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AN EXAMINATION OF WELLS FARGO'S UNAUTHORIZED ACCOUNTS AND THE REGULATORY RESPONSE

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

ON

EXAMINING WELLS FARGO'S UNAUTHORIZED ACCOUNTS AND THE REGULATORY RESPONSE

SEPTEMBER 20, 2016

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AN EXAMINATION OF WELLS FARGO'S UNAUTHORIZED ACCOUNTS AND THE REGULATORY RESPONSE

TUESDAY, SEPTEMBER 20, 2016

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10 a.m., in room SD–538, Dirksen Senate Office Building, Hon. Richard Shelby, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY

Chairman SHELBY. The Committee will come to order.

Today, we will learn more about the events and the circumstances that led to the enforcement action against Wells Fargo by the Los Angeles City Attorney, the OCC, and the CFPB. But first today we will receive testimony from John Stumpf—he is Wells Fargo's CEO and Chairman—who is with us today. Welcome, Mr. Stumpf.

We will then hear from the Los Angeles City Attorney's Deputy Chief whose office was the first to commence an action against Wells Fargo on this issue and, finally, from the OCC and the CFPB. We look forward to hearing from both panels because much remains unclear about what transpired at Wells Fargo and the regulators' response.

It appears that Wells Fargo's own analysis concluded that thousands of its employees opened more than 2 million accounts that may not have been authorized.

Subsequently, Wells Fargo terminated approximately 5,300 employees and has agreed to pay $185 million in fines and $5 million in customer remediation.

Sales data show that Wells Fargo has been an industry leader in its ability to cross-sell products, such as credit cards, checking accounts, and home equity loans.

A number of former Wells Fargo employees have described a work environment characterized by intense pressure to meet aggressive and unrealistic sales goals.

In a 2010 letter to shareholders, Mr. Stumpf wrote that Wells Fargo's goal was eight products per customer because eight "rhymed with great."

The result was a corporate culture that drove company "team members" to fraudulently open millions of accounts using their customers' funds and personal information without their permission.

I have often said that banking is based on trust, and that trust was broken at Wells Fargo.

While much has been written about these events, I believe there are several questions that warrant answers.

First, when did this conduct start at Wells Fargo and why were the regulators unaware of this growing problem?

Second, when did Mr. Stumpf and his senior management become aware of these activities and how did they respond?

Third, have all of the appropriate Wells Fargo employees been held accountable and to what extent?

Finally, where were the Federal regulators while certain Wells Fargo employees were taking advantage of unsuspecting customers over a period of many years?

Here is what we do know: Wells Fargo's internal review only covers unauthorized accounts dating back to 2011. News reports and court documents suggest these problems might have existed long before then.

The 2013 *Los Angeles Times* articles led to the LA City Attorney's Office investigation into Wells Fargo's sales practices.

Thousands of man-hours by a dozen dedicated LA City Attorneys culminated in a lawsuit filed against Wells Fargo in May of 2015.

This timeline begs the question: Where were the Federal regulators during those years? If the OCC and the CFPB were aware of these issues before the LA City Attorney's lawsuit, why did they wait until 2016 to bring an enforcement action? Why did it take a *Los Angeles Times* reporter to uncover what should have been uncovered by Wells Fargo's regulators?

If there were ever a textbook case where consumers needed protection, this was it. How many millions of unauthorized accounts does it take before the CFPB notices? And while the Bureau is billing this as the largest settlement in its history, it is unclear whether it had any significant role in discovering or investigating the bank's conduct.

Just as it is fair to ask Mr. Stumpf what he knew, when he learned it, and what he did about it, it is also fair to ask those same questions of Wells Fargo's regulators.

These are simple facts-and-circumstances questions that both the OCC and the CFPB should be able to answer without violating any confidentiality restrictions.

I look forward to today's hearing as both Congress and the American people—especially the aggrieved consumers—have been kept in the dark for far too long.

Senator Brown.

STATEMENT OF SENATOR SHERROD BROWN

Senator BROWN. Mr. Chairman, thank you for calling this hearing. I want to commend the city of Los Angeles, the OCC, and the CFPB for their actions, and the *Los Angeles Times* for bringing this to light. I was stunned when I learned of the breadth and the duration of the fraud committed by Wells Fargo. I hope today we can begin to understand what went wrong and what needs to be done.

I call it "fraud" because I got tired of the euphemisms a long time ago. I think the American people did, too.

This is not a matter of customers who " . . . received products and services they did not want or need," as Wells Fargo puts it. That makes it sound like there was a mix-up under the Christmas tree and I got the right-handed baseball glove that was meant for my brother Charlie.

This is 5,300 employees—Wells Fargo calls them "team members"—5,300 team members forging signatures, stealing identities, Social Security numbers, and customers' hard-earned cash so as to hang on to their low-paying jobs and make money for the high-paid executives at Wells Fargo. And they did it for at least—at least—5 years.

Wells Fargo's reaction has been remarkable. It did not treat this as a big problem until it appeared in the newspapers. It did not begin to make customers whole until this year. And we do not know whether the bank chose to do so or was told they had to do so.

Wells Fargo is taking out full-page ads claiming it is accountable and accepts responsibility. It has not admitted to responsibility for a single misdeed in the dealings with the city of Los Angeles and the Federal Government.

Wells Fargo claims to have made things right with its customers, but its efforts have been incomplete. For example, it is not clear that PwC calculated the cost of a lower credit score, which might be paid every month for 30 years.

At times, the bank has been downright hostile to aggrieved customers.

Rather than letting fraud victims have their day in court, Wells Fargo forced customers to abide by the mandatory arbitration clauses in their real accounts. You heard that right: The bank invoked the fine print on a real account to block redress on a fake one that Wells Fargo had created.

Wells Fargo team members, many struggling to support a family on $12 or $15 an hour—my understanding is Wells Fargo tellers make about $11.80 an hour. Wells Fargo team members, struggling to support a family on $12 to $15 an hour, followed their managers' guidance to do whatever it took to make their quotas. Some may have worked off the clock; others cut corners to avoid being fired for missing goals—goals that Wells now admits were too high.

They have been accountable, these low-income workers. The workers lost their jobs with no parachute of any color.

And it is not just 5,300 team members who paid the price, because many more were fired when they could not meet the quotas, and still more chose to quit rather than cheat.

By contrast, Ms. Carrie Tolstedt, the Senior Executive Vice President for Community Banking, has done quite well. She knew of this problem at least 5 years ago and is retiring with a package that may be worth more than the CFPB's record fine of $100 million.

So 5,300 team members, earning perhaps $25,000, $30,000, $35,000 a year, have lost their jobs, while Ms. Tolstedt walks away with up to $150 million.

Despite firing thousands of team members, Ms. Tolstedt apparently decided it was not important enough to alert the head of the

company, Mr. Stumpf, or the board of directors or anyone else for 2 years, if ever, even though you both sat on that bank's board.

Senior management and the board of directors apparently agreed. Once the scandal became public, remedial actions were stepped up against front-line team members, but the praise and performance bonuses continued to be lavished upon Ms. Tolstedt until as recently as 2 months ago.

You would think the lessons of the financial crisis, which came at such a high cost to our country, would change the way the banks do business.

And to be fair, many banks did take the lessons of the financial crisis to heart. But for the largest banks in this country, every week we hear of a new lawsuit or enforcement action against one of them—week after week after week after week.

What are some of these lessons? First, the culture in these banks needs to change. That starts at the top.

Second, there must be a reliable way for legitimate complaints to end up in the C-suite rather than the circular file.

Third, in the wake of the rampant robosigning fraud that we saw at Wells Fargo and other places, banks need better controls.

Because, fourth, if you pay people on the basis of how many products they sell, that is what they will do, whether it is in the interests of the customers or not. And base pay needs to be increased.

Finally, change the pay structure, or at least make incentives deferred, so it is clear that customer and company interests are aligned and enduring.

Wells Fargo has come up short on all five counts. That conclusion is not just based on this, its latest scandal.

Last year, Wells settled with the OCC for, among other things, 11 years' worth of deceptive practices in selling enhanced identity theft protection. So at the same time—think about this. At the same time the bank was stealing customer identities, it was charging for protecting them.

If the Wells' ID theft product that they sold did not discover the fraudulent Wells' accounts, perhaps some refunds are due.

This April, Wells settled a False Claims Act suit for $1.2 billion, in part because it had used bonuses to get staff to "churn out and approve an ever-increasing quantity of FHA loans . . . and applying pressure on loan officers and underwriters to originate and approve more and more FHA loans as quickly as possible." Thousands of Americans, as we know so well—although, unfortunately, far too few of us know any of these people personally. Thousands of Americans lost their homes through mortgage foreclosures as a result.

So I hope, Mr. Stumpf, you will level with this Committee and the public. Words that come like a San Francisco fog on little cat feet will not cut it. These were not magically delivered "unwanted products." This was fraud—fraud that you did not find or fraud that you did not fix quickly enough.

Instead of focusing on damage control, you need to admit to the problems and fix them and treat your customers in real life like you do in your vision statement. That would be the best damage control of all—for your customers, for your bank, for your industry, and for our country.

Thank you,

Chairman SHELBY. Mr. Stumpf, will you rise and be sworn? Raise your right hand. Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. STUMPF. I do.

Chairman SHELBY. You may be seated.

Mr. Stumpf, your written statement will be made part of the hearing record. You may proceed as you wish. Welcome to the Committee.

STATEMENT OF JOHN G. STUMPF, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, WELLS FARGO & CO.

Mr. STUMPF. Chairman Shelby, Ranking Member Brown, and Members of the Committee, thank you for inviting me to be with you today.

I am Chairman and Chief Executive Officer of Wells Fargo, where I have worked for nearly 35 years. It is my privilege to lead this company, which was founded 164 years ago and has played a vital role in the financial history and development of our country. 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 family, 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 through many challenges with Wells Fargo, but none of which pains me more than the one we will discuss this morning.

Wrongful sales practice behavior in our retail banking business goes against everything regarding our core principles, our ethics, and our culture. It runs counter to our vision of helping our customers succeed financially, and it is not representative of Wells Fargo as an institution.

I am here to discuss the situation today, tell you about the actions we have taken, and our commitment on how to move forward.

Our entire culture is centered on serving our customers, and in this case, we let our customers down. Our retail banking practice issues, these sales issues, are not a reflection of our hardworking and talented team members who deserve thanks for helping our customers with their financial needs.

I want to make very clear that we never directed nor wanted our team members to provide products and services to customers that they did not want. That is not good for our customers, and that is not good for our business. It is against everything we stand for as a company.

That said, I accept full responsibility for all unethical sales practices in our retail banking business, and I am fully committed to fixing this issue, strengthening our culture, and taking the necessary actions to restore our customers' trust.

And, Senators, let me tell you here today, the Wells Fargo board is actively engaged in this issue. The board has the tools to hold senior management accountable, including me and Carrie Tolstedt, the former head of our retail banking business. Any board actions

taken with our named executive officers will be appropriately disclosed. And I want to be clear on this: I will respect and accept the decision of the board.

Under new leadership we have already begun taking steps to ensure that the sales culture in our retail banking business is wholly aligned with our customers' interests.

On September 13, 2016, we announced a major decision that we will end product sales goals for everyone in our retail banking business because we want to make certain that nothing gets in the way of doing what is right by our customers. The new leadership team's primary mission will be to provide the best possible service to our customers.

I am also announcing today three new initiatives that will reinforce our commitment to our customers.

First, we are expanding the scope of our account review and remediation to include both 2009 and 2010.

Second, we will be contacting every single one of our deposit customers across the country using the same process that we agreed to with the city of Los Angeles for our California customers.

And, third, we have begun contacting hundreds of thousands of our customers with open credit cards, including those for whom we have already refunded fees, to confirm whether they need or want their credit card.

In addition, we have recently started sending customers a confirmation email within 1 hour of opening any new deposit account and an acknowledgment letter after submitting a credit card application.

We recognize now that we should have done more sooner to eliminate unethical conduct or incentives that may have unintentionally encouraged that conduct. We took many incremental steps over the past 5 years in an attempt to address these situations, but we now know those steps were not enough.

In 2011, a dedicated team began to engage in proactive monitoring of data analytics specifically for the purpose of rooting out sales practice violations.

In 2012, we began reducing sales goals that team members would need to qualify for incentive compensation.

In 2013, we created a new corporate-wide enterprise oversight team for sales practices issues.

In 2014, we further revised our incentive compensation plans to align pay with ethical performance.

In 2015, we added more enhancements to our training materials, further lowered goals, and began a series of townhall meetings to reinforce the importance of ethical leadership and always putting our customers first.

Throughout this 5-year period, we identified potential inappropriate sales practices. We investigated those, and we took disciplinary actions that included terminations of managers and team members for sales policy violations—the 5,300 terminations over these 5 years that have been widely reported.

Despite all of these efforts, we did not get it right. We should have realized much sooner than the best way to solve the problems in the retail banking business was to completely eliminate retail bank products sales goals. And one of the areas that we missed

was 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. And we took steps to refund fees that were charged and made changes so this could not happen again.

In August 2015, we began working with a third-party consulting firm, PricewaterhouseCoopers (PwC), which conducted extensive, large-scale data analyses of all 82 million accounts, deposit accounts, and nearly 11 million credit card accounts that we had opened from 2011 through 2015. Of the 93 million accounts reviewed, approximately 2 percent, 1.5 million deposit accounts and 565,000 consumers credit card accounts, were identified as accounts that may have been unauthorized.

To be clear, PwC did not find these accounts had been unauthorized, but because it could not rule out the possibility, these accounts were further reviewed to determine if any fees had been charged.

PwC calculated that approximately 115,000 of these accounts had incurred $2.6 million in fees, which had been refunded to those customers. Even one unauthorized account is one too many. This type of activity has no place in our culture.

We are committed to getting it right 100 percent of the time, and when we fall short, we accept responsibility, and we will do everything we can to make it right by our customers.

I will close by saying again I am deeply sorry that we have not lived up to our values in this way. 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 rebuilding our customers' and investors' trust, the faith of our team members, and the confidence of the American people.

I am happy now to address your questions. Thank you.

Chairman SHELBY. Thank you, Mr. Stumpf.

Mr. Stumpf, according to your testimony, Wells Fargo began making internal changes in 2011 to address the opening of unauthorized accounts. Did these problems start in 2011? Or could there have been unauthorized activity before then? Why 2011?

Mr. STUMPF. Yes, I think we all know that not every team member will do everything right every day of every minute. And we do a lot of training of our team members, coaching. They each sign an annual ethics statement. And I cannot guarantee it did not happen before that time. We are trying to manage it within the business, and that is why I announced today that we are going back to 2010 and 2009, because at that time, as you might recall, we were putting the Wachovia and Wells Fargo teams together, and we just thought we do not want to leave any stone unturned.

Chairman SHELBY. Wells Fargo fired approximately 5,300 employees in connection with these practices. What were the criteria for termination? And were any personnel actions taken short of termination? And if so, what were they? In other words, I am sure you did not fire everybody, but did you discipline some, and why, and so forth?

Mr. STUMPF. Yes, so, Senator, thank you for that question, and it is a good one. We have a number of triangulations around how to understand when there might be improper behavior. If some customer, for example, all of a sudden shows up with three savings accounts, they probably do not need that. Or we have EthicsLines. We have a culture in the company, if you see something that you do not think is proper, raise your hand, talk to a manager.

So we looked at a number of situations, and some of them were perfectly legitimate. But for those who broke our trust, were dishonest, put customers at risk, we do have a very bright line. And, after all, we are a regulated institution, and we have a fidelity bond, and people who behave in this way simply cannot work here.

Chairman SHELBY. Mr. Stumpf, your testimony also does not address when the violations were brought to the attention of senior management. Specifically, when did you find out that thousands of your employees were opening unauthorized accounts or fraudulent accounts? Did it take that long? When did you find out?

Mr. STUMPF. Thank you again, Senator. The business has their own audit and investigations and sales practices, efficacy and so forth, contained within the regional bank or the retail bank. After they had been working on this issue for a couple of years—and, again, this was way too many people, but it was 1 percent of our people. There are at any one time 100,000 team members in our banks, and after we noticed—after the business was dealing with this for a couple years, it was then brought to the holding company. And corporate assets, corporate audit, corporate compliance, the so-called second line of defense, got very active, and that is when I became much more aware of the issue.

Chairman SHELBY. Does it bother you as the CEO of such a large bank that systemic fraud was not brought to your attention sooner by your employees?

Mr. STUMPF. If I could turn the clock back—and I have thought about this a thousand times—of course, I wish I would have done—we all wish we would have done something more, earlier. We did not get on this fast enough. Again, recognizing that this was, you know, the vast majority of people who are doing the right thing.

Chairman SHELBY. Let us go back to the question a minute ago. I do not believe you answered it specifically. When did the senior management—you and others you had deemed "senior management"—learn about this fraud?

Mr. STUMPF. I can speak for myself, and I know that other corporate executives at the corporate area outside of the business, I can speak to myself and I believe others, it was 2013. Before that, it was being dealt with with the audit and compliance within the business unit.

Chairman SHELBY. Mr. Stumpf, the Board of Directors of Wells Fargo has awarded the then head of community banking, Carrie Tolstedt, millions of dollars—it could be $100 million, as Senator Brown says, or more—in incentive compensation for "success in furthering the company's objective of cross-selling products" and "reinforcing a strong risk culture," according to the 2015 proxy statement issued by your bank. Explain to the American public today here what accountability at a large bank looks like when an executive departs with millions of dollars in compensation after

thousands of their employees defrauded customers? The question was raised by Senator Brown.

Mr. STUMPF. I will try to get to all of those, and if I do not, please—but it is a good question. Carrie Tolstedt, as leader of the community banking business, had a lot of requirements and things that her performance was measured on, putting the Wachovia and Wells businesses together, doing common branding, making sure customers were treated properly. And throughout that entire period from 2011 until 2016, customer loyalty scores continued to improve. Today they are top of class, even by independent studies of large banks.

Our team member engagement, we do a study every year—and today we have 15 people who are engaged in that business—for every one that is disengaged. Balances and customers had grown.

Now, in this particular area, she did not do enough, and we decided—the chief operating officer, who she was reporting to at the time, with my consultation, decided that we would go in a different direction.

But I also want to be clear: Carrie was eligible to retire. When she was told that we are going to go in a different direction, she chose to retire, and she got no retirement severance benefits, and her compensation that she received in the past, some of it which is not—which has been granted but not yet vested, and other compensation will be considered by the board of directors in an independent process that they have. And I will respect and accept whatever decision they make.

Chairman SHELBY. That would be clawback? You have the ability at the bank to claw back, do you not?

Mr. STUMPF. You know, I am not an expert in compensation, but I will get you whatever——

Chairman SHELBY. You are the CEO of the company, right?

Mr. STUMPF. I am the CEO——

Chairman SHELBY. And so are you the Chairman of the Board?

Mr. STUMPF. I am the Chairman of the Board.

Chairman SHELBY. OK. Then——

Mr. STUMPF. But I do not—excuse me.

Chairman SHELBY. And the buck stops here, so to speak.

Mr. STUMPF. It stops—I am the senior officer.

Chairman SHELBY. So are you going to look into this seriously about what this person did, her responsibility, and the big reward that she is getting that happened under her watch?

Mr. STUMPF. Senator, we will—the board of directors, the compensation committee—and they will refer it to the board. I am not part of that process. I want to make sure that—that is a very independent process and nothing that I say would prejudice their deliberative process. But that is their decision, and they have all the tools available to them, whether she would have retired or she would have been fired.

Chairman SHELBY. Mr. Stumpf, is not a lot of banking based on integrity or trust by your customers in the bank itself? They do business with you. They put their money there. They trust you. What has happened to the banking system? Not everywhere, but what has happened to the banking system?

Mr. STUMPF. You know, Senator, you think about it exactly the way I think about it. Trust is the core element of any relationship, and surely in the financial services business. And we know we have work to do in that area, and I intend to do all I can to help in that area.

Chairman SHELBY. Do you believe you have violated that trust?

Mr. STUMPF. There is no question with some of our customers we have violated trust, and we have to work hard to re-earn that.

Chairman SHELBY. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

Mr. Stumpf, I will make my questions short and ask you to be as concise as possible. I will start with your response to Senator Shelby. You became aware of the widespread fraud in 2013. Could you be more precise than that? When in 2013?

Mr. STUMPF. Well, I became aware that the problems the local business was working on in rooting out this behavior by 1 percent of our team members, give or take—and I do not want to minimize that—that we were not making enough progress.

Senator BROWN. And when did you become aware more precisely?

Mr. STUMPF. It was later in——

Senator BROWN. Was it the *Los Angeles Times* article that you became——

Mr. STUMPF. Yes. It was later in 2013. Well, I had—actually, I do not remember the exact timeframe. I can get back to you and staff, but it was sometime in 2013.

Senator BROWN. OK. Thank you for that.

You mentioned the Wachovia merger, that you are willing to go back before 2011, to 2009 and 2010, in part because of the Wachovia merger. The emphasis on cross-selling dates back at least to the Norwest merger, right? I mean, this has been a Wells Fargo business plan for a number of years. What year was the Norwest merger?

Mr. STUMPF. It was two thousand—well, it was announced—you are talking about——

Senator BROWN. The Norwest merger with Wells.

Mr. STUMPF. That was 1998.

Senator BROWN. And so this Wachovia merger, there clearly was—you are going back to 2009 and 2010. You are offering to do that. Why stop at 2009? We hear from people that it has gone on longer than that, with the cross-selling and the pressure and the sales goals. Why are you only willing to go to 2009?

Mr. STUMPF. Well, Senator, I would tell you this: We want to make it right by any customer, and we already—we agreed with our regulators in our agreements to go back to 2011. We made a decision to go back to 2010 and 2009, and we want to make it right by any customer.

Senator BROWN. Does that mean you are willing to go back earlier than 2009?

Mr. STUMPF. Well, I do not—I cannot tell you that today. I would have to talk to our folks. I do not know about records and so forth. But I want to make sure any customer who has had harm of any kind, that we will do right by them.

Senator BROWN. Well, you have records before 2009. Is that a pledge from you to go back earlier than that if, in fact, there are customers that were harmed by unauthorized accounts?

Mr. STUMPF. Senator, I will take that under advisement, and I will get back to you——

Senator BROWN. And I accept your good intentions that you are going back to 2009 to give restitution to those—can provide restitution to those customers. But why stop there if you know that—you say you have to go back and talk to staff. I mean, if you really do want to make sure these customers are made whole, you should go back as long as you possibly can.

