards they may or may not have wanted, and gather additional information from customers unrelated to closing fraudulent accounts—opportunities that benefit Wells Fargo, not affected customers. Please provide a copy of the scripts that your company will use to contact affected customers, highlighting any instance in which Wells Fargo attempts to convince customers to purchase new products or retain (potentially unwanted) accounts.**

43) **Senator Tester asked you how you planned to identify and provide restitution to customers whose credit ratings were negatively impacted because of Wells Fargo employees' actions against its customers, including but not limited to transactions with other financial institutions. You stated that you would call each of Wells' credit card customers to identify any who have been harmed and "have [y]our team come back and report to you how we're working on it." Please provide a detailed explanation of how Wells Fargo plans to identify and provide remediation to these customers, and to other customers who may not have had credit cards, but whose credit may have been harmed due to other products.**

44) **How will you confirm that inaccurate information on your customers' credit files has been removed? It's one thing to say they're removing the inaccurate info, it's another to ensure the bureaus go ahead and actually remove it.**

Response to Questions 35-37, 41-44: Wells Fargo is working very hard to remediate harm that may have been caused to our customers. To that end, pursuant to the CFPB and OCC Consent Orders, Wells Fargo will retain the services of an independent consultant and develop redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments.

Wells Fargo is contacting credit card customers for the purpose of determining whether they want their credit cards and to help us identify customers who may have an unauthorized credit card account. We are not using these calls to promote other products or services. Our script simply informs customers that we are calling them about an inactive account and asks whether they want the account.

For those customers who want the credit card, the account will remain open. For any customer who does not want their credit card, Wells Fargo is closing the account and correcting credit bureau reporting. This means we are removing the account from the customers' credit reports going forward and suppressing the existence of the inquiry so that it is not viewable to other lenders or requestors (the Fair Credit Reporting Act prohibits us removing the inquiry altogether and it will still be visible to customers pulling their own credit reports).

Moreover, we are in the process of determining how many customers obtained a credit product, with Wells Fargo or another company, during the time period in which their credit score may have been impacted by an unauthorized credit inquiry or existence of the trade line. While it may be difficult to calculate the precise impact for every customer, our intent is to err on the side of the customer and compensate them for impacts to their other credit accounts. This could include impacts on pricing, line or loan size, or credit decision. We have allocated significant resources to this effort and are working with the credit bureaus to develop a plan for submission to our regulators.

Going forward, Wells Fargo is voluntarily expanding its review of accounts to include 2009 and 2010. Wells Fargo also provides resources to help customers request free credit reports and is offering a no-cost mediation option to impacted customers to help identify and remediate any other forms of harm.

Ultimately, if any customer has any questions or concerns regarding his or her accounts—regardless of when those accounts were opened—he or she is invited to contact us so that Wells Fargo can address those questions or concerns.

Senior Executive Compensation

45) Please provide any Board or Compensation Committee minutes describing (1) discussion of the pending Wells Fargo settlement and any impact it had on Ms. Tolstedt's decision to retire, (2) discussion of termination or any other penalty for Ms. Tolstedt in relation to her role in the Wells Fargo actions that resulted in the CFPB settlement; (3) the impact of Ms. Tolstedt's decision to retire on her final compensation.

46) Fortune magazine reported that the decision to allow Ms. Tolstedt to retire rather than terminating her resulted in her retaining an extra $45 million in compensation. Is this report accurate? If not, which portions are incorrect? How much did Ms. Tolstedt earn or retain as compensation because of her retirement that she would not have been allowed to earn or retain if she had been terminated?

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47) What are the criteria that the Board will use to determine all elements of Ms. Tolstedt's 2016 compensation?

Response to Questions 45-47: Ms. Tolstedt has left Wells Fargo. She has agreed to not exercise any outstanding stock options previously awarded by Wells Fargo until the completion of the Board of Directors' investigation and that, at the conclusion of this investigation, the Board (or the Independent Directors of the Board or the Human Resources Committee, through Board delegation) will have the authority to determine the extent to which such options will be forfeited.[39]

The Board's Independent Directors have determined that all of Ms. Tolstedt's unvested equity compensation, valued at approximately $19 million, would be forfeited, and that she would not receive a bonus for 2016 or any retirement enhancements or severance package in connection with her separation from Wells Fargo. No incentive compensation was granted to Ms. Tolstedt as a result of her separation from the Company, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her separation. Ms. Tolstedt could be subject to further compensation and other actions based upon the results of the Independent Directors' investigation.[40]

Wells Fargo has multiple recoupment or clawback policies and provisions in place that are applicable to Wells Fargo's current and former executive officers, including Ms. Tolstedt.