Mr. STUMPF. And, Senator, again, I think that is—you know, we will consider that. I am—we will take that under advisement, and I will get back——

Senator BROWN. Well, I hope you will more than consider it. Thank you.

Talk about Chairman Shelby's discussion on the clawback. Understanding I think you minimize your influence—to us at least you minimize your influence with the board. You are the chairman of the board. I understand that the board goes through a process, and I respect that. But you as the chairman, are you going to recommend to the Board—well, let me back up. You, I would assume, are more familiar with both the pros and the cons of performance from Ms. Tolstedt. You are aware that she is getting—she is slated to get, some news reports say, up to $120 million. You are also aware that most of the 5,300 people, team members that were fired, were low-income workers, as low as $11-something an hour, maybe up to $16 or $17 an hour, but were generally low-income workers, low-paid workers. So you are more familiar with that than probably any board member, at least as familiar. So will you with your knowledge and your stature and your position in the board make a recommendation to this board that they should claw back a significant amount of her compensation?

Mr. STUMPF. Senator, I will answer that question, but I just want to put something in perspective. The lowest-paid worker we have, our entry level in our least-cost area is $12 an hour. Our lowest-paid worker in our high-cost area is $16.50 an hour. In addition to that, about $6 per hour is also—that does not include the benefits around health care, which we pay virtually all of it for low-paid people. But most of the people who lost their jobs because they violated our code of ethics, they were dishonest, were not—those were good-paying jobs. People lost their jobs who were bankers, bank managers, managers of managers, and even an area president. These were good-paying jobs, jobs that were—the averages I think were in the, you know, $35,000 to $60,000 area, if you just want to take an average.

But with respect to your question specifically, I am not on the human resources and compensation committee. That is an independent committee. And they will take that under their deliberation. I do not want in any way to prejudice their activity, and I am going to accept and respect any decision that they make on anything.

Senator BROWN. Thank you for saying that. So you are not willing to make a recommendation based on how this looks to the

public that—call them "good-paying jobs" at $16 or $17 an hour or not, compared to what, but I will put that aside. But whatever these workers were making, they were in the bottom some percentage of the workforce, whatever. They made mistakes, they were dishonest, they apparently deserved to be fired. I will not dispute that.

You are not willing, as the CEO of this bank, to make a public recommendation that you think—to make a public statement that you think that Carrie Tolstedt did—you are not willing to say publicly to this Committee or to anyone that some of her compensation, over $100 million when she announced her retirement in the last several weeks, that any of it should be clawed back?

Mr. STUMPF. I am going to let the process proceed, and the board has already met, and I made an affirmative comment in my testimony.

Senator BROWN. OK. That is unfortunate.

You said in your testimony that in August 2015, your words, "we began working with . . . PwC" to locate reimbursed customers who incurred fees. Was that your decision? Or were you directed to do so by the regulators?

Mr. STUMPF. That was in consultation with regulators and with the City Attorney's Office.

Senator BROWN. So you did not on your own, after finding out in late 2013 of these problems, through the rest of 2013, a month, 2 to 3 months in 2013, through all of 2014, and then into the first 7 months of 2015, it never occurred to you that you should bring in somebody, without the regulators suggesting it or pushing or in consultation, it never occurred to you to bring in somebody to really find out who was hurt, what kinds of issues were going on? How do we find these customers to reimburse them?

Mr. STUMPF. Senator, that is a good question, and I have thought about that, a lot about why, and it was—it was early in 2015, about the time that we were considering or talked about who we would bring in, that we finally connected a dot. And there is no excuse why we did not connect it before.

Generally what happens when an account is opened that is not funded, the system eliminates it within a couple of months. If it does not get funded, it is not used, it is not started, it is truncated or closed. It never dawned on us—and, again, no excuses, and we were wrong. It never dawned that there could be a cycle where—a cycle, a 30-day cycle would have turned—would have been completed, and there could have been a fee associated with that. It was the first time that light bulb went on.

Senator BROWN. I appreciate your candor about this, but in 2011, 1,000 employees were fired; in 2012, a similar number; 2013 was the peak number. In 2013 was the *Los Angeles Times* article. In 2015, throughout the year, nothing happened. It seemed to never occur to management to do any of this when it is just—and then today—and I do not question your integrity, but then today you come in and make all these announcements. It has been 5 years since—at least 5 years since all of this has been happening. Today you make announcements that you are doing—you apologize. We appreciate that. You make announcements you are doing the right things. We appreciate that. But it just sort of begs the issue of

where was management when these so many thousands of people were fired, stories were written, regulators were starting to come in. I understand this is a huge profit center for Wells, the retail banking, *writ large,* in terms of the unauthorized accounts and everything else. But it just does not seem quite right that it did not occur to anybody on the board apparently—or at least that had your ear, did not occur to the CEO, did not occur to top management that they should do something more affirmatively until that August 2015 date when the regulators sort of helped you suggest and come to that conclusion.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Corker.

Senator CORKER. Thank you, Mr. Chairman. Mr. Stumpf, thank you for being here.

Just as an observation, I know that you have a whole host of people here with you, and I am sure one of those people is a communications person. I would just make the observation, look, I know you talk daily with board members, and, you know, I have been on boards before myself. I would suggest, just again as an observation, that to not invoke some degree of clawback for yourself and others involved would be committing malpractice from the standpoint of just public relations. So at a minimum, I am sure that is going to take place. I would be surprised if it does not.

You found out about this through reading the *Los Angeles Times.* Is that correct?

Mr. STUMPF. No, I do not recall back in 2013 exactly the timeframe, but I learned about it later in 2013. Remember, the——

Senator CORKER. But it sounds like it really was brought to your attention after a story in a newspaper, or that is when the focus really began. I am not criticizing that. I am just asking.

Mr. STUMPF. No, and I—the only thing I want to make clear, Senator Corker, is that we had dismissed a number of people, and that is what caused the *Los Angeles Times*——

Senator CORKER. The story, I see.

Mr. STUMPF. Yes, because——

Senator CORKER. So you all had taken some actions, they wrote a story, and it——

Mr. STUMPF. Exactly, yes.

Senator CORKER. Your board, you know, I know public boards today, you know, intense scrutiny, there are all kinds of committees that are set up. When did the board realize that you had a unit that was committing fraud? It seems to me that that is one of those things you flag pretty quickly, or at least a committee of the board?

Mr. STUMPF. Yes, and I just want to say these team members—you are absolutely right—they did not do what was right. It was——

Senator CORKER. I did not ask that. I am asking you——

Mr. STUMPF. OK. It——

Senator CORKER.——when the board became aware that you had a unit that was involved in committing fraud.

Mr. STUMPF. Yes, it would have been later 2013 and then 2014 and on.

Senator CORKER. So they were not even aware of the *Los Angeles Times* story?

Mr. STUMPF. I think that was later in 2013. I would have to go back and check my records, and it is the best to what I remember, but it was sometime, you know, later 2013, surely in 2014.

Senator CORKER. I read a story about Ms. Tolstedt today. I do not know her. It actually, you know, sounds like she was an incredibly hard worker, got to work early, rode a bus, you know, micromanaged, signed leases herself. I do not know if any of this was true. But when you have somebody that is that involved in sort of micro details, is this a case of not raising their head up to 5,000 or 10,000 feet and understanding the kind of culture that was being created by slogans like "Eight is great" and those kinds of things? I mean, it is just hard to—you know, it seems to me that within a bank, with all the data you use to contact customers—I mean, you can—with algorithms, I mean, you guys can pick this stuff up so quickly. It is hard to believe that there is not some report within the bank that would cause this to jump out at people and say something really bad is happening here.

Mr. STUMPF. Yes, Senator Corker, I think that is—that is a good question, and in the retail business, where you have 100,000 people in seats at any one time in our 6,200 branches, there is a lot of turnover. And I am not justifying in——

Senator CORKER. Well, no, no. There is an officer, there is a compliance officer.

Mr. STUMPF. Absolutely.

Senator CORKER. And all banks have these.

Mr. STUMPF. Sure.

Senator CORKER. I mean, you are all regulated to death, and that is their job. And this kind of—this is something that you would think would be flagged and jump out at someone who was in that job.

Mr. STUMPF. Thank you, and that is what I was trying to explain, that in her business, surely she was, I believe, in reporting situations where there was ethical breakdowns, and——

Senator CORKER. But not to the board.

Mr. STUMPF. And it got to the board level—it got to the corporate level in 2013 because progress was not being made, and the board level in 2014, as the corporate researchers started to—and we had been actually seeing improvement since that time, but not enough.

Senator CORKER. It does seem like there was—just in fairness, again, there does seem like a big disconnect there.

So she left after 27 years, and I think it would be good for the audience at some point—not during my time—to explain the entire compensation. I think it is a little different than most people think based on some of the comments that have been made. But I assume her departure, after 27 years, was based on this issue. Is that correct?

Mr. STUMPF. It was based on a number of issues. This was one of them. We wanted to take the business in a different direction, and we——

Senator CORKER. But she in essence was terminated over this issue.

Mr. STUMPF. No. Carrie chose to retire. Tim Sloan, our Chief Operating Officer, with my consultation, had a discussion with her—I think it was sometime in June or July—and said, "We want to go in a different direction. We want to put an end"—"we want to put more focus on this issue." But it was a variety of things. And she was eligible for retirement, and she decided to retire.

Senator CORKER. Well, my time is up, and out of respect for other Members, I will stop. I have a number of other questions. We thank you for being here.

Mr. STUMPF. Thank you.

Chairman SHELBY. Senator Reed.

Senator REED. Well, thank you very much, Mr. Chairman, and thank you, Mr. Stumpf, for being here.

Let me try to clarify a bit more your position going forward with respect to the issues of compensation, not just Ms. Tolstedt's but even your own compensation. Will you formally recuse yourself from board deliberations?

Mr. STUMPF. Well, I am not even—I am not even involved in board discussions around what the HRC does with anything with respect to me and/or as they recommend to the board. So there is no recusal required. But if—but I am happy to do that. But I am not even involved in that.

Senator REED. It will ultimately come up, though, to the board for a vote of affirmation of the compensation committee, correct?

Mr. STUMPF. It would, and I am not part of that. That is done in an executive session without me. It has always been done that way.

Senator REED. In 2013, when you learned of this, what did you do? This has been asked several different ways. Did you inform the regulators or instruct someone to inform the regulators of a growing problem?

Mr. STUMPF. Thank you, Mr. Reed. Yes, and I should have mentioned that earlier, but yes. Our primary prudential regulator was informed at that time.

Senator REED. Did you inform the board at that time?

Mr. STUMPF. Yes. I cannot recall the exact meeting, and—but I can—I can—it was sometime in 2013, and I know in 2014 various committees of the board were made aware of this—the risk committee, the audit and examination, the corporate responsibility.

Senator REED. Did you take any steps to internally notify your employees of this type of behavior, which, going back, was, you know, in 2011, a thousand people had done, 2012, 2013, including an area manager? Did you communicate that? Or did you simply keep these discussions internal to the board?

Mr. STUMPF. I do a team member townhall every quarter where I go to one of our various cities, and there will be a couple thousand people in the audience, and then we Web cast that broadly across our company. And I, you know, typically talk about ethics and doing what is right for customers, and in the case the vast majority do it, but I was trying to really bring home this fact.

Senator REED. But given specific evidence of techniques used to essentially, in the words of some of my colleagues, "defraud customers," those specific practices were not focused upon and

made very clear that they were not tolerated? Or was it—it would seem to be a generic discussion of follow the rules?

Mr. STUMPF. Again, Senator Reed, at the time that the escalation happened in 2013, there were many different meetings and things happening, as I mentioned in my written—or my oral testimony, about reducing goals, talking about sales efficacy, having manager meetings, talking with leaders, putting more controls in place. And, again, not fast enough, not far enough, and I apologize for that.

Senator REED. Well, it seems that, you know—and I would suspect, looking back, that the emphasis on meeting sales objectives, cross-selling, was unremitting. And yet you had examples here, specific examples of things that you knew were happening and should not be happening. And yet what I am hearing is more or less a generic, "Make those sales, oh, and by the way, you know, we have these ethical rules in place, too." Again, you know, I think you have said it and it is obvious that the tone, emphasis, what the leader does, what the leader says, is sometimes more important than anything else. For a period there, this was recognized, but there was no specific, "Stop this stuff."

Mr. STUMPF. Well, I can tell you we said, "Stop this stuff," and the thing about cross-sell is I would rather have a customer with two products that they use and they need and they want and they value than four products that are not used and valued. In the first case, the customer wins, we win, we all do well. In the second case, everybody loses. We lose money. It does not help us.

So we have been—we tried very hard, and, again, we were not as effective as we could have been in talking about—you know, the goal here is not, you know, products. The goal here is deep relationships. We had the wrong tool for too long to make that happen.

Senator REED. I would simply conclude that it just seems that it took too many months—years, literally—for some simple steps which should have been taken to be taken, and it was only, I think, as a result of what ultimately Los Angeles County and the regulators and others did that forced the issue. Thank you, Mr. Stumpf.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Toomey.

Senator TOOMEY. Thank you, Mr. Chairman. Thanks for calling this hearing. I have to say what we have been learning is so deeply disturbing on so many levels.

First, we discover that Wells Fargo had a sales culture that was blatantly antithetical to what is best for customers. We discover that management had far too few common-sense controls in place to prevent the kind of abuse that customers were subject to. We discover Wells Fargo executives completely out of touch.

In a 2011 Forbes article, Wells Fargo was rated the best at cross-selling its products. The only problem is we discovered Wells Fargo was not always cross-selling. Signing up customers for products when you know the customer does not want the product, failing to notify customers about these sham accounts opened, and this is not cross-selling. This is fraud. That is what this is.

And then we discover way too little done to prevent it from continuing, even after it was discovered. So Wells Fargo employees continued for years to literally forge customers' signatures—including my constituents'—on documents to open up accounts.

And then the case of Carrie Tolstedt, my understanding is that something on the order of over $20 million in bonuses for her between 2010 and 2015 were awarded because of strong cross-sell ratios. Yet we know in some cases she was hitting numbers by these fraudulent accounts. So this is unbelievable.

Let me begin, Mr. Stumpf. Do you acknowledge that the employees who engaged in this activity were committing fraud?

Mr. STUMPF. You know, I am not a criminal, you know, law enforcement officer, and I do not know the—I am not a lawyer. I do not know the legal term. I know this: They broke our code of ethics, they were dishonest, and we did everything we can to support law enforcement on these issues.

Senator TOOMEY. So I am not a lawyer either. Neither are most adults in America. But I think most people understand the meaning of the word "fraud." Black's Law Dictionary does provide a useful definition. It says, "Fraud is a knowing misrepresentation or knowing concealment of a material fact made to induce another to act to his or her detriment."

How does falsely signing a customer up for an account they do not want, how does it not meet that definition?

Mr. STUMPF. Well, and, again, I—if that is the definition that—you know, I can tell you this: It is absolutely wrong. We found this out. We got rid of those people. And they have no place—that behavior has no place in our culture. If that means fraud, that means fraud.

Senator TOOMEY. At what point did you alert your regulators and law enforcement that you had probable criminal activity happening on a large scale?

Mr. STUMPF. Well, again, it was 1 percent of our people, Senator, and I know that——

Senator TOOMEY. But 5,000 is a big number.

Mr. STUMPF. It is bigger than my hometown. I do know that. And it was—but we also had the vast majority who did the right thing. But let us talk about those. Every time—and we made a very bright line. If it happened one time, it was one time too many.

Senator TOOMEY. I have only 5 minutes here.

Mr. STUMPF. And to answer your question—I am sorry—we sent it—we did everything we needed to do.

Senator TOOMEY. Did you refer it to law enforcement?

Mr. STUMPF. When it was—when it was required, we did. We did everything according to the rules.

Senator TOOMEY. When did you begin to disclose in SEC filings that you had this potentially material adverse set of circumstances that could certainly have huge damage to your reputational value?

Mr. STUMPF. Well, I do not—I do not—I cannot answer that. I would have to get to our legal team. I do not have that in front of me. But this was not a—I just—I would have to get back to you on that. I do not know.

Senator TOOMEY. Well, we have not been able to discover such a disclosure, and the SEC very clearly requires disclosure of material adverse circumstances. And I do not know how this could not be deemed "material." I think the market cap lost 9 percent over the last couple of weeks. That is pretty material.

Mr. STUMPF. Well, from a financial perspective, you know, $2.6 million—and it is $2.6 million too much, and $185 million was not deemed "material."

Senator TOOMEY. I get that those dollar amounts may not qualify as "material" to a bank the size of Wells Fargo, but the reputational damage done to the bank clearly is material, and that has been manifested by this huge adverse movement in stock prices.

Let me raise one other issue. You mentioned in your testimony and you state unequivocally that there was "no orchestrated effort, or "scheme" as some have called it, by the company." But when thousands of people conduct the same kind of fraudulent activity, it is a stretch to believe that every one of them independently conjured up this idea of how they would commit this fraud. Is it not very probable that there was some orchestration that happened at some level, if not—I am not suggesting it was you personally by any means, but does it not defy common sense to think that there was not some orchestration of this?

Mr. STUMPF. Senator, I do not know how—what motivated or why people did this, but we did fire managers and managers of managers, and in one case, an area president. So, again, you know, this 1 percent is way too many. I do not want to minimize it. But I also want to make sure that we recognize that the vast majority of the people did exactly the things we wanted them to do to help deepen customer relationships, help them succeed financially. And, also, we have put a number of other controls in place besides taking sales goals off the table. We now have—we do not open any deposit account today or any credit card without a signature. Well, there are a couple cases where ADA where they cannot—we will have a dual notice. We are also doing mystery shopping, and we are also giving customers a 1-hour notice by email or, if they do not have an email, by letter to make sure that we know exactly and they know exactly what they have opened.

Senator TOOMEY. It seems like it took an awfully long time to impose those sort of basic controls.

I see I am out of time. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. First of all, thanks for the response—I know you were already on the way, but to the letter that we sent asking you for this hearing, so I appreciate you holding it.

Mr. Stumpf, let me just say I am personally appalled by the size, the scope, the duration, and the impact of the scandal. And I must say that I am shocked and incredibly disappointed by the response of Wells Fargo's corporate executives. In the last week, you and your chief financial officer have taken to the press and laid the blame squarely on low-paid retail bank employees. And while I do not excuse what they did by any stretch of the imagination, I find that despicable.

Wells Fargo touts to its investors and its customers that we will never put the stagecoach before the horses. Well, I tell you what: The bank recklessly rolled over 2 million of your customers in what in no way can be viewed other than a large-scale scheme to boost,

you know, your growth and whatever that meant for your shares and whatever that meant to your shareholders.

So you did not fire 10 employees. Right? You did not fire 500 employees. You fired 5,300 employees. Is that right?

Mr. STUMPF. Yes, 5,300 people did not honor our culture.

Senator MENENDEZ. And they were not located in one branch or one district. Is that right?

Mr. STUMPF. That is correct.

Senator MENENDEZ. They were located across the country. Is that fair to say?

Mr. STUMPF. That is fair to say.

Senator MENENDEZ. Now, should not the workplace actions of employees reflect the values of the institution no matter what part of the country that they are in?

Mr. STUMPF. I absolutely agree with that.

Senator MENENDEZ. So do you believe that senior executives like yourself are responsible for nurturing and honing a company-wide culture for your employees and your employees' actions?

Mr. STUMPF. Absolutely.

Senator MENENDEZ. So this is not the work of 5,300 bad apples. This is the work and the result of sowing seeds that rotted the entire orchard. And whether tacitly through sales guides and employee training manuals, some of which I have reviewed, or more explicitly through demands from hard-driving managers, you and your senior executives created an environment in which this culture of deception and deceit thrived. And yet, you know, I see this as a toxic combination of low wages—now, I know that in response to Senator Brown's question of what does an average banker at Wells Fargo make, you said between $30,000 and $60,000. You said that is good money. How much money did you make last year?

Mr. STUMPF. $19.3 million.

Senator MENENDEZ. Now, that is good money. Now, that is good money. Is it a combination of low wages, punishing sales quotas, and a grossly misaligned compensation incentive throughout the bank's organizational structure, as is evidenced that you removed it?

Now, when you were holding these ethics sessions, did you ever specifically, seeing this information begin to blip up on your radar screen, and then more significantly, did you ever specifically say in those sessions, "We do not want to open accounts for our customers that they do not ask for"? Did you specifically say that?

Mr. STUMPF. Senator, I will get to that question, but I just want to go back for a second. When a team member opens an account that is not used, that does not help customers and it does not help us. And the vast majority did the absolutely right thing.

Senator MENENDEZ. Did you specifically say——

Mr. STUMPF. And I specifically said, yes, we do not push products. We sit down with a customer. We have a needs-based analysis, and then based on what we hear where the customer is in their financial journey, we match products.

Senator MENENDEZ. Did you specifically say that, in fact, "I do not want to see accounts open for customers that they did not ask for"?

Mr. STUMPF. Absolutely.

Senator MENENDEZ. When did you say that?

Mr. STUMPF. I have said that many times in many townhalls.

Senator MENENDEZ. Let me ask you, Ms. Tolstedt made about $9 million in salary last year, did she not?

Mr. STUMPF. You know, it is in the—it is in our public filings.

Senator MENENDEZ. She made about $9.1 million in salary, bonus, and stock awards. According to Glassdoor, the average Wells Fargo bank teller salary is $24,545, and the average salary for a Wells Fargo personal banker is $37,560. So imagine—do you know what the poverty wage is for a family of three?

Mr. STUMPF. I do not have that in front of me.

Senator MENENDEZ. Well, let me just share it with you. I did not think you would. It is $24,300. For a family of three, it is $20,160. So imagine for a moment you are a single parent working with two young children as a personal banker in Wells Fargo's branch. Let us say your base salary is somewhere in the $30,000 range. You have a hard-driving boss breathing down your neck to meet rigorous sales quotas. You have got to call into a call center when you do not meet those quotas. And if you do not meet the quota one day, it gets carried over to the next day, so you have got even a higher quota. And you are being told—forget about the incentive of making more money. In essence, this is about losing your job. And you think that that environment was the appropriate environment to protect your customers and to have the culture that you portray here that Wells Fargo had?

Mr. STUMPF. Senator Menendez, I get your question. We had been reducing sales goals and bringing other goals into place even before we decided to get rid of the sales product goals. And the vast majority—the vast majority of employees—love Wells Fargo and, in fact, when we go to our regional banking—our retail banking people, 15 of our people in survey—it is actually a census done by Gallup—every year love the environment in Wells Fargo, and they put customers first. I cannot excuse the behavior of the 1,000. I know it is too many. But the culture is a very caring and collaborative culture.

Senator MENENDEZ. I know my time is up, but let me just ask you a final question before hopefully the Chairman will have a second round. Did you or any senior executive at Wells Fargo suffer any
financial consequence as a result of what has transpired over the years?

Mr. STUMPF. The board will take—well, first of all——

Senator MENENDEZ. To date. To date, have you suffered any financial consequences?

Mr. STUMPF. The board has gone through, and, yes, people have been held accountable.

Senator MENENDEZ. Senior executive management?

Mr. STUMPF. Senior executive——

Senator MENENDEZ. I would like for you to classify for me what that is.

Mr. STUMPF. OK. Well, people that are in charge of risk in the retail bank, people that are in charge of sales efficacy, regional presidents who do not meet their goals around proper sales, yes, people are held accountable, and they will be held accountable.

Chairman SHELBY. Senator Heller.

Senator HELLER. Mr. Chairman, thank you for holding this hearing and for our witness for being here today. I appreciate it.

For years, the people of Nevada have struggled to regain what they lost in the aftermath of the housing crisis, and we all know that this housing crisis was caused by greed and excess. And for too long, Nevada often has had the unfortunate distinction of having one of the highest rates of unemployment, foreclosures, underwater homes, homes sold in short sales, and personal bankruptcies. So trust to some is the center point of any relationship with a business, and I assume it is the same that Wells Fargo has broken that trust.

I consistently fight to ensure Nevadans retain the protections of their personal privacy, so I was shocked to hear the reports, Mr. Chairman, that the employees of Wells Fargo opened millions of bank accounts and credit cards without customers' consent. The actions of some Wells Fargo employees directly took money from Americans' pockets in order to artificially inflate company quotas.

I had a constituent—and I have had a number of constituents call my office. This one happened to be from Henderson, Nevada, emailed me, and said she was affected by Wells Fargo's tactics. She said she was insulted that leadership at Wells Fargo was unaware of these policies.

Now, given the culture of wrongdoing that some of your employees exhibited, taking responsibility, refunding customers, and conducting internal investigations should only be the first step as we plan to fix this mess. Accountability and reform in putting your customers' interests first should be Wells Fargo's top priority. And so with that, Mr. Stumpf, just a couple of questions.

Do my constituents have a right to be insulted? I have heard a number of comments probably more directed at you that you would take the Sergeant Schultz position that you knew nothing as this was moving ahead, that perhaps you even took—and I heard this from one of my constituents—the Hillary Clinton approach, a "what difference does it make?" attitude. And let me tell you why they are talking this way. I have got your letter to your valued customers as you tried to explain to them some of the problems: "You may have seen news recently that some Wells Fargo customers received products and services that they did not need."

You did not tell them you were sorry in your customer service letter. You came to this Committee and told us you were sorry, but you did not tell your customers you were sorry. Do they have a right to be insulted?

Mr. STUMPF. Well, first of all, let me tell you, every—I had a number of media contacts last week, one broadcast and four in print, and I am sorry. I am accountable when we do not do it right 100 percent of the time. And I was even—I was, I think, misquoted or misunderstood in one where I blamed team members. I do not like—we do not accept behavior that is not consistent with our culture, but I do accept responsibility, and I am sorry.

Senator HELLER. This letter appears that you are downplaying some of the concerns. You said that some Wells Fargo customers—you know, we are talking almost 2 million accounts that were opened up.

Let me ask you this question: Was anybody on your board or yourself—did any of you have any open unauthorized accounts in your names?

Mr. STUMPF. I do not know that. I have not seen a letter, you know, on mine, and I was not refunded any of the dollars.

Senator HELLER. What would you have done if you had an unauthorized account where somebody forged your own name? What would you have done about that?

Mr. STUMPF. Well, I have had that before where people have forged my name——

Senator HELLER. Your bank.

Mr. STUMPF.——or stolen my identity. But, of course, I would be—I would be very disappointed, and I can surely understand your constituents' disappointment, and we have a lot of work. Nevada is a wonderful, important State to us. We have been there a long time. And I apologize to all of the American people and our customers, and we will make it right.

Senator HELLER. Can I go back to Carrie Tolstedt for a moment? You said you are not on the compensation board, but if the compensation board were to send you a recommendation to approve $100 million as a compensation package for her, would you support that?

Mr. STUMPF. You know, I am not on that board, and I think it is probably maybe—if I could just take a second, as I understand—and I will get you the information about her $100 million—part of it is stock she has either purchased on the open market or exercised and owns for a 27-year career. There are some dollars that are in the money, options that she has not yet exercised. And then, finally, there is a part of future grants that will be vesting over the few number of years, and the board will consider all of those things. They will consider her entire situation in their deliberations.

Senator HELLER. Would you approve that?

Mr. STUMPF. You know, again, Senator, I want to be respectful of the committee and respectful of their process and not in any way bias their decision.

Senator HELLER. Mr. Chairman, my time has run out. Thank you.

Chairman SHELBY. Senator Tester.

Senator TESTER. Thank you, Mr. Chairman, Ranking Member Brown, for having this hearing. I have been on this Committee for nearly 10 years now. You have done something that has never happened in the last 10 years and united this Committee on a major topic, and not in a good way.

Credit card accounts were opened. Folks did not know about them. There were fees charged, potentially fines charged. And if customers were unaware that these accounts were opened up, there must have been many instances—there were 2 million accounts opened up—that negative information was sent to credit bureaus. Is that accurate?

Mr. STUMPF. The part that is accurate is there are 565,000 consumer credit cards that were opened up that were never activated. About 400,000 of those have customers' signatures on them, and 5.7 percent or less than 6 percent of those accounts that we opened

during that time were not activated, which is a pretty standard industry—because people might have them—we are going to go back to each one of those customers now and find out if that was a legitimate—to ensure an open—and if it is not, we will make it right.

Senator TESTER. OK, but that is not what I asked.

Mr. STUMPF. I am sorry.

Senator TESTER. I asked: Was negative information turned in to the credit bureaus because of these actions?

Mr. STUMPF. You know, I do not know the algorithms of how credit bureaus——

Senator TESTER. Well, this——

Mr. STUMPF. But I want to answer your question. I know that when a credit bureau is requested, it has an impact on your credit score.

Senator TESTER. Well, this is a big deal.

Mr. STUMPF. Yes, it is.

Senator TESTER. And I am telling you, it is a big deal. I could ask you for the age breakdown on these 2 million accounts that were opened up, but I am telling you that if information was sent in to the credit bureaus because of these falsely opened accounts, the impacts on this are far, far, far more than the fees or fines that could be associated with that.

What is Wells Fargo doing about that?

Mr. STUMPF. Senator——

Senator TESTER. Or did that information not get reported to the credit bureaus?

Mr. STUMPF. Well, when we pull a credit——

Senator TESTER. Just ask me—just tell me, did the information, if there were fees and fines involved and the credit bureaus requested it, or even if they did not, did that information get forwarded to the credit bureaus?

Mr. STUMPF. I am trying—sir, I am trying to work with you——

Senator TESTER. But a "yes" or "no" works.

Mr. STUMPF. Yes—yes, we—we pulled a credit bureau for each one of these cards.

Senator TESTER. OK. So what is Wells doing about fixing that problem? And be concise.

Mr. STUMPF. OK. We are calling each credit card customer to find out if this truly was a card they wanted.

Senator TESTER. OK.

Mr. STUMPF. If they want it, we do not want to take away their credit. If they did not want it, we are going to go back and make sure that it is made right by the credit bureau and made right by the customer.

Senator TESTER. And what is the timeframe for that?

Mr. STUMPF. We already started that process.

Senator TESTER. OK. So now, this took 5 years. It has been documented, 2011—maybe even started before that, but 2011 until fairly recently. Now, if I had had a credit card issued in the first volley and in the meantime between 2011 and now I decided to buy a house, and that information was reported to the credit bureau, it could make—you probably could know the figure, but maybe half a percent, maybe more than that. And on a $500,000 mortgage, the

difference between 3.5 and 4 percent is 50 grand over 30 years. What is being done about that?

Mr. STUMPF. We will look at each one of those and determine what——

Senator TESTER. So you are going to go back in and find out, even if they did not do business through Wells, if they bought a house and what Wells did impacted their credit rating, you are going to go back and find those folks?

Mr. STUMPF. I am going to go back—we have committed to go back to all of our credit card customers and find out——

Senator TESTER. OK. What about the ones that got—you refund all their fines, you refund all their fees. You went back to the credit bureau and reestablished their credit rating as of today. What about the folks that may have bought a house through Chase and got a higher interest rate because of it? How are you going to find those folks?

Mr. STUMPF. You know, we are working on that. I have told our people, "Go back and make it right," and I can—as we start going through that, I am happy to have our team come back and report to you how we're working on it.

Senator TESTER. Well, I think it is really important that you understand that this is a big deal. I mean, it is a big deal. And I know you feel bad about it. We feel bad about it. But the truth is there are real-world implications here on young families and old families that are going to be put into a poverty situation because of this, even though we think it is just a few hundred bucks in fees. It is more than that, much more than that.

So you found out in 2013—and I do not want to beat this horse anymore, but did you find out that they were actually setting up accounts with fraudulent signatures in 2013?

Mr. STUMPF. You know, I learned that some of our team members were not doing the right thing, and they were opening accounts on customers, and then we truncated those.

Senator TESTER. Because it would seem to me that if you guys knew about that, a simple edict would have been pretty helpful: "Do not do this. If you do this, you are gone."

Mr. STUMPF. And that is—we had even more than that, and what we should have done is get rid of our incentive program.

Senator TESTER. The last thing, and this is just a statement. But I can tell you that you have said multiple times here that 5,300 people went, and that is basically 1 percent of your workforce. Every time you say that, you give ammunition to the folk who want to break up the big banks. Fifty-three hundred people are more people than live in most towns in Montana. Two million people is twice the population of the entire State. This is a major screw-up that went on for far, far, far, far too long, and I think you know that. But, man, there is going to be a lot of work that has to be done to rectify this situation, if it ever can be rectified.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Crapo.

Senator CRAPO. Thank you, Mr. Chairman.

Mr. Stumpf, I want to follow up on the line of questioning that Senator Tester was just discussing with you, but first I want to ask a couple of questions about just data, basically.

Consumers expect that their private information is going to be protected at their bank and not used to open an unauthorized account. You have gone through that extensively today. Did the third-party analysis that you engaged in determine if these unauthorized accounts were created uniformly across the United States? Or were there areas in the United States where they were more heavily created?

Mr. STUMPF. Yes, there was a heavy bias toward the Southwestern part of the country.

Senator CRAPO. The information I have indicates that that even more specifically includes California and Arizona. Would that be correct?

Mr. STUMPF. That would be correct.

Senator CRAPO. I also have New Jersey here on my list. Was New Jersey more heavily impacted?

Mr. STUMPF. Well, I have numbers by State, and it typically related to there was some over index or over—people did more wrong things, but more associated with the size of the business we're a much larger bank in Southern California and Arizona, New Jersey. There were places where we are larger and it fit more the pattern of the size of our organization in those communities.

Senator CRAPO. So because of that, it was not necessarily that the management in those communities were potentially the ones who were driving this more aggressively, but simply the size of your business in those communities?

Mr. STUMPF. Senator, it was a bit of both.

Senator CRAPO. All right. Thank you. Obviously, one of the questions that my constituents and constituents across the country have is, "Am I one of those who has had an unauthorized account created in my name?" And you have indicated that right now Wells Fargo is calling every customer. Is that correct?

Mr. STUMPF. We are contacting all of our deposit customers and the credit—and, incidentally, virtually all of these accounts came on the books and were closed within a 60-day period. And so of the potential—again, the 2 million accounts that could not be eliminated—and I think I said that in my oral testimony. So I do not know—you know, we just could not eliminate them, or PwC could not. But we are calling all of our credit card customers and contacting all of our deposit customers, and we have a special call a number. We are asking people to come into our banks and talk to our people.

Senator CRAPO. That was my next question. If there is somebody who does not want to wait for the call, what can they do?

Mr. STUMPF. I mean, they are going to get a notice and say, you know, if you have an interest, you can email us, we will call you, we will do whatever it takes to make sure that—and I know our study was—PwC was very comprehensive. We tried to err on the side of the customer. In fact, we are getting people coming into our bank today saying, "I got a $25 check, but I wanted this service." And I am not saying that—but I am just saying that we want to make sure that we do not hurt any customer and that if they wanted credit, they have it; if they did not want it, we will try to make it right by them.

Senator CRAPO. All right. Now, getting back to Senator Tester's question about the credit impact, the simple opening of an account causes an impact to a credit rating, does it not?

Mr. STUMPF. It does on—and, again, I am not an expert in this field, but I know on the credit card side we pull a bureau, and depending on how many bureau—well, I know that that is a strike against—it lowers your credit score, depending on how many requests are in that time. There is also a positive impact, and I am not here to justify or under—we will do what is right to make that right.

Senator CRAPO. Well, and that is what I wanted to get at finally in the last minute I have in my questioning. You said to Senator Tester and you have just said again to me that you are going to make it right. How do you do that? For example, you said the calls have been being made. I assume that in the calls that the bank is making that they are finding customers, some, who have unauthorized and unwanted credit card accounts. How do you make it right with regard to the impact that that—and potentially charges on that account have caused to the credit rating of that card holder?

Mr. STUMPF. And, Senator, that is—that is a very good question. We are just starting that process. I do not have enough to give you right now, but we would be happy to come back to the Committee and tell you more about what we learn as we do that.

Senator CRAPO. All right. Thank you. In the little bit of time I have left, I want to shift topics. My understanding is that the primary regulators that you have been dealing with are the city of Los Angeles and the OCC and the CFPB. Is that correct?

Mr. STUMPF. That is correct.

Senator CRAPO. Could you just give me a timeline? When did each of those notify you? Or did you notify them at some point? In what order did they get involved and when?

Mr. STUMPF. I do not know that I have precise dates, but I will give you a general timeline. The city of LA lawsuit was sometime in the May timeframe of 2015—well, 2013, maybe it was. I am sorry I am missing on dates here. And then the OCC was involved. We shared with them. And when we learned of their lawsuit, we—well, it was actually in 2015. I am sorry, 2015. May of 2015. And then we shared that information with the CFPB. But the OCC was involved with us prior to probably the 2013 timeframe.

Senator CRAPO. So the OCC probably would have been involved first, even before the city of Los Angeles?

Mr. STUMPF. They are our principal regulator, and yes.

Senator CRAPO. All right. And then the CFPB would have been the final entity that was—the last——

Mr. STUMPF. We noticed—we called them, someone from our legal department called them I believe in the May timeframe of 2015.

Senator CRAPO. Sorry. I see my time is well over now. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Warren.

Senator WARREN. Thank you, Mr. Chairman.

Mr. Stumpf, the Wells Fargo Vision and Values Statement which you frequently cite says, "We believe in values lived, not phrases

memorized. If you want to find out how strong a company's ethics are, do not listen to what its people say. Watch what they do."

So let us do that. Since this massive, years-long scam came to light, you have said repeatedly, "I am accountable." But what have you actually done to hold yourself accountable? Have you resigned as CEO or Chairman of Wells Fargo?

Mr. STUMPF. The board—I serve at the——

Senator WARREN. Have you resigned?

Mr. STUMPF. No, I have not.

Senator WARREN. All right. Have you returned one nickel of the millions of dollars that you were paid while this scam was going on?

Mr. STUMPF. Well, first of all, this was by 1 percent of our people and——

Senator WARREN. That is not my question. My question—it is about responsibility. Have you returned one nickel of the millions of dollars that you were paid while this scam was going on?

Mr. STUMPF. The board will take care of that.

Senator WARREN. Have you returned one nickel of the money you earned while this scam was going on?

Mr. STUMPF. And the board will do——

Senator WARREN. I will take that as a "no" then.

Have you fired a single senior executive? And by that, I do not mean a regional manager or branch manager. I am asking about the people who actually led your community banking division or your compliance division?

Mr. STUMPF. We have made a change in our regional—to lead our regional bank.

Senator WARREN. I just said I am not asking about regional managers. I am not asking about branch managers. I am asking if you have fired senior management, the people who actually led community banking division, who oversaw this fraud, or the compliance division that was in charge of making sure that the bank complied with the law.

Mr. STUMPF. Carrie Tolstedt——

Senator WARREN. Did you fire——

Mr. STUMPF. No.

Senator WARREN.——any of those people?

Mr. STUMPF. No.

Senator WARREN. No. OK. So you have not resigned. You have not returned a single nickel of your personal earnings. You have not fired a single senior executive. Instead, evidently your definition of "accountable" is to push the blame to your low-level employees who do not have the money for a fancy PR firm to defend themselves. It is gutless leadership.

In your time as Chairman and CEO, Wells has been famous for cross-selling, which is pushing existing customers to open more accounts. Cross-selling is one of the main reasons that Wells has become the most valuable bank in the world. Wells measures cross-selling by the number of different accounts a customer has with Wells. Other big banks average fewer than three accounts per customer. But you set the target at eight accounts. Every customer of Wells should have eight accounts with the bank. And that is not because you ran the numbers and found that the average customer

needed eight banking accounts. It is because "eight rhymes with great." This was your rationale right there in your 2010 annual report.

Cross-selling is not about helping customers get what they need. If it was, you would not have to squeeze your employees so hard to make it happen. No. Cross-selling is all about pumping up Wells' stock price, is it not?

Mr. STUMPF. No. Cross-selling is shorthand for deepening relationships. We only do well——

Senator WARREN. Let me stop you right there. You say "no"? Here are the transcripts of 12 quarterly earnings calls that you participated in from 2012 to 2014, the 3 full years in which we know this scam was going on. I would like to submit them for the record, if I may, Mr. Chair. [*http://www.warren.senate.gov/wellsfargo/*]

Chairman SHELBY. Without objection, so ordered.

Senator WARREN. Thank you.

Senator WARREN. These are calls where you personally made your pitch to investors and analysts about why Wells Fargo is a great investment, and in all 12 of these calls, you personally cited Wells Fargo's success at cross-selling retail accounts as one of the main reasons to buy more stock in the company. Let me read you a few quotes that you had.

April 2012: "We grew our retail banking cross-sell ratio to a record 5.98 products per household."

A year later, April 2013: "We achieved record retail banking cross-sell of 6.1 products per household."

April 2014: "We achieved record retail banking cross-sell of 6.17 products per household."

The ratio kept going up and up. And it did not matter whether customers used those accounts or not. And guess what? Wall Street loved it. Here is just a sample of the reports from top analysts in those years, all recommending that people buy Wells Fargo stock in part because of the strong cross-sell numbers. And I would like to submit them for the record.

Chairman SHELBY. Without objection, so ordered.

Senator WARREN. Thank you, Mr. Chair.

Senator WARREN. So when investors saw good cross-sell numbers—they did while this scam was going on—that was very good for you personally, was it not, Mr. Stumpf? Do you know how much money, how much value your stock holdings in Wells Fargo gained while this scam was underway?

Mr. STUMPF. Well, first of all, it was not a scam, and cross-selling is a way of deepening relationships. When customers use——

Senator WARREN. We have been through this, Mr. Stumpf. I asked you a very simple question. Do you know how much the value of your stock went up while this scam was going on?

Mr. STUMPF. It is—all of my compensation is in our public——

Senator WARREN. Do you know how much it was?

Mr. STUMPF. It is all in the public filing.

Senator WARREN. You are right. It is all in the public records because I looked it up. While this scam was going on, you personally held an average of 6.75 million shares of Wells stock. The share price during this time period went up by about $30, which comes

out to more than $200 million in gains, all for you personally, and thanks in part to those cross-sell numbers that you talked about on every one of those calls.

You know, here is what really gets me about this, Mr. Stumpf: If one of your tellers took a handful of $20 bills out of the cash drawer, they would probably be looking at criminal charges for theft. They could end up in prison. But you squeezed your employees to the breaking point so they would cheat customers and you could drive up the value of your stock and put hundreds of millions of dollars in your own pocket. And when it all blew up, you kept your job, you kept your multi-million-dollar bonuses, and you went on television to blame thousands of $12-an-hour employees who were just trying to meet cross-sell quotas that made you rich. This is about accountability. You should resign. You should give back the money that you took while this scam was going on, and you should be criminally investigated by both the Department of Justice and the Securities and Exchange Commission.

This just is not right. A cashier who steals a handful of twenties is held accountable. But Wall Street executives almost never hold themselves accountable, not now and not in 2008, when they crushed the worldwide economy. The only way that Wall Street will change is if executives face jail time when they preside over massive frauds. We need tough new laws to hold corporate executives personally accountable, and we need tough prosecutors who have the courage to go after people at the top. Until then, it will be business as usual. And at giant banks like Wells Fargo, that seems to mean cheating as many customers, investors, and employees as they possibly can.

Thank you, Mr. Chair.

Chairman SHELBY. Senator Vitter.

Senator VITTER. Mr. Stumpf, what astounds so many Americans and virtually all of us is how significant this fraud was, how widespread it was, for how long a period of time. And related to that, I am very concerned about this timeline of when top corporate leadership like yourself knew about it. You have been talking in general about 2013. Is that when the issue was a focus of board discussions? Or was that the first time you knew of fraudulent activity and these unwanted accounts being opened against customers' wills?

Mr. STUMPF. Thank you, Senator Vitter. As I testified before, this—people in our regional bank knew that not every team member would do everything right every day, and they tried to root it out at the business level with their compliance and so forth. And then once——

Senator VITTER. When did you and folks at your level like board members know of this activity on any significant scale? Was it 2013, which you have suggested, or was it earlier?

Mr. STUMPF. 2013.

Senator VITTER. OK. So in 2011, about 1,000 employees were fired over this. That is about 1 percent of the whole retail business. So 1 percent of a whole big part of your business was fired over fraud, and you were never told about that.

Mr. STUMPF. That was dealt with in the business unit at that time.

Senator VITTER. Is it normal for 1 percent of a business unit to be fired over fraud—not high turnover, not incompetence, fraud—and this never is mentioned to you?

Mr. STUMPF. In a large retail business that has other turnovers and so forth, if I could go back, I would have, you know, spent more time on this——

Senator VITTER. Why isn't this crystal clear proof that an entity as big as Wells is not only too big to fail, but it is too big to manage and it is too big to regulate? One percent of a big part of your business is fired over fraud, but that does not rise to your level?

Mr. STUMPF. And, Senator, that is a good question, and I have thought about that. This was a problem of focus and not of size. Today——

Senator VITTER. Let us talk about corporate culture. You have often referred to people not living up to the Wells culture. Culture is not something written in a handbook. Culture, as has been suggested, is an atmosphere and what is lived.