Policy/Provision	Trigger for Clawback or Recoupment	Compensation Subject to Recovery	Impacted Population
Unearned Compensation Recoupment Policy	Misconduct by an executive that contributes to the Company having to restate all or a significant portion of its financial statements.	Any bonus or incentive compensation that was based on achievement of financial results that were restated downward.	Executive Officers
Extended Clawback Policy[41]	Incentive compensation was based on materially inaccurate financial information or other materially inaccurate performance metric criteria, whether or not the executive was responsible.	Incentive compensation that was based on materially inaccurate financial information or other materially inaccurate performance metric criteria.	Executive Officers and certain other highly compensated employees
Performance-Based Vesting Conditions	• Misconduct which has or might reasonably be	Restricted Share Rights ("RSR") awards and	Executive Officers

[39] Wells Fargo, "Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters (press release)" (Sept. 27, 2016) (available online at https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927/).
[40] Wells Fargo, September 27, 2016 Form 8-K, (available online at https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm).
[41] Adopted June 15, 2009 and extended February 2010.

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Policy/Provision	**Trigger for Clawback or Recoupment**	**Compensation Subject to Recovery**	**Impacted Population**
	expected to have reputational or other harm to the Company or any conduct that constitutes "cause," • Misconduct or commission of a material error that causes or might be reasonably expected to cause significant financial or reputational harm to the Company or the executive's business group, • Improper or grossly negligent failure, including in a supervisory capacity, to identify, escalate, monitor or manage, in a timely manner and as reasonably expected, risks material to the Company or the executive's business group, • An award was based on materially inaccurate performance metrics, whether or not the executive was responsible for the inaccuracy, or • The Company or the executive's business group suffers a material downturn in financial performance or suffers a material failure of risk management.	Performance Share awards granted to named executives are subject to cancellation if the Board of Directors' Human Resources Committee determines that a trigger event has occurred.	Other team members in receipt of RSRs as part of annual incentive/ bonus awards.
Clawback Provisions Included in All Equity-Based Awards	In accordance with the terms of any recoupment or clawback policy or requirement from time to time maintained by Wells Fargo or required by law, as set forth in award	All equity awards granted under the LTICP, whether vested or unvested, for which the applicable Company clawback or recoupment	All team members who receive Wells Fargo equity

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Policy/Provision	**Trigger for Clawback or Recoupment**	**Compensation Subject to Recovery**	**Impacted Population**
	agreements for equity-based compensation grants since 2009. The Long-Term Incentive Compensation Plan ("LTICP") also provides that awards are subject to any Company recoupment policy or any recoupment requirement imposed under applicable laws.	policy or legal requirement is triggered.	awards under the LTICP

The Board (or the Independent Directors or the Human Resources Committee, through Board delegation) will assess the relevant facts and circumstances, the award terms, and Wells Fargo's recoupment and clawback policies to determine whether to cancel or clawback any more of Ms. Tolstedt's incentive compensation.

48) You stated at the hearing that you are "not an expert in compensation" and that you do not sit on the Wells Fargo Board's compensation committee. To help us better understand your role, as Chairman of the Board, in contributing to compensation decisions, please provide a description of the process by which your board makes decisions related to compensation and supply any written policies or guidance on the role of board members and Chairman on these matters. Specifically, please comment on Wells Fargo's most recent proxy statement which states on page 51 that part of Ms. Tolstedt's incentive compensation award was determined based on your assessment of her 2015 performance.

Response: In deciding executive compensation, the Human Resources Committee of the Board of Directors (HRC) is guided by four compensation principles that have historically governed its pay decisions for named executives:

1. Pay for Performance: Link compensation to Company, business line, and individual performance so that superior performance results in higher compensation and inferior performance results in lower compensation;

2. Foster Risk Management Culture: Structure compensation to promote a culture of prudent risk management consistent with the Company's Vision and Values;

3. Attract and Retain Top Executive Talent: Offer competitive pay to attract, motivate, and retain industry executives with the skills and experience to drive superior long-term Company performance; and

4. Encourage Creation of Long-Term Stockholder Value: Use performance-based long-term stock awards with meaningful and lasting share retention requirements to encourage sustained stockholder value creation.

In 2015, the HRC maintained the overarching compensation structure for named executives that it had used in the past, including the relative balance between annual fixed compensation and annual variable "at-risk" compensation. The HRC also continued to weight long-term over annual compensation, and equity over cash compensation. Within this framework, the HRC awarded the following primary elements of compensation to the Company's named executive officers for 2015: base salary, annual incentive, and long-term equity-based incentive.