Mr. STUMPF. I agree.

Senator VITTER. Was not this practice, in fact, by the numbers part of the Wells culture by definition because it was so widespread for so long a period of time?

Mr. STUMPF. I think this is not part of our culture. This was the—and, again, it is a large number, but the vast majority of our people do it right every day, and they provide great value, and they live according to our culture, vision, and values.

Senator VITTER. And if it was a widespread practice for many years—I will just make a statement—that makes it part of the culture, in my opinion. So it seems to me your challenge is to change the culture, not to enforce the culture.

Finally, what level of confidence, from 0 percent to 100 percent, do you have that this type of fraudulent activity does not exist in other Wells business lines?

Mr. STUMPF. We have looked at other things, other businesses. They are different, and we believe that this is, you know, situated in our regional bank. Other areas have different levels of compliance and different volumes and different requirements. We have looked across a number of things, and I have confidence that we have this one solved, and we have made a lot of changes.

Senator VITTER. So just as an example, Wells is the biggest participant in the SBA's 7(a) loan program. I happen to chair the Small Business Committee, so I am focused on a lot of small business issues. Are you 100 percent confident that no fraudulent activity like this or no extreme quotas and goals exist in that 7(a) program?

Mr. STUMPF. We do not have product goals to my knowledge in any one of our other businesses, and we have—of course, because of this situation, we have doubled down on compliance and review in a lot of our businesses across the board.

Senator VITTER. Well, I am writing several of those compliance folks to urge a look at anything small-business related, including the 7(a) program since Wells is the leader in that activity.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman.

Mr. Stumpf, you had previously talked to me about Wells Fargo values and look at the mess we are in. A community banker from my State called the office, unsolicited, and is just sick, and he said, "Here we go again where my bank is"—a local community bank, "My bank is going to be slandered because of what these guys are doing." And he said, "If my bank had a widespread practice of opening unauthorized accounts and moving customer money without permission, I would be in jail. My bank would be sold, and my entire management team and board would be sued by the regulators for a lack of oversight." And he is sick to his stomach about what has happened here. And so am I.

Over 5,000 people from Indiana, 5,000 Hoosiers who every day, as everybody has talked about from their own States, every day these people work nonstop to try to pay the bills, take care of their family, make sure that they can make ends meet, and they hope that they can. Over 2 million-plus across the country but over 5,000 Hoosiers who had unauthorized accounts opened.

Now, the second many of these credit cards are opened, these folks' credit was immediately dinged, and this is something Senator Tester was talking about. Then you go to take out a mortgage, and you have got a 30-year mortgage that is at half a point or a point higher because your credit rating has gone down. So what I want to know as one of these things is: Will you pay back every single extra dime that these people are going to incur over the 30 years because of the fraudulent action of the people at Wells? It was not Sam or Judy who works at the mill who is hoping to get a payment that they could afford. It was that their account had fraud committed to it, and now they have to pay more every single month for the next 30 years. How do you pay that back?

Mr. STUMPF. Yes, and thank you, Senator. We have been thinking about that. We are starting to call, make those calls to our constituents and find out our customers—and I do not have a final answer for you, but we will—our intention is to make it right by every customer.

Senator DONNELLY. So do you promise to pay back every single extra dollar these people are going to incur over the next 30 years?

Mr. STUMPF. Senator, I want to work with you, and I am trying to be cooperative. I just do not have all those answers today. But I surely get the issue, and my instructions have been to make it right by every customer.

Senator DONNELLY. One of the things that rubs everybody wrong around here, but not just here, around the country, Americans are fair people, and everybody in this country tries to make sure that there is a square deal done. It is not a square deal when the people that are fired are the tellers who make 15 bucks and the senior execs walk off with $100 million. Americans can smell an unfair deal a mile away. And when this teller—these 5,300 tellers, they did not come up with this scheme on their own. This is the only way they could keep their jobs because of what was going on. And you called them dishonest. And my question is: Ms. Carrie Tolstedt, the head of all this, is she dishonest? And how do you fire someone making 15 bucks and not the person—that is like firing the guy throwing coal in the engine and letting the captain go strolling off to a $100 million new ship. How do you do that?

Mr. STUMPF. Yes, I think that is an important question. First of all, most of the people were bankers who were not making $15 an hour, managers of those, and managers of those. And there is something very different about violating our code of ethics and putting customers at risk and being dishonest. First, as someone who did not spend enough time making sure that this issue had been closed, I see a very big difference.

Senator DONNELLY. Well, I think one of the things that the American people are just disgusted about is it seems like it all flows downhill, and the people down the hill get fired, do not even know if they can pay their mortgage because of the job they had and they are gone, and that the people up on the top of the hill make $20 million, $10 million. You know, the fellows who started the Wells Fargo stagecoach, this was not their plan. This is not what we do. And the only last question I have—and I apologize, Mr. Chairman, but it is this: For 5 years—5 years. And so when folks say this is too big to fail, for 5 years you were not able to end this. And you look and you go for 5 years Americans were taken advantage of and were cheated, had their credit ratings ruined, had accounts opened that they never even knew about. And this bank, either you did not know, or you knew and it was great for the story. You know, under any circumstance none of the conclusions is good.

Mr. STUMPF. I could not agree with you more. We did not move fast enough. We should have done better. But I also want to remind you that the vast majority of our people also had families to feed, and they did exactly the right thing. But we are sorry, and we need to do better. Thank you.

Senator DONNELLY. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Scott.

Senator SCOTT. Thank you, Mr. Chairman. Good morning, Mr. Stumpf.

Mr. STUMPF. Good morning, Senator Scott.

Senator SCOTT. I will tell you, as a Senator I am frustrated, angry, and really unhappy with what appears to be a toxic culture in parts of your sales organization. As your customer, with two or three mortgages, a couple of accounts, I am disappointed. I am disappointed in my financial institution that I have put so much confidence and trust in.

I am, however, thankful for the real heroes that we have heard so little about this morning, the heroes, the employees who went to the press, the customers who went to the OCC, bringing oxygen to a very important conversation, and hopefully resolution.

I ask myself—and perhaps Rita Murillo gave me the answer—why did not these employees find a safe haven up the chain? If you will remember, I owned a couple of Allstate Insurance agencies, and so the sales culture that was so toxic is also incredibly important for folks looking to support their families, who are working paycheck to paycheck. And anyone who suggests that folks who make just a little money must cheat the system, it is an inconsistent suggestion. I know a lot of folks who are poor who would find that comment quite disrespectful, lots and lots—most poor folks have strong integrity and would never put themselves in this situation.

I would suggest that perhaps the higher you go in that chain in the sales organization, the more you find the problem, not the person making the 15 bucks an hour, to be honest with you.

My question, though, is: Why was there not a safe haven? And have you created safe havens for employees who see things that are just running amok, do they have a safe place to go? And not to the *Los Angeles Times,* not to the OCC, but is there a culture that is being established—I know you are limiting some of your sales goals, which have unintended consequences as well. But is there a culture being established where the average employee feels empowered, encouraged to come forward and speak and be heard in Wells Fargo?

Mr. STUMPF. Senator Scott, I really appreciate that line of questions because it is absolutely—and I should have mentioned it. Each team member, no matter where you are in your organization, is encouraged to raise their hand if something is being asked of them that they think is not right, not consistent with our values and our culture. They are asked to raise their hand. They are asked to go to a manager's manager or HR. We also have an anonymous EthicsLine. They can speak up and show us and talk to us about anything they want. We want to hear from them, because we do not want this behavior. And I wish, you know, we would not have this behavior. But we have also instituted some things today—you know, and you mentioned getting rid of the sales goals. But we also today have an email we send within an hour of opening an account. No account can get opened today on a deposit side or credit card without a signature. And we are also doing a big mystery shopping program, with an independent third party to help tie it together.

Senator SCOTT. Mr. Stumpf, I have to cut you off here. It is important for me to finish my line of questions. I am glad to hear that you are making progress.

Mr. chairman, I would love for the record to have a better understanding of the culture of checks and balances that were not there that are now there that will help customers, thousands of customers throughout South Carolina, have more confidence in all financial institutions, and perhaps having done it wrong, you have become a model for doing it right.

Mr. STUMPF. Thank you.

Senator SCOTT. The second question I have goes back to the question we have heard from Crapo, from Tester, and so many others, that—and Donnelly. When you look at the impact on the consumer, the customer, you open the account—and I apologize now for going over my time for a minute or so. You have an account—I have a couple of accounts with the bank.

Mr. STUMPF. Thank you.

Senator SCOTT. I hope to keep them there.

Mr. STUMPF. Thank you. We agree.

Senator SCOTT. I hope to keep them there.

Mr. STUMPF. Yes.

Senator SCOTT. Someone opens an account, a fraudulent account. The definition of "fraudulent," God bless Black's Dictionary. If I did not sign for it, it is fraudulent. I like to have simple definitions. So it opens an account in my name. I do not know the account is

opened. So there are fees attached to some of the accounts. The fees that are attached are not paid because I am ignorant of those accounts. Those fees that are not paid because I do not know about them at some point are reported to a credit agency because I did not pay the fees, because I did not know about it because I did not open the account.

So when these fees create a negative impact on my credit statement, it translates into higher interest rates, or, said differently, a different way of exacting resources out of my very limited pocket, especially for folks working paycheck to paycheck throughout South Carolina.

Mr. STUMPF. Correct.

Senator SCOTT. So when that happens, it is nearly impossible for us to figure out the actual dollar amount, as Senator Donnelly was looking for, of impact on all the customers that goes through. And I would like for it also to be included in the questions for the record some way of helping me and others understand how we create a solution for those customers who will obviously be identified by you or by a scoop of attorneys looking to sue.

So I would love to understand and appreciate that process so that I can go back to my constituents who I work for and give them a plausible path forward for actual resolution for those who are injured and a clear path forward for restoring confidence in financial institutions, because my fear is that this is not going to simply be a Wells Fargo question. It will be a question for the entire financial footprint in our Nation.

Mr. STUMPF. And I think it is a good point, and I think—and, again, I will need to check with our team, but I think we have already gone back on the deposit side and are making those fixes with the credit bureau and are working to rectify that. But I will make sure we get back to you and work with you on that issue.

Senator SCOTT. Thank you, sir.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Heitkamp.

Senator HEITKAMP. Thank you, Mr. Chairman, and thank you for calling this meeting.

I know, Mr. Stumpf, there are probably many other places you would rather be right now, but I think this is a critical time as we look at the push that we have seen from so many financial institutions for lower regulatory burdens and trust us. What we have now lost has been trust not only between you and your customers, but in a very bipartisan way, between this Committee and large financial institutions. You have said repeatedly that one of your failures was that you did not act fast enough. Today you are sitting in front of this Committee, and I am telling you, you are still not acting fast enough. You still do not have the answers that we need to say that we are moving forward.

And so let us start with remediation, and by that I mean repairing credit ratings, taking a look at refunds, taking a look at restoring to the customer what the customer lost. You have said repeatedly to the folks here, you know, "We are working on it. We are working on it." You know, we start this story as far back as—we do not know, but let us start at 2011. At 2011, there is something going on, and Wells Fargo is addressing it. At 2013, there is

something going on, and Wells Fargo is addressing it. At 2015, there is something going on, and Wells Fargo is addressing it. But yet it did not get done. And now you are coming to us and saying, "Trust us. We now get it. Now we know. Now we have figured it out."

And so we need a clear dialogue, but I think that one of the failures today is you have not come with a whole lot of remediation; you have not come with a whole lot of dialogue to us on, "This is what we are doing to restore customer confidence." And like Senator Scott, I am one of your customers. My whole family is. You are not doing what you need to do to restore customer confidence. But you are also not doing what you need to do to restore confidence with this Committee and with the American public.

I want to talk about changing culture. There is no one on this Committee who believes that 5,000 people independently act with impunity and with dishonesty. No one here believes that, and if they do—I have done law enforcement. This is a behavior that was created by the culture that was allowed, created by a whole lot of folks saying, you know, "Let us do it this way." This is not—and I get what you are saying, that it was not just the tellers, it was not just the lower level. But yet the one person, the one person who was responsible directly—other than yourself—for making sure this does not happen is not in front of this Committee today. In fact, she has walked off with a pretty good deal and hoping that all of this blows over.

And the other thing, when you say you did not act quickly enough, the board should have already acted to claw back those salaries. If you had come here and said, "The board now is clawing back; these are the things that we are doing," you would be in a lot better position sitting in that chair right now. And so I will tell you, you have not done enough to restore confidence today, and this dialogue will continue with this Committee and with the American public.

Now, with that said, I want to turn to the 5,000 people, and I want to say maybe they deserve to have their reputation restored. Maybe they deserve to not be that person whose resume now says, "Fired." Maybe instead of just focusing on your customers, you ought to focus on the 5,000 people, who I am pretty sure did not unilaterally decide to be dishonest. And so it is an issue that has not been raised here, but I think it is a critical issue, because when you punish the guy at the end of the line and you do not punish in any way someone at the top, we end up with an attitude that, quite frankly, this is a corporate culture that does not care, they are just trying to get through the day. And I do not think that your day yet has ended.

And so I want to thank you for appearing, but it is not enough, and it is not nearly what I had hoped you would come with today. Thank you.

Chairman SHELBY. Senator Moran.

Senator MORAN. Mr. Chairman, thank you. Mr. Stumpf, good morning.

Mr. STUMPF. Good morning.

Senator MORAN. As I understand the circumstances, the factual circumstances, many of the problems, while they were systemwide,

many of the problems were focused in the Los Angeles area within your banking system. Is that true?

Mr. STUMPF. It is true that that is the largest part of our business, but they were also focused there, yes.

Senator MORAN. And have you analyzed sufficiently to determine what was different about Los Angeles than places elsewhere in your banking system that would suggest that the number of times, the volume of fraudulent acts that occurred there—how do you explain that?

Mr. STUMPF. Well, as Senator Heitkamp said—and if I did not share this, I want to make sure—I also agree 5,000 people just do not do 5,000 random things on their own. I am sure there were people talking to one another within a branch and so forth. But that analytical work is being done and has been done. I do not happen to have it here. I will have our team work with your staff to make sure that you have whatever you need on that.

Senator MORAN. I would welcome that. I am interested in knowing if you see this as a customer issue, a more vulnerable population of banking customers, or as the word "culture" has been used here a number of times, was there something different about Los Angeles—which I assume—again, I think illegal behavior, immoral behavior, breaking the rules, is wrong wherever it happens. But our goal in management, your management of a financial institution, is to diminish the chances of that happening.

Mr. STUMPF. Right.

Senator MORAN. So you never condone bad behavior, but we want to make certain that the circumstances in which it is discouraged and never encouraged, and I do not have a feel for that circumstance. I do not know what really are the facts within the banking leadership that may have encouraged this behavior.

We have seen this before. I serve, with a number of my colleagues, including Senator Brown, on the Veterans Committee, where we saw the consequences of a system that rewarded appointments for veterans who needed medical care.

Mr. STUMPF. Correct.

Senator MORAN. We saw a scandal across the country in which veterans were put on a list, suggesting they had an appointment. They did not. The circumstances in which those individuals were listed as having an appointment, the allegation certainly exists that there was death as a result of the failure of the VA system to provide necessary health care.

Mr. STUMPF. Correct.

Senator MORAN. I think a point that Senator Heitkamp made I would make to you again. There are a number of us on this Committee and in Congress who work to try to find the right regulatory balance for financial institutions, and just to stress with you the importance of then having our financial institutions behave, their behavior, their conduct be a certain level; otherwise, it undermines the efforts for that attempt to change the regulatory environment for financial success. And we particularly focused that on community banks, but we care about those financial institutions that have a relationship with their customers. And one of the arguments that has been made is those relationship bankers can rely upon the relationship. And what we are hearing from the circumstance that

we find at Wells Fargo is that relationship was taken advantage of; it did not accrue to the benefit of the customer.

Mr. STUMPF. And, Senator, you are right for that portion, and what hurts so much is that we spend so much time trying to do the right thing, and when a customer gets a product that is not used or not benefiting them, that hurts them and it hurts us. We have no interest—and if I could just take 1 second, I want to correct, Mr. Chairman, or share something that I was not as clear on. On consumer deposit account fees, none of those were reported to credit bureaus. So the consumer credit bureau impact relates exclusively to credit cards, and we are going to run each one of those down. Thank you.

Senator MORAN. Mr. Stumpf, let me ask a final question. So I do not think you have provided us with a precise timeframe in which regulators were notified, but I would be interested in knowing what regulators were notified when, who, and what steps they then took as regulators in response to the information they had.

Mr. STUMPF. OK. And, again, my recollection is that our prudential regulator, the OCC, was involved and notified and active in the 2013 timeframe. At about the time of the lawsuit from the city of Los Angeles, we informed the CFPB. And so I can tell you what we did. And I know you have a panel later with them, but that is my recollection.

Senator MORAN. None of these actions at Wells Fargo came to light as a result of the regulators finding that behavior. It was reported to them subsequent. Is that true?

Mr. STUMPF. You know, again, I want to be—I do not want to speak for them, and I do not know what part of this is confidential supervisory information. But my recollection of what we did was deal with this issue, terminate people, inform our prudential regulator, and after the city of Los Angeles, inform the CFPB.

Senator MORAN. Finally, I would say that in my experience in dealing with the Department of Veterans Affairs and their circumstance, in way too many instances, in my view, the employees became the scapegoat for what I saw as actions or encouragement, behavior by their supervisors. And I would encourage you in your circumstance to make certain that the employees are not the scapegoat for behavior at higher levels.

Mr. STUMPF. I think that is a great point, Senator, and I am—you know, the 268,000 that come to work every day of our team members, they are the most fabulous people, you know, and I just love them and what they do. But the 5,300, for whatever reason, they were dishonest, and I am not scapegoating, but that is not part of our culture. And some of those—many of those jobs, most of them, were very good American jobs.

Senator MORAN. Thank you, Chairman.

Chairman SHELBY. Senator Merkley.

Senator MERKLEY. Thank you.

Mr. Stumpf, did Wells Fargo create a pressure cooker sales culture that put personal bankers and tellers in an impossible situation between a rock and a hard place?

Mr. STUMPF. I do not believe that, because 90—you know, the vast majority——

Senator MERKLEY. Let me continue.

Mr. STUMPF. OK.

Senator MERKLEY. I got your answer. Thank you.

So Rita Murillo, a branch manager, said, "Regional bosses required hourly conferences on her Florida branch's progress toward daily quotas for opening accounts and selling customers extras, such as overdraft protection"—an issue that has not been addressed yet.

> Employees who lagged behind had to stay late and work weekends . . . Then came the threats: Anyone falling short after 2 months would be fired. We were constantly told we would be working for McDonald's . . . If we did not make the sales quotas—we had to stay for . . . after-school detention, it felt like, or report to a call session on Saturdays.

Is that a pressure culture situation, putting tellers and personal bankers in an impossible situation?

Mr. STUMPF. Senator, that has no place in our culture. I have actually read that, and it hurt to hear those words. And people like that do not belong here.

Senator MERKLEY. Erick Estrada, a former personal banker and business specialist, said managers there coached workers on how to inflate sales numbers. Employees opened duplicate accounts, sometimes without customers' knowledge. They used a database to identify customers who had been pre-approved for credit cards, then ordered them. They were coached on it. Is that a setting in which a pressure culture—pressure cooker culture really puts the personal bankers in an impossible situation?

Mr. STUMPF. That has no place in Wells Fargo. There is nothing that we did to encourage that.

Senator MERKLEY. Nothing you did, but bank managers were being coached on how to coach their employees on how to do this? How about a branch manager in the Pacific Northwest, where I come from? She was very upset, finding employees who had talked a homeless woman into opening six checking accounts. She said, "It is all manipulation. We are taught exactly how to sell multiple accounts. It sounds good, but in reality it does not benefit most customers."

Or let us talk about Yesenia Guitron, who, in 2008, after being hired for 2 months, found that this was happening, these false accounts were happening. She went to her trainer, then she went to her manager, and she was basically found—she was pushed very hard to shut up in all kinds of different ways.

So you say, "Well, the employee could have gone to somebody." She did. And eventually she filed a whistleblower suit. And why did Wells Fargo say that that was not legitimate? I will just save you the time. The answer is because Wells Fargo said, "We fired her because she did not meet her quotas."

So here we have a situation where employees are written up, they have to stay late, they have to come in on weekends to be coached, they are at risk of being fired. That sounds like a systemic management strategy for cross-selling. But you refuse to take any responsibility, blaming it on the personal ethics of individual employees who were at risk of losing their job if they did not meet their "daily solutions target."

Can you even conceivably place yourself in the position of an ordinary working person, who has a child in day care, they are told

they are going to be fired if they do not meet these solutions, they are being coached on how to do it by their manager, and say there was no culture established that caused these problems?

Mr. STUMPF. Sir, Senator, I am very sorry that that happened. That was not what we wanted to have happen. When those things happened, I wish we would have rooted all of it out. And the vast majority of our people did it the right way——

Senator MERKLEY. Sharif Kellogg said:

> The branch managers were always asking, 'How many solutions'—that is the signing of new accounts—'did you sell today?' They wanted three to four a day. They wanted three to four a day. In my mind, that was crazy. That is not how people's financial lives work. I was always getting written up for failing to bump up my solutions numbers.

Some employees would ask local business owners who they knew well to open additional accounts as favors to them. "It seems as though you would have to be willfully ignorant to believe that these goals are achievable through any other means."

Cross-selling is a major pride point for the management of Wells Fargo, including your reports to—annual reports to customers. It was so high because you created a culture of cross-selling that pushed everyone to the maximum, and the casualties are these folks who were going to be fired because they would lose their jobs if they did not meet it. And yet you can only sit here and say there was no coaching, there was no management strategy. Cross-selling was at the heart of Wells Fargo's program, and you were at the top of this for a very long time.

Let us go back to 2005, 2007, 2010. You had one major position and promotion after another. Cross-selling was at the heart of it, and you just sit here and blame the little person who was pressured into an impossible situation. Isn't that really kind of, for want of another word, a failure to accept responsibility?

Mr. STUMPF. Senator, I started out today by accepting full responsibility. We like the idea——

Senator MERKLEY. Accepting full responsibility for establishing a culture that put people in an impossible situation would be to resign, as my colleague suggested. It would be to return your funds and help fund assistance for all these people who were fired because of the culture you established and that you personally benefited an enormous amount from. But all you say, you say, "I accept responsibility. And, by the way, it is the fault of those 5,000 people who just were not ethical enough and open an account they should not have opened." That is not accepting responsibility. This was a systemic problem that you benefited from enormously, the bank benefited from enormously, and you are scapegoating the people at the very bottom.

Mr. STUMPF. Senator, I am—I just need—I do not want to be confrontational, but I want to just tell you that the vast majority did the right thing. We love the idea of having deep, mutually beneficial relationships with our customers. Having a product that a customer does not use, does not need, or does not want does not help the customer, it does not help me, and it does not help the shareholder.

Senator MERKLEY. You signed Sarbanes-Oxley reports. Did you ever reveal the problems with this high-pressure sales strategy in

terms of fraudulent credit accounts at any time in that course toward 2 million—2 million—fraudulent accounts? Did you ever disclose that to your investors?

Mr. STUMPF. Well, let me just say——

Senator MERKLEY. Well, "yes" or "no." It is a simple question.

Mr. STUMPF. Senator, the question is 2 million fraudulent—there were 2 million accounts that we could not rule out as a possibility that they were not authorized.

Senator MERKLEY. I am so glad you crossed that "t" and dotted that "i." Did you ever disclose the systemic problem of fraudulent accounts to your investors?

Mr. STUMPF. It was—it was not a material event.

Senator MERKLEY. So you bragged on the one end about the intensive ability to get cross-selling and how that would be beneficial, but the problems that came from that strategy, the very problem that dozens and dozens of people have shared their stories about how it was on the ground, and you can only blame them for ethical lapses. You never disclosed you had a systemic problem.

Mr. STUMPF. Again——

Senator MERKLEY. When you sign those reports personally—that is what Sarbanes-Oxley was—didn't you think that that was material when you are saying, "This is our big win, our cross-selling strategy," not to disclose that it also had a dark side?

Mr. STUMPF. There was a lot of things that our customers do and a lot of businesses that we have. This is one ratio, and most of this business—first of all, most of the deposit accounts are off the books. Most of them went on and off within the same or next quarter in which they happened. Having a customer have a product that they do not need is not helpful. It is not what we want.

Senator MERKLEY. I want to close just by saying I would like to hear about the amount of slamming that went on on overdraft protection since that has come up, and a number of the employees talked about how they were pressured into adding that. Do you have details on that?

Mr. STUMPF. I do not. I can have my staff——

Senator MERKLEY. Can you get extensive details on that?

Mr. STUMPF. I do not know of that issue off the top of my head, but I will have my staff—I will instruct them to work with your team as quickly as they can.

Senator MERKLEY. Can you get the information for the full Committee?

Mr. STUMPF. I will have my team work with your team. I do not even know exactly what we are talking about.

Senator MERKLEY. You do not know what overdraft protection is?

Mr. STUMPF. I know what overdraft protection is. I know that we had a credit card product for an overdraft protection, but I will have my team work with your team.

Senator MERKLEY. And please get the information to the full Committee. Thank you.

Chairman SHELBY. Senator Brown, you have another question?

Senator BROWN. Thank you, Mr. Chairman, and thank you for starting a second round. I appreciate that. There is so much more to discuss.

First, I ask unanimous consent to enter into the record the testimony in the House by Khalid Taha and Julie Miller, two people who worked at Wells Fargo.

Chairman SHELBY. Without objection.

Senator BROWN. Thank you, Mr. Chairman.

Senator BROWN. A couple of clarifications of points and then two or three more questions, Mr. Stumpf. We have discussed who was fired, whether the employees were fired. Understand—and just for those watching and listening and for the record especially—90 percent of the people fired were not managers. That means they were tellers, $12 to $15 an hour; personal bankers, $16 to maybe $18 or $19 or $20 an hour; but most of the people fired were not branch managers and were not regional managers.

Second, there was a mention that only credit cards would affect credit scores in the answer to one of these questions. But if funds were moved out of a checking account and someone bounced a check for a car payment, that could end up affecting credit scores. So while it may narrowly be only credit cards, it really is not in that definition.

A couple of questions. Senator Scott asked about where employees can go with ethics concerns, Mr. Stumpf. It sounded from whistleblower lawsuits that an ethics complaint often resulted in confronting the very managers condoning this behavior. Is that true?

Mr. STUMPF. I do not believe that is true. I do not know. I can get back to you on that.

Senator BROWN. How do you register an ethics complaint other than calling CFPB or the LA County Attorney or the *Los Angeles Times*?

Mr. STUMPF. As I understand how our EthicsLine works, you call. It is an anonymous call. It is handled by a third party outside of the company who does work on that and then reports it to the company.

Senator BROWN. I would like more on that, because my understanding is that at least initially you have to confront your supervisor, who has much to say about it.

Senator BROWN. Now that we know what we do, will Wells Fargo continue to take the position in court that contractual agreements on mandatory arbitration—this is a question about mandatory arbitration, the fine print of so many of these contracts, if you will. Will Wells Fargo continue to take the position in court that contractual agreements on mandatory arbitration covering real accounts will apply to fraudulent ones as well and that customers will be forced into arbitration rather than having access to the courts?

Mr. STUMPF. Well, I have instructed our team to do whatever it takes within reason to take care of these customers. I would have to talk to my legal team, and we can get back to you on that.

Senator BROWN. All right. Understanding what has happened in the past, these mandatory arbitration clauses, which many of us I know on this Committee do not think are fair generally and most customers do not understand that they are part of a mandatory—do not even know what it is and part of a mandatory arbitration arrangement, that that has been applied to these fraudulent accounts in addition to the ones that were not fraudulent.

Understand that is what has happened, and I hope your answer is specifically in response to that.

Mr. STUMPF. Well, again, I will talk to our team, and we will get back to you. Again, I am not an expert in that.

Senator BROWN. Ms. Tolstedt reported directly to you. How frequently did you talk to one another?

Mr. STUMPF. We had at least weekly meetings.

Senator BROWN. And from 2007, when you both took your respective roles, until the end of 2013, did none of this firing for fraudulent accounts and all, did none of this ever come up in your weekly or more-than-weekly meetings?

Mr. STUMPF. I remember being—at least it making an impression upon me in 2013.

Senator BROWN. But from 2007, when you had your respective roles—so for 6 years, regular meetings with one of your most important—one of your most important managers, this discussion of 1,000 people a year, beginning in 2011—but we may go earlier than that, we think—those discussions, you have no recall that that ever came up?

Mr. STUMPF. Not in the way I had in 2013.

Senator BROWN. OK. Over the past 10 years, your bank has had approximately 39 enforcement actions, just a few of which have come up today. Many were related to failure to serve or abusive conduct toward customers and investors. You talk much about Wells' culture, how proud you are of it, and its ethics. What does this say—if you have had 39 enforcement actions, what does this say about Wells' culture and compliance programs?

Mr. STUMPF. We have more work to do, and we are trying very, very hard to build out all the compliance that we need to be—you know, to treat customers fairly and to make sure that we do things right every day.

Senator BROWN. The last question, Mr. Chairman. I appreciate your indulgence.

Chairman SHELBY. Senator Menendez——

Senator BROWN. No, could I just do this last question? I am sorry, Mr. Chairman.

We know about the 5,300 employees who you say committed some—many people up here have said that the pressure on them was so great that they did things that they should not have, or maybe you have—you said they all—I think you said they deserved to be fired. What about the people who got—understanding, too, that is 5,300. Then there were at least hundreds more who refused to cheat or quit just because they did not want to be part of this and they saw what happened to others. But what about the people who got fired for not meeting goals that you now are saying were ill-advised? So there was a large—I think certainly a significant number of people who were fired for not meeting their goals. Now you say those goals were ill-advised. What do you do to make those employees—how do you identify them? How many are there? And what do you do to make those employees whole?

Mr. STUMPF. Yes, I have to talk with our team. I do not know about those numbers. I do not know how significant or widespread that is, and I can get back to you on that.

Senator BROWN. Well, more precisely—I understand. I expected you not to know that number. But if there is one, that is one. If there are a hundred or a thousand. For those that were fired for not meeting those goals that you say are now ill-advised, do you have plans to make them whole?

Mr. STUMPF. Yes, I would have to talk to our team. Again, I do not know the numbers, and I just—I frankly have not worked closely——

Senator BROWN. I did not expect you to know the numbers, but does it—in your mind and your conscience, does it say those people were fired because they did not meet goals, reach goals, the goals were ill-advised, shouldn't you make it up to them?

Mr. STUMPF. Well, again, I do not even—you know, I know where you are going with your line of questioning. I am trying to be cooperative. I just have not—I have not talked to our HR team. I do not know the numbers. I do not know the situations. I do not know if there are other things involved. So I——

Senator BROWN. Again, I am less concerned about the numbers than the morality of it. I would like to at least ask you to do this, then: Once you have made that determination of how many there are, I would like you to make them whole; and if you are not willing to make them whole, I would like a written response about why you have made the decision not to make them whole.

Mr. STUMPF. OK. I will talk to our team, and we will get back to you.

Senator BROWN. Thank you.

Chairman SHELBY. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Mr. Stumpf, let me give you a real-life example. We are talking about people whose credit scores were hurt. Linda Edwards and her daughter are Wells Fargo customers from New Jersey. Accounts were opened in the name—without their acquiescence, knowledge, including credit cards—of her daughter who was just starting college. She has a negative consequence on her credit score, which has not been resolved by Wells Fargo. She happened—you got the wrong person when you did it to this lady because she happened to be a former staffer at the New Jersey Division of Banking and Insurance. And when she called your company and asked for the fraud division, she was told, "No. Just call customer service."

So to this day, that question of her daughter's credit score, who is starting college and obviously wants a good credit score, is affected. So there are real live people who Wells Fargo has not responded to.

Let me ask you this: Is cross-selling an industry-wide reality, as is evidenced by Wells Fargo? Or is it unique to Wells Fargo?

Mr. STUMPF. I do not know what other companies do. I know that we view it as an important metric as it relates to depth of relationship, and relationship——

Senator MENENDEZ. You do not know if other banks do this?

Mr. STUMPF. I would—I do not know.

Senator MENENDEZ. You do not review what your competition is doing to figure out whether there is something you should be doing, and so you do not have any idea if they do cross-selling?

Mr. STUMPF. I do not know that.

Senator MENENDEZ. OK. We will have to ask the regulators. Let me ask you this: You said it was not a material event to Senator Merkley. Not a material——

Mr. STUMPF. A material financial event.

Senator MENENDEZ. How about a material event for the SEC disclosure, which you said you never made?

Mr. STUMPF. You know, I am not a lawyer, and I rely on my legal team——

Senator MENENDEZ. Based upon what has happened to the stock for your shareholders, it definitely was a material event that should have come forward.

Let me ask you this: Ms. Tolstedt—in response to one of the questions, you said that you and I think the COO met with her and said you wanted to move in a different direction.

Mr. STUMPF. Correct.

Senator MENENDEZ. And she decided to leave. That sounds to me a lot like you can either leave or you are not going to—you are going to be fired, maybe. But is it that you created a situation to give her the option to leave because you were concerned about what she might say about practices of the bank and higher-ups?

Mr. STUMPF. In fact, when Tim Sloan, our Chief Operating Officer and President, talked with her, said we want to go in a different direction, there were a number of things he was thinking about doing different in the business, and we had not made enough—along with my consultation, not made enough progress here, and she was retirement eligible. She decided to retire. It never went beyond that.

Senator MENENDEZ. You had no concerns of what she might say if brought before the Senate or any other entity and put under oath about what she might say about what was known or not known?

Mr. STUMPF. That did not even come into the——

Senator MENENDEZ. Well, let me ask you this: What were the repercussions of not meeting sales quotas besides not getting the bonus? Can you tell me how many workers faced discipline over the same 5-year period for failing to meet sales goals? How many workers that failed to meet those sales goals were terminated?

Mr. STUMPF. I do not have those numbers, but I will tell you this, Senator——

Senator MENENDEZ. Well, I think it is important to know those numbers. You do not know how many people you terminated—you know how many people you terminated who you said did the wrong thing, but you do not know how many people you terminated because they did not meet the overwhelming cooker boiler that you put them under?

Mr. STUMPF. I do not have those—I do not have those numbers.

Senator MENENDEZ. Well, I would like you to get those numbers to the Committee.

Mr. STUMPF. I will talk with our team, and I will, as far as I can.

Senator MENENDEZ. You said to Senator Scott that, of course, there were opportunities, when he asked about safe harbors. You could raise your hand. There was an anonymous EthicsLine. There was no pressure cooker.

Now, do you read your emails, Mr. Stumpf?

Mr. STUMPF. I read my emails.

Senator MENENDEZ. OK. So I would like to read to you an excerpt from an email one my constituents sent to you in 2011. She was a branch manager at Wells Fargo, and I spoke to her yesterday about her experiences at Wells Fargo. In 2011, she wrote to you, and I am quoting now:

> I am currently an Assistant Vice President Manager at——

——and I will leave the location out——

> ——in northern New Jersey. I have been an employee of Wachovia for over 22 years, which Wells Fargo acquired. I am writing to you because as a team member I feel hurt and disappointed with this company. There are challenges that team members are faced with, but those should not be the reason to move money from one account to another and to fool the motivator——

——the person who you had to go to who constantly was badgering you about whether or not you had opened enough accounts——

> ——that we have new accounts. These funds that are moved to new accounts to show growth when in actuality there is no net gain to the company's deposit base is wrong. In the past months, I was placed on warning for not meeting these goals, and the reason that the bankers underneath me do not is because I will not tolerate the movement of existing money just because we need checking account solutions and profit proxy to move to the motivator. These accounts make no sense for the customer.

Did you read that mail?

Mr. STUMPF. I do not remember that one.

Senator MENENDEZ. OK. Well, she was fired. So much for the safe haven, so much for coming forth. She went to the President and CEO of the company—that is about as good as it gets—and she found no safe haven there.

Finally, let me ask you this: In 2012, Wells Fargo, then and now the largest mortgage lender in the country, agreed to pay $175 million to settle accusations that the bank discriminated against African Americans and Hispanic borrowers in their mortgage lending from 2004 to 2009. An investigation by the Department of Justice's Civil Rights Division found that Wells Fargo discriminated by steering approximately 4,000 African American and Hispanic borrowers into subprime mortgages when non-Hispanic white borrowers with similar credit profiles received prime loans.

When I look at this history, I get concerned with what is going on here. Do you have demographics of those customers who were hurt in this process? And can you share it with the Committee?

Mr. STUMPF. Yes. Let me just go back to that particular case. I regret that. That was done through a wholesale business. Other people outside of our company originated those mortgages, and we were closing them, and we shut down that division.

In this case, we do not—when we take applications or when we do business for deposits and credit card, we capture age, and there was no—in fact, deposit accounts skewed toward, you know, younger to middle-age Americans.

Senator MENENDEZ. Well, I would suggest you read page 36(d), item 36(d) on page 9 of the Los Angeles City Attorney's 2015 complaint filed against Wells Fargo describing a Wells Fargo gaming practice of targeting individuals holding Mexican consular cards.

Mr. STUMPF. I do not—I will look at that yes.

Senator MENENDEZ. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Schumer.

Senator SCHUMER. Well, thank you, and I apologize to the witness. It has been a busy morning.

First, I want to just say—and I know other people have spoken about this—in terms of rescinding the bonuses, to the average American it just seems appalling that somebody who could make such large mistakes should be rewarded with almost an obscene amount of money, $120 million. And so I would simply—I am not going to—I know this has been discussed. I would say your bank has overall a good reputation. For the reputation of your bank, for the value of your shares, as well as relationships with customers, I would urgently urge you to not allow those bonuses to occur and urge that the compensation committee—I know which you sit on—to do that. That is just a statement for the record.

Now, I would like to talk a little bit about the CFPB because they have done incredible work over the past 5 years. But this case exemplifies why the CFPB was created. The Consumer Financial Protection Bureau was formed to ensure that financial institutions that harm consumers through unfair, deceptive, or abusive practices are held accountable and that the consumers are made whole again. In fact, over the course of its short history, it has gotten $12 billion in relief and restitution. Today's hearing reminds us why the CFPB was formed. We needed a cop out on the beat. The incentives and practices that cross-selling goals promoted at Wells Fargo were very, very wrong and bad, as I am sure you said. They infected the work environment at branches in the country, and including in New York.

Beyond the financial damage, Wells Fargo's actions violated consumer trust. Wells will have to work long and hard to regain the trust of millions of Americans, but those Americans can rest assured now more than ever, knowing that there is a CFPB out there.

So I would just ask you, Mr. Stumpf, given what you have been through—and I know it has not been a pleasant experience—do you agree that Federal regulators like CFPB and OCC serve a valuable role in promoting safety and stability as well as necessary consumer protections? I am saying this because a lot of our friends on the other side of the aisle want to either get rid of or greatly reduce the power of the CFPB.

Mr. STUMPF. We share the mission of all of our regulators created by Congress, including the CFPB, and we are working with all of them.

Senator SCHUMER. So you think the CFPB is a necessary thing?

Mr. STUMPF. Well, again, it is created by Congress, and we agree to work with all of them, and we have worked closely on this matter with them.

Senator SCHUMER. OK. And do you believe that the reforms—I will let the answer speak for itself. We think the CFPB has done an outstanding job, and what has happened at the bank, whether—you know, however it happened, shows the need for it.

OK. Do you believe that the reforms that Wells committed to and goals required under the consent agreement you signed with the

CFPB will allow Wells to go back on a path of protecting customers' interests in putting consumers first?

Mr. STUMPF. Yes, we believe—we have a lot of work to do.

Senator SCHUMER. OK. As per the terms of the consent agreement, will you work with the CFPB to ensure that Wells' customers that were negatively impacted are made whole?

Mr. STUMPF. Yes.

Senator SCHUMER. Good. OK. Were you aware that the CFPB was aware of the cross-selling and looking into concerns about cross-selling as early as 2013?

Mr. STUMPF. I only know what we did. I do not know what the CFPB——

Senator SCHUMER. OK. They were. So they were on this case I think before at least your top management discovered this, which is to their credit.

Mr. STUMPF. I do not know that.

Senator SCHUMER. OK. Well, Director Cordray will be here—-

Chairman SHELBY. In a minute.

Senator SCHUMER.——in a little bit, so we will ask him and see if that was the case. I believe it to be the case.

And, finally, do you believe that the actions taken by the CFPB here will lead other financial institutions to reevaluate and reconsider their own cross-selling practices?

Mr. STUMPF. Yes, I would have no idea on that.

Senator SCHUMER. Yes, I think they will. I think they will, and I think the CFPB has had a very salutary influence, and I would hope you would come around to the view that it is a necessary part of our system of banking and governing.

Thank you, Mr. Chairman.

Mr. STUMPF. Thank you. Mr. Chairman, if I just might make one comment.

Chairman SHELBY. Go ahead.

Mr. STUMPF. Thank you, Senator Schumer, for your questions. You made a comment that I am on the human resources and compensation committee. I am not. I just want to make sure that is part of the record.

Senator SCHUMER. OK. Well, I would still urge you to—is that the committee, though, that is in charge of the bonuses?

Mr. STUMPF. That is the one that makes the recommendation to the full board, and, of course, I am not part of the full board in those decisions.

Senator SCHUMER. OK. I would urge you to urge everybody who is on these committees to do just what we had asked.

Mr. STUMPF. OK. Thank you.

Senator SCHUMER. OK? Thank you.

Chairman SHELBY. Senator Warren.

Senator WARREN. Thank you, Mr. Chairman. And I want to say again thank you very much for being so responsive to us, for holding this hearing when we sent you a letter to ask you to do it, and thank you for being so generous about time.

Chairman SHELBY. I hope I am responsive to the American people——

Senator WARREN. I hope so, too.

Chairman SHELBY.——not just to you.

Senator WARREN. Thank you very much. I really appreciate your holding this hearing.

Mr. Stumpf, as you know, some of my colleagues and I sent you a letter last week about the board's plans to claw back compensation from senior executives who were responsible for overseeing this scam. Wells Fargo provided us with a response yesterday. I noticed that although we sent the letter to you, the response actually came from somebody else in the company, which I guess is another example of holding yourself accountable.

I want to focus now on the mysterious circumstances surrounding Carrie Tolstedt's retirement in July. As you know, Ms. Tolstedt ran the community banking division, the division where this scam occurred, for the entire time that the scam took place. She was in charge of all of the 5,300 employees who were fired, and she oversaw the creation of 2 million fake accounts.

Now, in July of this year, just 2 months before the settlement was announced, and before those facts became public, Ms. Tolstedt retired at age 56. You indicated in the letter responding to our letter that she walks away with over $90 million in stock, stock options, and awards. Fortune Magazine says it is actually about $125 million. But—and here is the key part—according to Fortune, if Ms. Tolstedt had been fired instead of retiring, she would have had to forfeit as much as $45 million of that award.

Mr. Stumpf, the response to our letter confirms that you knew of this scandal before Ms. Tolstedt retired. It said—and this is from your letter:

> Senior management and the board were aware of the pending litigation, investigation, and discussions with our regulators relating to sales practices when Ms. Tolstedt indicated her decision to retire.

Is that accurate, Mr. Stumpf, what this letter says? Were you personally aware of the massive problem that occurred under Ms. Tolstedt's watch in July when she announced her retirement?

Mr. STUMPF. I was aware that we were involved in discussions with the City Attorney, the OCC, and the CFPB, yes.

Senator WARREN. So you had some indication there was a massive problem?

Mr. STUMPF. We had some indication that we had 1 percent of our people who were doing the wrong thing.

Senator WARREN. Also known as a "massive problem."

Mr. STUMPF. Well——

Senator WARREN. If you knew this, did you consider firing Ms. Tolstedt before she retired?

Mr. STUMPF. Well, at the time she was reporting to our President and Chief Operating Officer, and——

Senator WARREN. It is a simple question. You knew there was a problem. Did you consider firing her?

Mr. STUMPF. No, because of her——

Senator WARREN. Seriously? You found out that one of your divisions has created 2 million fake accounts, had fired thousands of employees for improper behavior, and had cheated thousands of your own customers, and you did not even once consider firing her ahead of her retirement?

Mr. STUMPF. In fact, when I look at her full body of work and I look at the customer loyalty improvement and the customer service improvement——

Senator WARREN. Are you sure that those were not fake?

Mr. STUMPF.——all the work that was done, she chose to retire. And I would also like to make one other comment, because you made——

Senator WARREN. No, just on this, you never considered firing her. So now Ms. Tolstedt has apparently retired, but is also staying with the firm through the end of the year. And in the response to our letter, you state—or the person writing it states, "Ms. Tolstedt is eligible to be considered for a 2016 annual incentive award." An incentive award for doing a great job in 2016? Mr. Stumpf, that is unbelievable. You are the Chairman of the Board and the CEO. In those roles, do you think it would be appropriate for Ms. Tolstedt to get another bonus on top of the millions that she has already gotten as a reward for her role in this massive scam?