In 2015, Ms. Tolstedt's 2015 annual incentive award was determined by the HRC based on a broad set of factors, including the Company's financial performance, the Company's progress on key strategic priorities, compensation of similarly situated executives in the Labor Market Peer Group (where such information was available), success in achieving strategic objectives in the Community Banking division, Ms. Tolstedt's ability to operate as a member of a team, Ms. Tolstedt's success against her objectives for 2015, which included the financial performance of her respective business line and a risk and other qualitative assessment of how those results were achieved, as well as the recommendations of Mr. Stumpf based on his assessment of her 2015 performance.[42]

The HRC awarded Ms. Tolstedt long-term incentive compensation in the form of performance shares granted in February 2015 and RSRs granted in July 2015. In granting the 2015 Performance Shares and establishing their terms, the HRC considered the appropriateness of this award structure in the context of multiple factors including applicable regulatory guidance, the quality of the Company's performance from a risk management perspective, and the need for continued leadership over the three-year performance period. The HRC determined the dollar value of the Performance Share grants, taking into account individual experience and responsibilities, to provide an opportunity to realize variable compensation commensurate with performance and with the intention that total compensation be competitive with total compensation for comparable positions and performance at peers. The HRC granted the July 2015 RSRs following a mid-year evaluation of the senior executives' compensation and contributions to the Company's strong performance as part of an overall, balanced mix of competitive pay and to provide an incentive for those executives to continue their strong and effective leadership, consistent with the Company's compensation principles to pay for performance, to attract, retain, and motivate top executive talent, and to encourage the creation of long-term stockholder value.[43]

[42] Wells Fargo, 2016 Proxy Statement, at 38-39, 52 (available online at https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm).
[43] Wells Fargo, 2016 Proxy Statement, at 53-54 (available online at https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm).

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49) A recent CNNMoney report indicated that you received millions of dollars in compensation for increasing the number of "primary consumer, small business, and banking checking consumers" and for "reinforcing a culture of risk management and accountability at the company."[44] Please provide details on all bonuses or incentive pay that you have received, based on performance related to "cross-selling," increasing the number of consumers or consumer accounts. For each year, provide the total value of all such incentives received, and the criteria that qualified you for such incentives.

Response: As part of their investigation, the Independent Directors and the Human Resources Committee will review the extent to which Mr. Stumpf's compensation was based on performance related to cross-selling or upon metrics that included unauthorized accounts.

50) Please describe your full compensation package and benefits plan, including base salary, incentive compensation, and any retirement benefits such as a 10b5-1 plan, including the dollar values of such packages and benefits.

Response: In 2015, Mr. Stumpf received the following compensation:[45]

Salary ($)	Stock Awards ($)	Non-Equity Incentive Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
2,800,000	12,500,054[46] (dollar value on date of grant of 2015 Performance Shares at "target"—actual will be determined in the first quarter of 2018	4,000,000 (833,333 of which was paid in Restricted Share Rights that vest over three years)[47]	N/A	18,550	19,318,604

[44] http://money.cnn.com/2016/09/22/investing/wells-fargo-ceo-john-stumpf-200-million/index.html?iid=hp-stack-dom.
[45] Wells Fargo, 2016 Proxy Statement, at 57 (available online https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm).
[46] Mr. Stumpf agreed to forfeit this award. *See* Wells Fargo, "Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters (press release)" (Sept. 27, 2016) (available online at https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927/
[47] Mr. Stumpf agreed to forfeit this award. *See Id.*

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Salary ($)	Stock Awards ($)	Non-Equity Incentive Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
	and may range from zero to 150% of the target shares, depending on Company performance)				

Mr. Stumpf participated in, and other Wells Fargo executives participate in the same benefit programs generally available to all team members, including health, disability, and other benefit programs, which include the Company 401(k) Plan (with a company match and potential discretionary profit sharing contribution) and, for team members hired prior to July 1, 2009, the Company's qualified Cash Balance Plan (frozen in July 2009). The Company matched up to 6% of eligible participants' certified compensation during 2015 and, in January 2016, the Human Resources Committee of the Board of Directors authorized a discretionary profit sharing contribution of 1% of each eligible participant's certified compensation under the Company 401(k) Plan based on the Company's 2015 performance.