Mr. STUMPF. The board will consider that, and I do not want to prejudice the board. But I also want to make one——

Senator WARREN. I do not understand that answer. You know, you and your board have already made changes. You have made changes to the compensation scheme for thousands of employees. You have sat here today and talked about that. You have removed sales quotas, I think you told us. You have reformed incentives. Why can that be done quick as a wink across the entire bank, but a question about cutting compensation for a highly placed executive who oversaw a massive fraud takes long deliberation? Why is that?

Mr. STUMPF. Because there is a board governance process, and we want that to work properly. And whether Carrie was retired or she was fired, there would be no difference with respect to how the board can deal with that.

Senator WARREN. I am sorry. If she was fired, it is my understanding she would not be entitled to large parts of her compensation. It is not just a clawback issue. We are talking about she does not get them to begin with if she gets fired. But you let her walk out of the door with a retirement. I do not quite understand. How do you explain this to your own shareholders?

Mr. STUMPF. There is a process that the board goes through, and they will do that. They have already met, and we want to give that——

Senator WARREN. Mr. Stumpf, I do not understand. You keep saying, you know, "the board, the board," as if these are strangers that you met in a dark alley. Under the by-laws of Wells Fargo—and I am quoting here—"The chairman shall preside at all meetings of the board." You were able to make changes. Why can you not make a change here?

Mr. STUMPF. I am not on the human resources committee of the board. They have their own governance and structure. We want that to proceed in the process in which we have.

Senator WARREN. All right. So we will do this your way. Our letter asked a number of questions about clawbacks of Ms. Tolstedt's and other executives' pay, including yours. Wells Fargo's answer to our letter was just basically you punted, that the decision would be up to the board, the same punt you have given here. So you are

the chairman of the board. Let me ask it this way: Will you personally support clawing back all or part of Ms. Tolstedt's pay?

Mr. STUMPF. I am not going to in any way try to influence or prejudice the board as they do their deliberations.

Senator WARREN. So you have absolutely no opinion on this?

Mr. STUMPF. I am not going to opine on that——

Senator WARREN. You are not going to opine on it. You are going to say, "Get out there, defraud, cheat, lie, steal, and I have nothing to say about whether or not you ought to still be getting your bonus."

Mr. STUMPF. I have never said and we never say as our company to go out there and do any of those things. We try to do the right thing every day.

Senator WARREN. But you say if you do them, you can count on Chairman Stumpf not to stand up and say you should not get your incentive bonus.

Mr. STUMPF. The board has a process, and——

Senator WARREN. I think you started this whole thing by saying, "Do not tell me what you say. Tell me what your actions are." And your actions are people do this, and you are not going to take a single step to shut it down. So I guess I can ask this question again: Will you personally support clawing back any or all of the pay for the person in charge of compliance, someone we have not talked about much today, the person who is supposed to be responsible to make sure that the bank is following the law? Will you have any recommendation about that person?

Mr. STUMPF. I am going to have the board do their process.

Senator WARREN. You are going to have no recommendation at all, ever, at any point in this process?

Mr. STUMPF. Whatever the board accepts—whatever they do, I will accept and I will support.

Senator WARREN. You are not passive here. If you have nothing to do, what are you doing serving as chairman of the board? If you have no opinions on the most massive fraud that has hit this bank since the beginning of time, how can it be that you actually get to continue to collect a paycheck for being chairman of the board?

Mr. STUMPF. First of all, I disagree with the fact this is a massive fraud. But, second, the board will do their work, and I am not going to prejudice their work. And I will be—and I will accept whatever they come up with, and I will be supportive.

Senator WARREN. You accepted all along as this fraud built up, this massive fraud, you accepted all of the performance bonuses based on the cross-selling that is at the heart of this. You watched your own stock go up by more than $200 million based in part on exactly this massive fraud. You got out and you pumped it to Wall Street, and you said to Wall Street, "Hey, we are doing such a great job cross-selling here at Wells Fargo. You should tell everybody to buy our stock." And now you turn around and say, "I shall remain passive and simply accept what Wells Fargo wants to do."

You know, in 2008, Wall Street promised change, but it looks like it is business as usual. A giant bank cheats the little guys, and the executives line their own pockets. Mr. Stumpf, you make it clear that Wall Street will not change until we make it change.

Thank you, Mr. Chairman.

Chairman SHELBY. Mr. Stumpf, thank you for appearing today. We have some questions for the record. We have another panel. I hope you will answer these questions for the record. We have a number of them.

Mr. STUMPF. OK. Thank you very much.

Chairman SHELBY. Thank you.

Chairman SHELBY. In our next panel, we will hear from Mr. Jim Clark, the Chief Deputy for the Los Angeles City Attorney's Office, whose office brought the 2015 case against Wells Fargo.

Next we will hear from Mr. Curry, the Comptroller of the Currency, Wells Fargo's prudential regulator.

And then we will hear from Director Cordray of the Consumer Financial Protection Bureau.

Gentlemen, we appreciate all of you. We appreciate your patience today. We have had a very important and lengthy hearing.

Mr. Clark, we will start with you, but all of your written testimony will be made part of the record in its entirety. You start. Hit the mic.

Mr. CLARK. Sorry about that.

STATEMENT OF JAMES CLARK, CHIEF DEPUTY, OFFICE OF THE LOS ANGELES CITY ATTORNEY, ON BEHALF OF MICHAEL N. FEUER, CITY ATTORNEY, CITY OF LOS ANGELES, CALIFORNIA

Mr. CLARK. Chairman Shelby, Ranking Member Brown, esteemed Members of the Committee, I am Jim Clark, the Chief Deputy City Attorney of the city of Los Angeles. I am appearing on behalf of our City Attorney, Mike Feuer, who submitted written testimony but could not be with us today.

I would like to tell you briefly what our office did and why, what we discovered, and the relief for consumers we sought and obtained.

On a Sunday morning in December 2013, Angelenos opened the *Los Angeles Times* to find a shocking story by *Times* reporter Scott Reckard. The story described Wells Fargo Bank's sales culture and the harm that culture had caused its customers. The story read in part:

> To meet quotas, employees have opened unneeded accounts for customers, ordered credit cards without customers' permission, and forged client signatures on paperwork. Some employees begged family members to open ghost accounts.

Our City Attorney, like thousands of other California consumers, was appalled by what he read. He immediately convened a meeting of key lawyers in our office to begin an investigation of the allegations of the story and determine if an action should be brought by our office under the California laws designed to protect consumers against unfair business practices.

California's consumer protection laws do not afford our office prelitigation subpoena powers, so our investigation essentially consisted of good old-fashioned detective work. We conducted dozens of interviews with current and former Wells Fargo employees and customers, pored over public documents, including court documents that were records of wrongful termination suits brought by terminated Wells Fargo employees, and we went to the Consumer

Financial Protection Bureau and FTC consumer complaint databases.

We found that the bank had victimized consumers by opening customer accounts and issuing credit cards and other products without the customer's knowledge or authorization. Our investigation revealed that the bank had failed to notify consumers once these unauthorized accounts had been opened and had not refunded fees for those unwanted products and services once the misconduct had been detected. We found instances in which the bank made it difficult, if not impossible, for customers to receive accurate information as to what exactly had happened to them. Many consumers were told that the unauthorized accounts would be closed; however, often that was not the case.

We also found that Wells Fargo's business model imposed unrealistic quotas on salespeople, which incentivized employees to engage in highly aggressive sales tactics, creating a perfect storm for the unlawful activities we discovered.

Our investigation consumed some 16 months and culminated on May 4, 2015, with our filing of a civil enforcement action in the name of the People of the State of California. That proceeding sought relief for consumers harmed by Wells Fargo's conduct and, equally important, was intended to put a stop to the illegal practices Wells Fargo had employed.

In the days following our lawsuit, our office received calls, letters, and emails from more than 1,000 Wells Fargo customers and current and former employees. They described a veritable litany of horrific experiences. The consumers had money withdrawn from their authorized account to pay fees assessed by Wells Fargo to their unauthorized accounts. They complained that their unauthorized accounts were sent to debt collection agencies, and derogatory notes were placed on their credit reports.

For the Wells employees, we learned of the perverse sales incentives Wells used and the extreme pressure placed upon employees to achieve often unrealistic sales quotas. In short, what we learned both before and after we filed our case was not only that Wells Fargo's conduct was inexcusable, but that it also seemed to be systemic and widespread.

Earlier this month, we reached a settlement with Wells Fargo, which, in conjunction with the resolutions reached with the Federal agencies represented here today, provides for comprehensive remediation and corrective actions, and sends a strong message to Wells and its customers by imposing a $50 million penalty, the largest in the history of our office. Our agreement first establishes a complaint and mediation system for California consumers harmed by the bank's practices, and it also requires Wells to continue a restitution program for those customers negatively affected by the practices. Wells Fargo also must alert all of its California customers who have consumer or small business checking or savings accounts, credit cards, or unsecured lines of credit to visit their local bank or call Wells Fargo to review their accounts, close accounts, or discontinue services they do not want, and resolve any remaining problems. Crucially, for the next 2 years, every 6 months Wells Fargo must provide our office with audit reports

signed by an officer or director of the bank under penalty of perjury assessing the bank's compliance with our agreement.

It is critical to note that our settlement was coordinated with the enforcement efforts of our Federal partners: the Consumer Financial Protection Bureau and the Office of the Complaint of the Currency. As a result, remediation and corrective actions now extend nationwide. We would like to thank both agencies for their outstanding work. In our view, robust Government oversight is crucial to protecting consumers. When Federal, State, and local enforcement agencies collaborate and coordinate their efforts, protections consumers need and are entitled to are much more likely to be effective.

There is a sacred trust that consumers put in their financial institutions—a faith that their hard-earned money will be safe and secure, and that all of their banks' actions will be at the highest ethical standards. Wells Fargo broke that trust. It cannot be allowed to happen again.

Thank you.

Chairman SHELBY. Mr. Curry.

STATEMENT OF THOMAS J. CURRY, COMPTROLLER OF THE CURRENCY, OFFICE OF THE COMPTROLLER OF THE CURRENCY

Mr. CURRY. Thank you. Chairman Shelby, Ranking Member Brown, and Members of the Committee, thank you for holding this hearing related to the unsafe and unsound sales practices at Wells Fargo.

Let me begin by stating clearly that the sales practices at Wells Fargo involving employees opening unwanted accounts and making unauthorized transfers of customer funds, even temporarily, are outrageous. These practices, driven by misplaced incentives and enabled by weak risk management controls, undermine the fundamental trust that goes to the heart of the bank-customer relationship. They are unacceptable and have no place in the Federal banking system.

The OCC's September 8th enforcement action builds on examination work that identified weaknesses in compliance risk management and consumer protection and subsequently focused on sales practices beginning in January 2014. The action requires Wells Fargo to pay a $35 million penalty to the United States Treasury, orders the bank to reimburse affected customers, and directs comprehensive corrective action to prevent such practices in the future. OCC examiners are closely monitoring the bank's corrective action and its reimbursement of harmed customers.

Our work on this matter continues. I have ordered agency staff to review individual misconduct and culpability in this case. I have also directed our examiners to review the sales practices at all the large and mid-sized banks we supervise and assess the sufficiency of controls with respect to sales practices.

As we continue to review this matter, more facts may come to light. My written testimony provides further details about the OCC's supervision of Wells Fargo leading to our enforcement action.

The actions the OCC took, together with the Consumer Financial Protection Bureau and the Los Angeles City Attorney, rightfully hold the bank accountable and require necessary corrective action. However, I believe the OCC can and must do better. To that end, I have asked my Senior Deputy Comptroller for Enterprise Governance to conduct a postmortem to identify potential gaps in our supervision, and I will address any identified gaps.

Enforcement actions such as these require thousands of hours of examination and investigation work. I want to express my appreciation for the OCC staff, who worked tirelessly on this issue, as well as our colleagues at the CFPB and the LA City Attorney's Office. The coordination in this case allowed us to take collective action that addressed the safety and soundness and the consumer protection aspects of the bank's deficiencies. Together, the orders demonstrate that such practices will not be tolerated.

Since I became Comptroller, I have worked to strengthen our supervisory effectiveness, including through the 2014 adoption and implementation of heightened risk governance standards for our largest institutions. These enforceable guidelines emphasize the importance of three lines of defense in the detection and mitigation of risk—front-line business units, independent risk management, and internal audit—as well as the vital role of the board in providing a credible challenge to management actions. Had these structural elements been functioning properly, they would have prevented the type of abuses we have witnessed at Wells Fargo.

The continued application of OCC's heightened standards for large banks will help ensure that they have the governance and controls necessary to prevent these sorts of practices in the future.

The practices at the bank also demonstrate the importance of aligning incentives with appropriate behavior, which highlights the need to finalize the interagency incentives compensation rule sooner rather than later. As proposed, the rule would provide clear direction regarding the application of sound incentive compensation programs, including clawbacks, forfeiture, and other mechanisms to hold senior executives and other employees with significant responsibilities accountable. For those reasons, I support prompt completion of the final rule.

Again, thank you for holding this important hearing today, and I look forward to answering your questions.

Chairman SHELBY. Mr. Cordray.

STATEMENT OF RICHARD CORDRAY, DIRECTOR, CONSUMER FINANCIAL PROTECTION BUREAU

Mr. CORDRAY. Thank you, Chairman Shelby, Ranking Member Brown, and Members of the Committee. I will briefly discuss: one, what our investigations found about the sales practices at Wells Fargo; two, what we are seeking to achieve by our order; and, three, some thoughts about further steps to improve the culture and practices of the banking industry.

On September 8th, the Consumer Bureau, together with our partners at this table, took an enforcement action against Wells Fargo Bank. Our investigations found that, in order to meet sales goals and collect bonuses for themselves, bank employees created unauthorized deposit and credit card accounts, enrolled consumers

in online banking services, and ordered debit cards for consumers, all without their consent or even their knowledge. Some of these practices involved fake email accounts and phony PIN numbers.

The fraudulent conduct occurred on a massive scale. As detailed in our order, Wells Fargo opened at least 1.5 million deposit accounts that may not have been authorized, including transferring funds from some customer accounts without their knowledge or consent. Wells Fargo also initiated applications for more than a half million credit card accounts that may not have been authorized, by using consumers' information without their knowledge or consent. These activities caused some consumers to incur fees. And even apart from that, they represent a staggering breach of trust and conduct that should never occur at any bank. Wells Fargo has demonstrated the epic scope of its failures by terminating at least 5,300 people thus far, including branch managers and managers of managers.

The gravity and breadth of the fraud that occurred at Wells Fargo cannot be pushed aside as the stray misconduct of just a few bad apples. As one former Federal prosecutor has aptly noted, the stunning nature and scale of these practices reflects instead the consequences of a diseased orchard. As our order identifies, Wells Fargo built and refined an incentive compensation program and implemented sales goals to boost the cross-selling of products, but did so in a way that made it possible for its employees to pursue unfair and abusive sales practices.

And I have a question for you: Do we really believe that 5,300 people applied for jobs with Wells Fargo over the years intending and expecting and wanting that they were going to go into the bank and abuse consumers' trust and open phony accounts in their name? No. It was the Wells Fargo culture that made that happen.

It appears that the bank did not monitor its program carefully, allowing thousands of employees to game the system and inflate their sales figures to meet their sales targets and claim higher bonuses under extreme pressure. Rather than put its customers first, Wells Fargo built and sustained a cross-selling program where the bank and many of its employees served themselves instead, violating the basic ethics of a banking institution, including the key norm of trust.

Our order accomplishes several things. First, the details in the order that are a result of our investigation expose Wells Fargo's illegal misconduct, including its scale, for all to see for themselves. It has spawned vigorous public scrutiny over the past 2 weeks that no doubt will continue.

Second, the order helps answer one question many of you have asked me from time to time: What does the term "abusive" mean in our governing statute? Although we have been careful in analyzing all the ramifications of that new term, we did not hesitate for 1 minute to apply it emphatically to what we found here. In this matter, Wells Fargo engaged in abusive conduct toward its customers and consumers. We have said so, and executives, shareholders, and investors throughout the financial system will now have to consider what that means in their own efforts to address their cultures and practices going forward.

Third, we have ensured that all consumers who suffered financial harm as a result of these practices will be fully compensated for that harm. Wells Fargo is required to set aside $5 million to cover all of that, and if it turns out to exceed $5 million—and it now appears we are going to go back further years—the bank will cover that as well.

Fourth, we fined Wells Fargo $100 million, the largest fine that the Consumer Bureau has imposed on any financial company to date. That is a dramatic amount as compared to the actual financial harm to consumers, but it is justified here by the outrageous and abusive nature of these fraudulent practices on such an enormous scale. Some have said maybe this is not enough; some have said it is too much. As for whether we have done enough here, it is notable that the order itself is generating considerable consequences, including market effects, shareholder activity, further potential lawsuits, and follow-up investigations by other public officials that may be either civil or criminal in nature.

Fifth, the order requires independent consultants to be installed at Wells Fargo to ensure that all consumers are fully compensated and that changes in sales practices are fully implemented so this misconduct does not recur. The top executives at Wells Fargo and its board of directors will be directly engaged in this work. If the independent consultants identify any further issues or concerns—and they may—we will address those as well.

Let me conclude with some more general concerns. As one of the biggest and best known banks in the United States, Wells Fargo is in a position to lead by example in terms of how every bank should treat its customers. In the wake of this order, it now must do so. Much bank growth these days occurs by cross-selling customers on more products and services. There is a right way to do that, which should lead banks to focus on strong customer service that produces high levels of customer satisfaction, which in turn generates repeat business from existing customers and positive word of mouth to others.

There is also a wrong way to do that. As we have seen here, unchecked incentives and an unrealistic and uncaring culture of high-pressure sales targets can lead to serious consumer harm. Incentive compensation structures are common in businesses, and they can motivate positive behavior. Yet companies need to pay close attention to their compliance monitoring systems in order to prevent violations of the law and abusive practices.

This action should serve notice to the entire industry. If sales targets and incentive compensation schemes are implemented in ways that threaten harm to consumers and lead to violations of the law, then banks and other financial companies will be held accountable. We have seen the risk such programs pose across the entire financial sector. We have dealt with it in debt collection, mortgage origination, credit card add-on products, and now here, and we will continue to take action to protect consumers.

Thank you again to our partners here at this table—I am proud of our team and their teams—who worked with us on this important enforcement action, and I am happy to answer your questions. Thank you.

Chairman SHELBY. I thank all three of you for being here today.

Mr. Clark, I will start with you. The LA City Attorney's efforts are very important here.

Mr. CLARK. Thank you, Senator.

Chairman SHELBY. I applaud your efforts on this case by, as you say it, engaging in good old-fashioned detective work. And I just want to clarify the facts as I understand them and for the record from your written testimony. Correct me if I am wrong.

Mr. CLARK. I will, Senator.

Chairman SHELBY. A dozen or so attorneys in your office, the LA City Attorney's Office, without subpoena power, conducted numerous interviews of former Wells Fargo employees, met with aggrieved victims, pored over public documents, including voluminous court records from wrongful termination lawsuits, searching for victims to uncover fraud. Is that correct?

Mr. CLARK. Yes, it is, Mr. Chairman.

Chairman SHELBY. Other than accessing the CFPB's consumer complaint database, your first contact with the CFPB or the OCC, Office of the Comptroller of the Currency, did not come until after your lawsuit was filed in May of 2015. Is that correct?

Mr. CLARK. That is correct.

Chairman SHELBY. Mr. Cordray, the CFPB's efforts, in your written testimony, sir, you state that Wells Fargo opened over 1.5 million deposit accounts that may not have been authorized. That is a lot of accounts.

Mr. CORDRAY. The facts we found through our investigation, yes.

Chairman SHELBY. Is that number based on PricewaterhouseCooper's analysis?

Mr. CORDRAY. It is based on our investigation, and there were internal documents Wells Fargo provided that confirmed and were consistent with what we found through our investigation.

Chairman SHELBY. In your written testimony, you state that Wells Fargo also initiated applications for over 500,000 credit card accounts that may not have been authorized. Does that come from internal analysis?

Mr. CORDRAY. These are staggering numbers. That is what we found through our investigation, which included civil investigative demands, disclosure of tremendous amounts of documents from Wells Fargo, investigative testimony, and working with our partners here and their staffs to uncover as much as we could.

Chairman SHELBY. Also in your written testimony, you describe your engagement with the Los Angeles City Attorney's Office—and you just a few minutes ago did—as a "partnership." Prior to the filing of the City Attorney's lawsuit in May of 2015, did CFPB personnel accompany Mr. Clark's investigators as they did the following: conducted numerous interviews with former Wells Fargo employees, met with aggrieved victims, pored over public records, including court records from wrongful termination lawsuits by Wells Fargo? Did they?

Mr. CORDRAY. So these investigations——

Chairman SHELBY. Or did you come later?

Mr. CORDRAY. These investigations merged over time, work we were doing, work the OCC was doing, work the LA——

Chairman SHELBY. But they initiated the investigation, did they not?

Mr. CORDRAY. Well, they initiated their investigation. We initiated our own efforts in our office.

Chairman SHELBY. After they——

Mr. CORDRAY. No. No, we first heard about these problems in mid-2013 through whistleblower tips. The *Los Angeles Times* investigative series confirmed that there were issues in this industry. Now, there were different kinds of issues, and we were looking at financial incentive programs on a number of fronts at that time. We were dealing with credit card add-on deceptive marketing actions, which got back billions of dollars for consumers. We were looking at debt collection, where we ended up having the largest enforcement action against debt buyers and debt sellers.

Chairman SHELBY. Were you looking at Wells Fargo and other banks?

Mr. CORDRAY. We have been looking at these problems in all of the banks and nonbank financial companies. Believe me, there has been a lot of problems to look at and a lot of problems to deal with. This is a fairly major one, and there have been other major ones. Our credit card add-on products work has led to billions of dollars in relief for consumers.

Chairman SHELBY. Is there anything that the Bureau has learned from the work that the LA City Attorney's Office did? Have you learned anything there?

Mr. CORDRAY. So I think we learned from their investigation and they learned from our investigation. I do not want to speak too much of what other people did here, and I do not know that it matters. We do not sit around as partners and think about what percentage of the credit we should allocate to one another. We are looking to get a good result for consumers, and together we did that here. But they conducted various parts of the investigation. The OCC has conducted various parts of the investigation. We have conducted various parts of the investigation. We have been able to take this and turn it into nationwide relief for consumers, which the LA City Attorney's Office is unable to do under California law. And we and the OCC going forward will be active in working to clean it up here and across the industry.

And let me say something specific here about whistleblower tips. We are getting a large and increasing number of whistleblower tips all the time. When a bank like Wells Fargo here does not come forward quickly with a problem that they recognize is occurring at their bank, they should not assume that we are not hearing about it from employees or customers or others. We probably are. So it makes sense for them to come forward more quickly and to self-report. That was not done here. It was a very late contact from Wells Fargo on this problem, as I see it.

Chairman SHELBY. Thank you.

Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. And thank you all for being here and for your public service, all of you.

Following up on this self-report, Mr. Cordray, are banks required to report to you when they uncover fraud against customers in their own banks?

Mr. CORDRAY. We think it is by far the best practice, and I know that the Comptroller would agree and we see eye to eye on this. We believe that——

Senator BROWN. A statutory requirement——

Mr. CORDRAY. We believe that compliance at a bank starts with the bank. They should not expect us to come along and make sure they are complying with the law. They have that responsibility in the first instance to do it themselves, and our job is to make sure that they are doing it.

Senator BROWN. But no legal requirement? They have no legal requirement——

Mr. CORDRAY. There is no legal requirement for them to report a problem, but they are in more trouble when they do not.

Senator BROWN. I understand.

Mr. Curry, or for all three of you, and we will start with Mr. Curry. Your testimony states your agency started to receive customer and employee complaints about improper sales practices in early 2012. Mr. Cordray, your letter says your agency first learned about this from whistleblowers in mid-2013. You both heard Mr. Stumpf's answer to my question—I assume you were watching. You both heard Mr. Stumpf's answer to my question about when he learned. What does that say about the bank's governance and priorities? Mr. Curry, if you would start with that.

Mr. CURRY. Sure. Our supervisory activity really has focused historically—and this goes back to 2012—on the adequacy of their operational risk and compliance risk management systems. As our written testimony indicates, there have been repeated issues with the sufficiency of those systems and those controls, so this has been an ongoing issue.

The sales practices issues that have been uncovered by the three agencies represented around this table are really a manifestation of the overall weaknesses in their risk management, particularly in the compliance area.

Senator BROWN. I remember a discussion we had, I believe soon after you took this position, about the importance of a risk officer in a bank and the role they should play, and as you pointed out, some do it better than others.

Mr. Curry, part of OCC's supervisory activities began in 2013. You would have been meeting with executives, and in my understanding, you would meet regularly with the bank's board. Correct?

Mr. CURRY. Our teams meet regularly with management and with the boards of directors, particularly the independent members of the board.

Senator BROWN. Not Mr. Stumpf, but those that are——

Mr. CURRY. Those who are independent from operating management.

Senator BROWN. And we just checked. The compensation of board members ranges from, I believe, the high 290s up to the $400,000 a year—again, making the contrast of the 90 percent of the employees who lost their jobs through various reasons, but acts they committed, you know, were not managers who were making under $35,000 or $40,000 a year.

Does it strain credibility that neither the board nor Mr. Stumpf really knew this was going on, as it sounded like from the testimony today?

Mr. CURRY. I do not have personal knowledge what they knew or did not know, but our focus is in making sure that they have structures in place that facilitate the flow of important information about deficiencies in the complaint processing structure or in terms of escalating issues that arise in the compliance function or in the ordinary business of the bank.

Senator BROWN. Thank you. I found it particularly telling—and then, Mr. Clark, I would like your comments just on this whole area—that Mr. Stumpf said he met pretty much weekly, sometimes more often, with Ms. Tolstedt, and these issues apparently never came up until he learned about them in 2013 and part from the three regulators—or three Government agencies. Mr. Clark?

Mr. CLARK. We do not know precisely, Senator Brown, exactly what they knew and when they knew it, but I think as a long-time trial lawyer, one can draw inferences like courts and lawyers do, and it is difficult to believe, based on the information we developed in our investigation, both before and after we filed our complaint, that knowledge of this did not extend far beyond the regional manager level.

Senator BROWN. Two more real quick questions of Mr. Curry and Mr. Cordray. Your agencies have the authority to make criminal referrals. Have you done so in this case? Is there anything you can tell us about actions in that way? Both of you answer that and then one more question.

Mr. CURRY. Generally, our position is to cooperate with criminal law enforcement. Our focus now at the conclusion of our supervisory activity is really to look at the civil enforcement remedies we have at our disposal. That would be personal cease and desist orders, civil money penalties against individuals, or removal or prohibition from banking, which would prohibit someone from serving in any capacity at a bank. That process is ongoing now.

Senator BROWN. Mr. Cordray?

Mr. CORDRAY. So I have been told that I should not publicly acknowledge whether we have made criminal referrals or not. Thinking about this question, I thought there was something I think I can do without getting in trouble, which is quote our statute, 12 USC 5566. It says:

> If the Bureau obtains evidence that any person, domestic or foreign, has engaged in conduct that may constitute a violation of Federal criminal law, the Bureau shall transmit such evidence to the Attorney General of the United States, who may institute criminal proceedings under appropriate law.

We follow that statute to the letter.

Senator BROWN. OK. Mr. Cordray, a last question. I mentioned that a group of Wells Fargo customers sought compensation for their fraudulent accounts in 2013, even before the *Los Angeles Times* series was published. Rather than accepting responsibility, Wells Fargo forced them into arbitration, effectively preventing them from being made whole. How would the CFPB's arbitration rule have helped Wells' customers in that case?

Mr. CORDRAY. You know, I am not familiar with all the lawsuits, but my understanding is that these financial products typically did carry an arbitration clause. When that happens, as happened here, when there is massive wrongdoing on a wide scale but small amounts of harm to individual consumers, it would be very difficult to get any relief other than through a class action. And yet I believe an arbitration clause here might well defeat a class action. I think that is going to be litigated here, and courts will decide it. But they have often decided that it bars relief on an individual scale through a class action mechanism.

Senator BROWN. Thank you.

Chairman SHELBY. Senator Reed.

Senator REED. Well, thank you very much, Mr. Chairman, and thank you, gentlemen.

Mr. Clark, you and your colleague did a superb job. Looking back, when you filed your complaint, were you anticipating extended litigation? Or was Wells Fargo cooperative from the very beginning about recognizing this problem and settling?

Mr. CLARK. It was interesting, Senator Reed. In the initial response the day after we filed, they said something to the effect of, "We do not give our customers any accounts or services or products they do not need." They did not say in response to our complaint, "We did not give Wells Fargo customers anything they did not ask for." That was pretty telling to us.

We negotiated with Wells over a period of time. Ultimately, we were joined by our partners here before those negotiations were complete. But at the end, I think they cooperated in the sense that we ended up with what we believed to be a very robust series of reforms, the largest penalty in the history of our office. And because of the cooperation and working together with the other agencies here, those reforms and practice changes are nationwide.

Senator REED. With respect to the negotiations, is it your view that the added weight of OCC and the CFPB made a decisive difference in terms of the outcome as well as the speed?

Mr. CLARK. I cannot be sure of that, Senator, but I really believe that to be the case.

Senator REED. Thank you. There was one other aspect, too, of your testimony. You said that Wells Fargo made it difficult, if not impossible, for customers to receive accurate and clear information as to how accounts had been opened up, which suggests to me at least it was not just the individual "bad apple" but it was larger than that. Is it your sense that there was some type of either deliberate or negligent sort of treatment of customers that contributed to this and is liable at the company level?

Mr. CLARK. Yes, I do, Senator, in this sense: that customers would go into Wells Fargo's branches, would ask about accounts, they got their statements either electronically or on paper, could not figure out what was going on, and they just could not get clear answers. And because the practices were improper, in our view, the Wells employees in the experience of our witnesses were not willing to come forward, and they did not really give them honest answers. Sometimes, as I said in my oral testimony here, accounts were asked to be closed, they were supposed to be closed, and they were not closed.

Senator REED. Thank you.

Mr. Curry, you point out that, you know, culture is key in any organization, and I think that is obvious. It seems that for years the culture at Wells Fargo was profit rather than customer satisfaction and customer service. Do you think that has changed? Or is that an accurate view of what is happening recently?

Mr. CURRY. This episode indicates how important it is, in fact. What we are looking for as a supervisor is to make sure that the institutions have a full understanding of the importance of culture, the reputational risk, and the financial consequences that can flow when you lose that reputation or engage in activity that calls into question the culture of the institution. And, again, our focus is making sure that they have the appropriate oversight structure. Incentives, incentive programs, compensation programs are something that we look at very closely in our heightened standards program because it does guide and dictate the culture of the institution.

Senator REED. One of the impressions that emerges, and I think not just for myself but across a wide spectrum of opinion, is that the company might have been whispering about ethical standards and treating the customer right, but they were shouting about this is the way you make money, sell more of these. Is that fair?

Mr. CURRY. I think that is possible, yes.

Senator REED. Director Cordray, the CFPB has been engaged in this effort and, again, with your partnership, I think has done an outstanding job. Protection of consumer laws is something that you are expert in. Working with the Comptroller, working with the city of Los Angeles, you brought special expertise. Can you describe the special expertise you brought to the issue?

Mr. CORDRAY. Yes, I think we all bring a different expertise to this. The Los Angeles City Attorney's Office is working purely from an enforcement perspective. They brought a lawsuit. They are familiar with local conditions, which is tremendously valuable as we partner across the country, often with State Attorneys General or with State banking regulators, in some cases with local officials who are forward-leaning on consumer issues, like the LA City Attorney's Office.

The OCC brings its deep knowledge of safety and soundness regulation at the institutions and under this Comptroller, I will say, an increasing attention and focus on consumer compliance and how safety and soundness actually affects the individual consumer, which has been a point of collaboration with the Bureau.

I think what we bring to this is both a unique ability to engage not only in supervisory but also enforcement activity, and we do both frequently. The fact that we have separate laws that we can enforce here, including identifying abusive practices, which is alone an authority granted to this agency, that we also bring a consumer-focused perspective and market analysis and expertise and the ability to use our CID power aggressively even outside the scope of a lawsuit in order to get information and process that information. And I think we brought those tools to the table. Each of these other teams brought their tools to the table. Together it makes for a strong result.

If you look back at our enforcement actions over our 5 years, many of them have been done with partners; many of them, I can tell you, almost all of them have been more effective for doing that. Sometimes it takes a little longer because working back and forth with other offices takes certain procedures and other things to get into place. But it is always the best answer if we can do it well. And people did it well here.

Senator REED. Thank you very much.

Chairman SHELBY. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. Thank you all for your service and the work that you have done here.

Director Cordray, the subject of today's hearing is, in my mind, the ultimate affirmation of your agency and its employees. In the wake of the 2008–09 financial crisis, when unfair and abusive practices ran rampant in the industry, I know that as a Member of the Committee at the time, one of the things that I wanted to ensure that we did in the Wall Street reform legislation, and to fight tooth and nail to get it, is to empower a cop on the beat that would be on the side of consumers. And I must say you as the Director and your Bureau and agency have lived up to every bit of those expectations from my point of view.

Now, I hope to use this as a teaching moment for some of my colleagues that are not aware of the Bureau's latest list of accomplishments. I would point out that since its creation in 2011, the Bureau has recovered and sent back nearly $12 billion to 27 million consumers harmed by illegal practices of credit card companies, banks, debt collectors, mortgage lenders, and others—$12 billion to 27 million consumers.

And it is amazing that, despite all of those accomplishments, my Republican colleagues are hell bent on killing this agency. Just three legislative days after the announcement of the settlement of Wells Fargo, one of my Republican colleagues introduced and the Majority Leader, Senator McConnell, fast-tracked a bill that would fundamentally alter the funding mechanism for the Bureau and subject it to the annual appropriation process.

So in view of that, can you tell me, Director, what would it mean for the Bureau to be subject to the annual appropriation process *vis-a-vis* the work that you are doing?

Mr. CORDRAY. Let me start in a general sense, which is what we can see here is there is a very big job to be done to change the culture and practices at the banks. It does not happen overnight. This is on top of the robosigning mortgage servicing scandal. It is on top of the mortgage origination scandals that led to the financial crisis. It will take considerable time for us to root out all of these things in the financial institutions, banks as well as nonbanks.

But if we can remain on the job, if we can continue to exert our authorities in matters like this, if we can continue to work with our partners across the country, we will continue to make progress.

Senator MENENDEZ. I appreciate that. What happens if you are put on the annual appropriation process?

Mr. CORDRAY. Well, it would compromise our independence and make it harder for us to do our job, just as it is for all the banking agencies.

Senator MENENDEZ. Now, if the bill were to become law—and trust me when I tell you that we will not let it—how might it undermine the Bureau's efforts to protect consumers from unfair, deceptive, and abusive practices?

Mr. CORDRAY. Again, anything that is attempting or seeking—and some of these efforts are—to compromise our independence will make it harder for us to do our job.

Senator MENENDEZ. Now, let me ask all three of you, do any of you disagree—and if so, please explain to me why—that in essence here at Wells Fargo what we had was a pressure cooker environment with perverse incentives and a culture that ultimately led to the type of wrongdoing that took place? Does anybody disagree with that view?

Mr. CORDRAY. Not at all.

Mr. CURRY. No.

Mr. CLARK. No.

Mr. CORDRAY. In fact, they sent mixed messages at best if they countervailed that culture at all.

Senator MENENDEZ. Now, Mr. Curry, let me ask you, do you believe that you—meaning the Comptroller's office—should have been notified earlier than what you were notified by Wells Fargo?

Mr. CURRY. It is critically important that there be open and frank disclosure of relevant information by a bank with our examiners. It is not entirely clear at what point that occurred here, and——

Senator MENENDEZ. Is it fair to say that this is a material—what happened here is a material event as it relates to——

Mr. CURRY. I think there is always difficulty when you try to define a term like "material," depending on the context. I would say from the OCC's standpoint and the facts of this particular case, the fact that 5,300 employees were terminated was material, and that there were 2 million accounts involved, that would be material.

Senator MENENDEZ. Let me ask you, did you—go ahead, Director Cordray.

Mr. CORDRAY. There was something in the earlier testimony that bothered me, which was an acknowledgment that the bank alerted the OCC in 2013 but did not alert the CFPB until 2015. We had known about these types of problems from our own sources, but if any institution feels that they can divide and conquer among the regulators, they should know that that is a mistake.

Senator MENENDEZ. Let me ask you this: How widespread is the issue of cross-selling, at least in the perverse way that it took place at Wells Fargo? Do you have any sense whether this is a one-off, or is this an industry-wide concern?

Mr. CURRY. Our view is—and I mentioned this in my testimony—we generally look at incentive compensation at an institution. With what we have seen here at Wells Fargo, I have directed that we do a horizontal review, so we will be looking specifically at sales practices at our largest banks and mid-sized banks.

Senator MENENDEZ. I look forward to you informing us on that.

Mr. CORDRAY. I agree with the Comptroller on that. We will be doing joint action on that. I would say the incentive compensation has been a problem we have seen across a number of different markets, so it is a broader issue. As to cross-selling, Wells Fargo Bank

no doubt was the industry leader in aggressively cross-selling products, which led in part to the extreme circumstances we find here. But to the extent others are engaged in it, you should be focused on customer satisfaction not on bare numbers, and there are monitoring systems that can be put in place.

I agree with something the Comptroller said earlier, which is we are all going to look back on this and think more about what we can do to make sure that the cultures are changing at these banks. We need to do some rethinking ourselves and, as always, learn from new events.

Senator MENENDEZ. Last, to Mr. Curry and then Mr. Clark, in reading the OCC's consent order, I am struck by the group of orders attempting to remedy what appears to be a longstanding gross deficiency in the bank's risk management governance structure and oversight protocols. For an institution with $1.85 trillion in total consolidated assets, I am incredibly concerned about the bank's ability to identify and manage risk across its various lines of business.

At what point do you think Wells Fargo executives should have been aware of these deficiencies? And how far back do you think these risk management deficiencies go? And then separately for you, Mr. Clark—and I would like to hear both your answers, and I will rest there—I read with interest the complaint that your office filed where you said—the complaint says, "Managers consistently hound, berate, demean, and threaten employees to meet these unreachable quotas." And where you talked about Wells Fargo gaming the practice of targeting individuals holding Mexican consular cards, I assume that when you made those assertions, they were based upon the factual evidence that you discovered in the course of your investigation.

Mr. Curry, could you speak to what I asked you? And, Mr. Clark, to you.

Mr. CURRY. Our testimony, which discusses our supervisory history, demonstrates that there has been a significant period where we have identified weaknesses in their operational risk and compliance risk management. What we have attempted to do with Wells Fargo is to address those weaknesses that have been identified through our matters requiring attention that was escalated after we conducted our heightened standards review to be Part 30 of the Compliance Plan, which is an enforceable requirement under our safety and soundness guidelines. Ultimately the weaknesses that we saw in their safety and soundness program resulted in the enforcement action that we had. And that is a significant and major tool at our disposal for institutional weaknesses in their programs.

Mr. CLARK. Senator Menendez, let me answer your second question first, and that is, we based our allegations on 16 months' worth of work. It was public documents, witness interviews, former employees, every source we could come to—again, lacking pre-filing subpoena power.

As to how they could have known, some of the documents we looked at were wrongful termination lawsuits. They described this kind of conduct, for example, in St. Helena, which is part of our Napa Valley wine country, as early as 2009.

Senator MENENDEZ. Thank you.

Chairman SHELBY. Senator Warren.

Senator WARREN. Thank you, Mr. Chairman.

So buried in the fine print of Wells Fargo's checking and credit card contracts is a forced arbitration clause. It says that if a customer has any dispute with the bank about anything related to that checking account or that credit card, then they have to—they cannot go to court, and they cannot join with other customers who have the same problem. Instead, they have to go one by one through arbitration.

Now, a feature of arbitration that the banks particularly love is that it is nearly always all secret. Filings and documents are not available, and even if the customer wins, there is no public record of it like there would be if we were in a court case.

Director Cordray, do you think forced arbitration clauses make it easier for big banks to cover up patterns of abusive conduct, including the years of misconduct by Wells Fargo in this case?

Mr. CORDRAY. I do think so, yes.

Senator WARREN. So, in other words, these forced arbitration clauses make it easier for Wells to get away with scamming their customers, which is why it is good news for customers that the CFPB has proposed strong new rules that would ban forced arbitration clauses that prevent customers from joining together to bring a public action in court. And I think this is just one more way. We are talking here about the CFPB's Enforcement Division, which I am very glad that we are doing, and that is powerfully important. But you get better rules in place, and this kind of fraud gets exposed much earlier. If we had had class actions on this back in 2010, 2009, 2008, then the problem never would have gotten so out of hand. So I think that is really important. Please.

Mr. CORDRAY. There is another sort of somewhat related indicator here that shows you the focus on these things. One of the first things that Wells Fargo did in the LA City action that was brought was aggressively seek a protective order to keep the proceedings, as much as possible, from public view.

Senator WARREN. That is right, trying to keep it all secret, and that is what the arbitration clause does that they put in these contracts: everything out of public view for as long as humanly possible.

I also want to hit another point about how you make structural change, because I think that is so important here. Mr. Clark, I want to thank you for your testimony today and for the great work that your office has undertaken in this case.

Mr. CLARK. Thank you, Senator.

Senator WARREN. One of the really powerful things that the CFPB has done is to create a new complaint hotline which allows customers to register complaints against any financial product. We will just put it in the record. You can go to *CFPB.gov* and file a complaint online, right? Anyone can do this. And since its inception, the agency has fielded nearly a million complaints. Is that right, Director Cordray?

Mr. CORDRAY. It is going to be a million later this week.

Senator WARREN. All right. We are almost there. We will have to mark the occasion.

Mr. CORDRAY. I think Thursday.

Senator WARREN. And one of the best parts about this is not just that you fielded the complaints, it is that you made them public, and you made them searchable online. And that allows everyone from researchers and academics to law enforcement authorities to the banks themselves to be able to spot growing problems and then to address them.

So, Mr. Clark, I wanted to ask, in the process of conducting your investigation into Wells Fargo, did you use the CFPB's complaint database?

Mr. CLARK. Yes, we did.

Senator WARREN. Good. And it was helpful to you?

Mr. CLARK. Very helpful, as was the FTC's Sentinel database.

Senator WARREN. Excellent. I am very glad to hear that. You know, this is yet another way that the consumer agency is protecting customers and holding banks accountable. It is bringing a lot more transparency to the market, which helps identify banks that are consistently harming their customers. And just as important, it rewards the banks that are doing a good job for their customers. You know, there must be a lot of community bank presidents who are standing by watching this hearing saying, "We do not engage in this kind of behavior. You will not find those kind of complaints against us in the CFPB database. Move your accounts over where you can actually trust your banker."

In light of all of the great CFPB work in investigating this case and everyone working together on this, from the arbitration rule to the complaint database to stop this kind of scam from happening again, because that is the part we really want to make sure we focus on, I think you are sending a very loud message to the banks that—and a loud message to my Republican colleagues who continue to attack the agency. You know, Wells Fargo may wish that the CFPB would disappear, and some Republicans may keep trying to leash up this watchdog. But that is not going to happen. Thank you.

Thank you, Mr. Chairman.

Chairman SHELBY. Thank you.

Senator Merkley.

Senator MERKLEY. Thank you. Earlier I mentioned several of the features that came out of interviews with employees of the high-pressure environment, employees who were given daily quotas for "daily solutions," that is, sales of accounts, that they had to stay late or come in on weekends if they did not meet them, high-pressure sales meetings, bonuses that were tied to meeting those threats of being put on probation or being fired because they did not meet those quotas, in some cases managers conducting coaching sessions on how to meet the quotas through creating these accounts, regional sales meetings conducted on an hourly basis to keep checking in.

In this whole structure that was established in the Wells Fargo culture of how to do intensive cross-sales, was this a high-pressure sales culture for the people who were the personal bankers and the tellers? Just each of you, your opinion on that.

Mr. CURRY. Yes, that is really what we were addressing in our supervisory letter from June of 2015. Those were all deficiencies.

Senator MERKLEY. Thank you. Do both of you agree with that?

Mr. CORDRAY. Yes. If I could just elaborate? It was excruciatingly high pressure in various settings. When you first start to hear about something like this, it takes some time to untangle conflicting accounts, and there are different pieces of this. There were some different angles on it.

One issue was whether employees themselves were being abused, and that was part of the complaints that people were seeing.

Another issue was whether they were pressuring consumers to open accounts, ultimately getting their consent but pressuring them into improper or not suitable accounts.