Certain executives, together with team members whose covered compensation exceeds IRC limits for qualified plans, also participated in nonqualified Supplemental 401(k) and Supplemental Cash Balance Plans prior to those plans being frozen in July 2009. Following the freezing of the plans, the Company no longer makes additional contributions for participants in these plans, although additional investment income continues to accrue to participants' individual accounts at the rates provided for in the plans. Certain executives and certain other highly compensated team members also can participate in our Deferred Compensation Plan. Effective January 1, 2011, the Company amended this plan to provide for supplemental Company matching contributions for any compensation deferred into the Deferred Compensation Plan by a plan participant, including Mr. Stumpf, that otherwise would have been eligible (up to certain IRS limits) for a matching contribution under the Company's 401(k) Plan.[48]

The HRC has intentionally limited perquisites to executive officers. In 2015, for security or business purposes, the Company provided a car and driver to Mr. Stumpf and from time to time to certain other executives, primarily for business travel and occasionally for

[48] Wells Fargo, 2016 Proxy Statement, at v, 55-56 (available online at https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm).

commuting. In addition, the HRC may from time to time approve security measures if determined to be in the business interests of our Company for the safety and security of our executives and other team members. In 2012, the HRC approved residential security measures for certain executives and, in 2015, the Company paid for the cost of regular maintenance for the previously installed home security systems for certain of our executives. From time to time the Company may pay the cost for a named executive's spouse to attend a Wells Fargo business-related event where spousal attendance is expected. All perquisites for Mr. Stumpf during 2015 did not exceed $10,000.[49]

The Company does not provide our executives with 10b5-1 plans, and none of our executive officers participate in a 10b5-1 plan related to Wells Fargo common stock.

51) As was requested of you at the hearing, please provide information on all senior executives at Wells Fargo who suffered any financial consequence as a result of the practices at issue here.

Response: The Independent Directors of the Board of Directors of Wells Fargo announced on September 27, 2016 that they have launched an independent investigation into the Company's retail banking sales practices and related matters. A Special Committee of Independent Directors is leading the investigation, working with the Board's Human Resources Committee and independent counsel.

The Independent Directors have taken a number of initial steps they believe are appropriate to promote accountability at the Company. They have agreed with Mr. Stumpf that he will forfeit all of his outstanding unvested equity awards, valued at approximately $41 million. In addition, he will not receive a bonus for 2016.

Ms. Tolstedt has left Wells Fargo. She has agreed to not exercise any outstanding stock options previously awarded by Wells Fargo until the completion of the Board of Directors' investigation and that, at the conclusion of this investigation, the Board (or the Independent Directors of the Board or the Human Resources Committee, through Board delegation) will have the authority to determine the extent to which such options will be forfeited.

On September 27, 2016, the Board announced that the Independent Directors had determined that Ms. Tolstedt would forfeit all of her unvested equity awards, valued at approximately $19 million, and that she will not receive a bonus for 2016 and will not receive any retirement enhancements or severance package in connection with her separation from Wells Fargo. No incentive compensation was granted as a result of

[49] Wells Fargo, 2016 Proxy Statement, at v, 55-56, 59 (available online at https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm).

Ms. Tolstedt's separation, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her separation.[50]

These initial actions will not preclude additional steps being taken with respect to Mr. Stumpf, Ms. Tolstedt or other employees as a consequence of the information developed in the investigation.

Forced Arbitration and Secret Settlements

52) **Please provide a copy of the current basic customer agreement and any other customer agreements that have been in place since 2007 for Wells Fargo customers that open credit cards or bank accounts.**

53) **Between 2007 and September 2016, how many customer complaints related to the allegations in the CFPB settlement were settled via the arbitration process? (i.e., how many total cases were heard?) In how many cases did the arbitrator rule for the customer and in how many did the arbitrator rule for Wells Fargo?**

54) **In cases where the arbitrator ruled for the customer, what remediation was made to customers? What was the average settlement amount?**

55) **In cases where customers took cases to arbitration, did secrecy clauses prevent them from making any information about their grievances public?**

56) **Did Wells Fargo disclose to investors or the public any cases where arbitrators ruled in favor of customers in these cases? How and when did the company do so?**

57) **Between 2007 and 2016, did Wells Fargo settle any cases related to the allegations in this settlement outside the arbitration system? If so, how many cases were settled in this fashion? Please explain.**

58) **As was requested at the hearing, will Wells Fargo commit to permitting customers bringing disputes related to these actions to bring their claims in court, rather than forcing them into arbitration?**

Response to Questions 52-58: Wells Fargo believes that the use of arbitration is a fair and efficient process that serves the needs of both parties. Nevertheless, Wells Fargo is offering a no-cost mediation program to customers, in addition to arbitration. We believe these options provide a fair and efficient means of remediating any harm.

[50] Wells Fargo, "Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters (press release)" (Sept. 27, 2016) (available online at https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927/).