And then the third, which sort of emerged a little later, was potentially they were just opening accounts without consumers even knowing about it. It is the third thing we are focusing on here, but it takes some time to bring this into focus as you conduct an investigation.

Senator MERKLEY. Thank you.

Mr. Clark, Director Cordray described it as "excruciatingly high pressure." Does that fit your impression?

Mr. CLARK. It does, Senator. Let me tell you a quick anecdote. I am a Wells Fargo customer. I was in my bank on Friday doing a transaction. The senior person there recognized me, asked me about this, and said, "You cannot believe, Jim, what the pressure was like. It was excruciating. I am so glad I am out of that now because I am in a different kind of bank." This was on Friday, and he told me this. I found that extraordinary, Senator.

Senator MERKLEY. So just a few moments ago, when I was asking the CEO of Wells Fargo about the establishment of this high-pressure situation that left bank tellers and personal bankers in a no-win, between a rock and a hard place position, he denied that there was any such structure. Is that completely inconsistent with your complete understanding of the situation?

Mr. CURRY. Senator, again, I would go back to our June 2015 supervisory letter in which we found that the program was deficient.

Senator MERKLEY. And, Mr. Curry, that is a nice way of saying "yes." Yes, OK.

Mr. CORDRAY. It does differ from my understanding of the situation that we found in our investigation.

Senator MERKLEY. So why after this extensive public review of the establishment of this high-pressure culture, why would the CEO, after working with you all and having these various letters and so forth, after paying a fine, come in here and say, "No such thing existed. These were just individual employees who had ethical lapses"? Why possibly did we hear that testimony today?

Mr. CORDRAY. I do not know.

Mr. CLARK. I do not either, Senator.

Senator MERKLEY. Any insight, Mr. Curry

Mr. CURRY. No. It is inconsistent with our findings.

Senator MERKLEY. OK. It is inconsistent with everything. Is it because the bank is trying to insulate itself from lawsuits?

Mr. CURRY. I would not speculate. I do not know.

Senator MERKLEY. Is it possibly because the top executives who were in charge during this whole period want to have kind of no responsibility, claim no responsibility, and instead it is just those

5,000 low-level people who had nothing to do with the system they set up to sell?

Mr. CLARK. I think there is responsibility here, that we have a consent order with the OCC, with the CFPB, and with the city of Los Angeles.

Senator MERKLEY. I would like to enter into the record, "Banking on the Hard Sell," an article from the National Employment Law Project.

Chairman SHELBY. Without objection, so ordered.

Senator MERKLEY. It lays out these high-pressure cultures that have happened in many financial retail banking groups. And I think when the question was asked earlier, Mr. Curry, you noted that that is something you will horizontally be looking into. But do any of you have some impression based on what you have seen so far that these practices, at least maybe not to the same degree, but these high-sale practices, high-pressure practices, did result in similar creation of fake accounts or adding things to customers they did not ask for?

Mr. CURRY. That really will be the focus on our horizontal review. Banks are under enormous margin pressure, and that could be——

Senator MERKLEY. That could be the case.

Mr. CORDRAY. I would just say that, for example, we started with our first deceptive marketing of credit card add-on enforcement action, many of which we took jointly with the OCC. That eventually mushroomed into 12 enforcement actions across the industry. The practice was worth billions of dollars. We will certainly follow up aggressively here.

Senator MERKLEY. I have had the experience of opening an account in partnership with—going to the bank with my daughter, and it was very clearly—we went through it: "This is a no-fee account for a student, right?" "Yes, right, right, right." Then the paperwork comes, and it is a fee account.

And I had another case where I opened an account, and I said, "I do not want the overdraft protection or the fee that goes with that. I want the free account." "Yes, yes, absolutely." Got the paperwork. Funny thing, I had the fee account.

And I just thought it was sloppy paperwork. I had no idea until now that there was a hard-sell system of quotas that was causing folks to basically slam me with stuff that I had explicitly said I did not want. And that was not at Wells Fargo, so I will just say that I suspect that you will find lots of this activity elsewhere.

Turning to Sarbanes-Oxley, where a CEO must sign off on the sufficiency of internal audits, clearly from this hearing the conduct was relevant to a bank's reputation and, therefore, to its—certainly of material interest to its investors. Should the SEC launch an investigation of this in terms of those Sarbanes-Oxley reports?

Mr. CORDRAY. I will leave that to the SEC.

Senator MERKLEY. OK. And, finally, in the settlement, Wells Fargo was allowed to neither admit nor deny wrongdoing, and we heard today the result. The head of the bank comes in here and says, "We did not do anything. It is just a bunch of bad apples who were ethically misguided." And it bothers me. Was that debated

and wrestled with? And why was Wells Fargo allowed to not admit wrongdoing?

Mr. CORDRAY. So here is my point of view on that, Senator. The order speaks for itself. It is very detailed. It tells the facts as we established them through our investigation. That is the story. People can quibble with it if they want, but that is the story. It is the story that is forming vigorous public scrutiny going forward and potentially other investigations by other public officials, which we will be welcoming and assisting in any way we can.

Senator MERKLEY. Does it not make it harder, though, to hold the managers accountable to the board of directors of a company when they have not admitted any wrongdoing?

Mr. CORDRAY. I think actions speak louder than words. The notion that nothing happened here but they fired 5,300 people, those things cannot possibly be squared.

Mr. CLARK. I also think, Senator, that we wanted to get relief to consumers as quickly as we could. It is very typical—I practiced law at a big law firm for 35 years—for these non-admissions to be part of an agreement. It would have taken years to litigate this case, at least from our perspective. And we would not have gotten relief for consumers. We thought the consumers needed to get relief now, and the practices had to stop. And so that is one reason from our perspective it went that way.

Senator MERKLEY. I do applaud all of that, but I have got to say from the men and women on the street perspective, it is enormously frustrating to see the people at the bottom be fired from their jobs, be threatened with firing, forced into an untenable situation, and see the managers take no responsibility. They take their bonuses. They are not clawed back. They keep their jobs.

Let me take—and I will just close with this, Mr. Chairman. The manager of this unit who worked to establish this very successful—I say "successful" from the cross-selling profitability—system that produced these fraudulent activities is walking away—you can call it a bonus or you can call it a platinum parachute or you can call it money she has already earned, which is what we have heard, but more than $100 million, not counting what came previously. It would take a bank worker earning $25,000 a year—and that is roughly in the ball park because a lot of these workers were paid $11 to $12 an hour. At $25,000 a year, it would take them 4,000 years to earn that $100 million. Four thousand years. Or to put it differently, 100 lifetimes working 40 years. It is a phenomenal distinction, and that managers are taking home those kinds of profits from developing a system that destroyed so many consumers and affected so many of their own employees by putting them in an impossible situation, it is wrong, it is ugly, it is criminal. There should be accountability for the managers.

Thank you.

Chairman SHELBY. Thank you, Senator Merkley.

We appreciate your appearance today. It has been a lengthy hearing. Maybe this is the beginning of a lot of things, but a lot of us are worried about that perhaps there are similar doings going on in other banks. We hope not. As I have said from the beginning, banking should be based on integrity, on trust. I think you would agree with me on that.

Mr. CURRY. We do.

Chairman SHELBY. And most banks have that, but some do not. Thank you. The hearing is adjourned.

[Whereupon, at 1:49 p.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF JOHN STUMPF

CHAIRMAN AND CHIEF EXECUTIVE OFFICER, WELLS FARGO & CO.

SEPTEMBER 20, 2016

Chairman Shelby, Ranking Member Brown, 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 5 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 number of sales 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 percent 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 percent 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 timeframe.

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 percent) 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 percent 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.

Wells Fargo Is Engaged in Multiple Efforts To Take Responsibility for, and Rectify, Our Mistakes

We decided that product sales goals do not belong in our retail banking business. Specifically, as announced last week, we are 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 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, within 1 hour of 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.

PREPARED STATEMENT OF MICHAEL N. FEUER

LOS ANGELES CITY ATTORNEY

SEPTEMBER 20, 2016

Chairman Shelby, Ranking Member Brown, esteemed Members of the Committee, thank you for the opportunity to provide testimony on this critical matter.

On a Sunday morning in December, 2013, I was appalled when I opened the *Los Angeles Times* and read an investigative story by Scott Reckard regarding Wells Fargo Bank's sales culture. The story read in part, ***"To meet quotas, employees have opened unneeded accounts for customers, ordered credit cards without customers' permission and forged client signatures on paperwork. Some employees begged family members to open ghost accounts."***

I immediately instructed my staff to investigate to determine if the facts warranted our Office filing an action pursuant to California laws that protect consumers against, and provide relief for, unfair business practices.

Because these laws do not afford my Office pre-litigation subpoena power, our investigation consisted of good old-fashioned detective work. We conducted numerous interviews with former Wells Fargo employees and Wells Fargo consumers, pored over public records, including voluminous court records from wrongful termination lawsuits former employees filed against Wells Fargo, and made use of the consumer complaint databases of the Consumer Financial Protection Bureau and the Federal Trade Commission.

We found that the Bank victimized consumers by opening customer accounts, and issuing credit cards and other products, without authorization. Further, we found that the Bank failed to notify customers that these accounts had been opened without their consent and failed to refund fees incurred by those customers for these unwanted products and services. We found instances in which the Bank made it difficult, if not impossible, for customers to receive accurate and clear information as to how this happened. Many were told that the unauthorized accounts would be closed, only to find later that they were not.

We found that Wells Fargo's business model imposed unrealistic sales quotas that, among other things, incentivized employees to engage in highly aggressive sales practices, creating the conditions for unlawful activity, including opening fee-generating customer accounts, and adding unwanted secondary accounts and products, without customer permission.

Underlying all of this egregious conduct, we found a fundamental breach of trust by the Bank through its misuse of consumers' personal information. We sought to enforce the Bank's obligation to inform its customers that their personal and private information had been accessed by Wells Fargo in order to open unauthorized accounts.

Our 16-month investigation culminated in our May 4, 2015, filing of a civil enforcement action in the name of the People of the State of California, an action that both sought relief for consumers harmed by Wells Fargo's conduct and to end the illegal practices Wells Fargo employed.

In the days following the filing of our lawsuit, my Office received calls, letters, and emails from over 1,000 current and former Wells Fargo customers and employees. Customers described their experiences, including having money withdrawn from their authorized accounts to pay fees assessed by Wells Fargo on unauthorized accounts. They also complained that their unauthorized accounts were sent to debt collection agencies, and derogatory notes were placed on their credit reports.

Let's be clear what's at stake:

- It's outrageous for a bank to use a customer's private information for any unauthorized purpose, but especially to enhance the bank's bottom line to the detriment of those with whom it holds a position of trust.
- It's outrageous for a bank to open unwanted accounts, and then to transfer funds, without consent, from that customer's existing account to fund an unauthorized account.
- And it's outrageous for a customer to incur unexpected fees or other negative consequences from the bank's conduct.

Earlier this month, we reached a settlement with Wells Fargo, which, in concert with the settlements reached by the Federal regulatory agencies, provides for

comprehensive retrospective and prospective remediation and corrective actions, and sends a strong message by imposing a $50 million penalty. Our agreement contains important protections for consumers. It establishes a complaint and mediation system for California consumers harmed by the Bank's practices, and requires Wells Fargo to continue a restitution program for affected customers. Wells Fargo must also alert all its California customers who have consumer or small business checking or savings accounts, credit cards, or unsecured lines of credit, that they should visit their local bank, or call Wells Fargo, to review their accounts, close accounts or discontinue services they do not recognize or want, and resolve any remaining problems. Additionally, every 6 months for the next 2 years, Wells Fargo must provide my Office an audit report assessing the Bank's compliance with our agreement, verified under penalty of perjury by an officer or director of the Bank.

We coordinated our settlement with the enforcement efforts of our Federal partners, the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency. As a result of this collaboration, remediation and corrective actions extend nationwide. I would like to thank both agencies for their incredible work. Robust government oversight is key to protecting consumers and it is important to maintain laws that are protective of consumers and support collaboration between Federal, State, and local enforcement agencies.

There is a sacred trust that consumers put in their financial institutions—a faith that their hard-earned money will be safe and secure, and that their banks' actions will be in the best interests of customers like themselves. Wells Fargo broke that trust. We should all work to assure it never happens again.

PREPARED STATEMENT OF THOMAS J. CURRY

COMPTROLLER, COMPTROLLER OF THE CURRENCY*

SEPTEMBER 20, 2016

I. Introduction

Chairman Shelby, Ranking Member Brown, and Members of the Committee, thank you for the opportunity to testify today as the Committee reviews matters relating to certain sales practices at Wells Fargo Bank, N.A. (Bank or Wells Fargo). As described below, the Office of the Comptroller of the Currency (OCC) recently took public enforcement actions against Wells Fargo, finding that the Bank engaged in reckless unsafe or unsound banking practices and directing it to take comprehensive corrective action with regard to risk management of its sales practices, reimburse harmed customers, and pay $35 million in civil money penalties (CMPs). The OCC's actions focused on safety and soundness issues, and we worked in close coordination with the Consumer Financial Protection Bureau (CFPB) and the Los Angeles City Attorney. I want to express my appreciation to Director Cordray of the CFPB and LA City Attorney Mike Feuer.

While the OCC continues to review our supervision and actions related to this case, my testimony provides additional detail, known today, regarding our supervisory response and the steps the OCC is taking to review our actions in this matter, as we continuously work to enhance our supervision of national banks and Federal savings associations.

Before discussing the details of our supervisory response, I want to make clear that the unsafe and unsound sales practices at the Bank, including the opening and manipulation of fee-generating customer accounts without the customer's authorization, are completely unacceptable and have no place in the Federal banking system. They reflect a lack of effective risk management, a breakdown in controls, and an inappropriate incentive structure. The actions announced on September 8, 2016, are intended to remediate and deter such practices and underscore the importance of robust risk management throughout the Federal banking system. The coordinated and complementary efforts by the OCC and the CFPB make clear to regulated institutions that compliance and safety and soundness go hand in hand.

The actions against the institution hold it accountable, and consistent with our practice in such enforcement matters, the OCC has also initiated a review of individual misconduct and culpability. The OCC may take formal enforcement actions against institution-affiliated parties, including directors, officers, and employees, who violate any law or regulation, engage in unsafe or unsound practices, or breach fiduciary duty. These actions include personal cease and desist orders and CMPs.

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* Statement Required by 12 U.S.C. § 250:

The views expressed herein are those of the Office of the Comptroller of the Currency and do not necessarily represent the views of the President.

In addition, the OCC has the authority to remove and prohibit individuals from serving as directors, officers, or employees of federally insured depository institutions if the legal standards for such action are met. Removal and prohibition amount to a lifetime ban on the culpable individual working in the banking industry.

While I believe we have made progress since the financial crisis in fostering healthier cultures at the largest institutions, meaning a commitment to compliance with applicable laws, effective risk management, good governance, and fair treatment of customers, there is clearly more work to do. Regulators and the institutions themselves must be especially vigilant when it comes to practices that can undermine the trust and confidence in financial institutions.

II. OCC Supervision of the Bank's Sales Practices

The OCC charters, regulates, and supervises national banks, Federal savings associations, and the Federal branches and agencies of foreign banks. Our mission is to ensure these institutions operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations. Compliance with consumer protection laws is dependent upon a bank's ability to manage operational risk and conduct its business in a safe and sound manner, and the opposite is also true: You cannot manage operational risk without an effective compliance program.

OCC-regulated institutions are subject to comprehensive, ongoing supervision designed to enable examiners to identify problems and obtain corrective action. Such supervision permits most bank problems to be resolved through the supervisory process without formal enforcement action. Relevant examples of written supervisory actions include comprehensive Reports of Examination, Supervisory Letters, and Matters Requiring Attention (MRAs) tailored to the specific weaknesses existing at a bank.[1] MRAs focus the bank management's and board's attention on supervisory concerns that require the board's immediate acknowledgment and oversight to ensure timely corrective action. In financial institutions with more than $10 billion in assets, such as Wells Fargo, the OCC's supervisory responsibilities are related to, and sometimes overlap with, the supervisory responsibilities of the CFPB for financial institution activities subject to certain consumer financial laws and regulations, including retail sales practices. Pursuant to a 2012 interagency memorandum of understanding (MOU) on supervisory coordination, the OCC's regular practice in these areas is to provide the CFPB with copies of Reports of Examination and formal supervisory correspondence. The OCC also shares other material supervisory information with the CFPB pursuant to that MOU and a subsequent statement of principles between the two agencies.

In March 2012, the OCC received a small number of complaints from consumers and Bank employees alleging improper sales practices at Wells Fargo, which were forwarded to OCC supervision staff assigned to the Bank, consistent with agency practice at the time. Following these inquiries and a *Los Angeles Times* article[2] in December 2013 regarding the Bank's aggressive sales practices, the examiners initiated a series of meetings with various levels of Bank management, including executive leadership, to evaluate the Bank's activities and actions. The Bank stated that it terminated employees as a result of consumer and internal ethics complaints, and that it was investigating such reports and re-evaluating its oversight of sales practices at the Bank. During this time, the OCC examiners were also reviewing, and meeting with the Bank to discuss, the Bank's development of a corporate risk strategy, risk framework, and implementation plan that included its sales practices.

Between January 2012 and July 2016, the OCC conducted multiple supervisory activities related to Wells Fargo, which included ongoing supervision and targeted examinations through which examiners assessed the Bank's governance and risk management practices related to compliance and operational risk. These activities included assessments of compliance with the OCC's heightened standards requirements that I discuss further below, as well as other regulatory expectations for compliance risk management. These activities also included components that involved

[1] MRAs describe practices that deviate from sound governance, internal control, and risk management principles, and have the potential to adversely affect the bank's condition, including its financial performance or risk profile, if not addressed; or result in substantive noncompliance with laws and regulations, enforcement actions, supervisory guidance, or conditions imposed in writing in connection with the approval of any application by the bank. The OCC clarified its use of MRAs in 2014 (*http://www.occ.gov/news-issuances/bulletins/2014/bulletin-2014-52.html).*

[2] See "Wells Fargo's Pressure-Cooker Sales Culture Comes at a Cost." *Los Angeles Times,* Dec. 22, 2013 (*http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html).*

assessment of risk management related to sales practices. The supervisory conclusions associated with these activities are summarized below.

2011–2014 Examination Activity

Consumer Compliance Risk Management Assessment

Following earlier examination work relating to consumer practices at the Bank that began in late 2011, the OCC took further supervisory actions related to compliance risk management at the Bank in early 2013 and 2014. In February 2013, the OCC issued a Supervisory Letter[3] requiring the Bank to develop its operational risk compliance program. In early 2014, the agency directed the Bank to address weaknesses in compliance risk through the establishment of a comprehensive compliance risk management program related to unfair and deceptive practices. Further, the OCC identified the need to assess cross-selling and sales practices as part of its upcoming examination of the Bank's governance processes. Examiner planning for that examination included meetings with Bank management throughout 2014, as well as the review of the Bank's management information systems, internal audit findings, and documents describing the Bank's efforts to improve its capabilities to manage and monitor the quality of compliance oversight. OCC examiners continued their dialogue with Bank management to supervise and monitor these efforts.

2015 Examination Activity

Compliance Management Reviewed Under Heightened Standards

The OCC's ongoing review and supervisory response to the matters discussed above continued into 2015, and included periodic meetings with Bank management and review of extensive documentation, including internal reports, board packages, and internal audit findings. In March 2015, OCC examiners completed a multi-year assessment of the Bank's compliance management systems, applying the OCC's rule on heightened standards for large banks that took effect in November 2014,[4] and identified the need for the Bank to improve its risk management and governance related to operational and compliance risk.

Community Bank Operational Risk Management Reviewed

The OCC conducted an examination of the Bank's Community Bank Operational Risk Management in February 2015. The review focused on governance of operational risk, use of risk tools, implementation of strategic plans and new products, internal loss oversight, complaints management processes, and sufficiency and quality of staff. The examiners also evaluated the Community Bank division's sales practices oversight. The examiners' conclusions noted that the Bank lacked a formalized governance framework to oversee sales practices and thus, the OCC issued a Supervisory Letter in April 2015 that included an MRA requiring the Bank to address the governance of sales practices within its Community Bank division.

Enterprise Sales Practices Reviewed

The OCC issued an additional Supervisory Letter to the Chairman and Chief Executive Officer in June 2015 identifying matters related to the Bank's enterprise-wide risk management and oversight of its sales practices that required corrective action by the Bank. The OCC letter included five MRAs that required the Bank to take significant action to address the inappropriate tone at the top, that included the lack of an appropriate control or oversight structure given corporate emphasis on product sales and cross-selling; the lack of an enterprise-wide sales practices oversight program; the lack of an effective enterprise-wide customer complaint process; the lack of a formalized governance process to oversee sales practices and effectively oversee and test branch sales practices; and the failure of the Bank's audit services to identify the above issues or to aggregate sales practice issues into an enterprise view.

The June 2015 Supervisory Letter also instructed the Bank to take certain corrective actions to address the practices at issue, including improving processes to manage sales practices risk; re-evaluating compensation and incentive plans to ensure they did not provide an incentive for inappropriate behavior; improving processes to independently oversee sales practices risk at an enterprise-wide level; accelerating the implementation of a fully effective customer complaint process and

[3] A Supervisory Letter to a large bank such as Wells Fargo is an official OCC communication that formally conveys supervisory findings and conclusions, including any supervisory concerns, from the OCC's ongoing supervision of the institution.

[4] See OCC Bulletin 2014–45, "Heightened Standards for Large Banks; Integration of 12 CFR 30 and 12 CFR 170." Sept. 25, 2014 (*http://www.occ.gov/news-issuances/bulletins/2014/bulletin-2014-45.html*).

establishing policy and processes for evaluating complaints related to protected classes; having management of the Bank's Community Bank division establish effective oversight, as well as a testing and quality assurance function, to review branch sales practices; and having the Bank's audit services develop an enterprise-wide risk management process for sales practices. The OCC also instructed the Bank to remediate any consumer harm that resulted from the sales practices at issue.

As part of the corrective actions required by the June 2015 Supervisory Letter, the OCC also ordered the Bank to retain an independent consultant to conduct a thorough review of the Bank's approach to enterprise-wide sales practices and to assess consumer harm. The Bank retained two consultants—one to review the practices and another to assess consumer harm. The consultants issued their findings in October 2015, February 2016, and May 2016. The consultants' work and findings further informed OCC's ongoing supervision and consideration of the matter.

2015 Report of Examination Issued

The OCC issued its annual Report of Examination in July 2015 and noted the Bank needed to act more proactively to control compliance and operational risk. The July Report of Examination was followed by a Notice of Deficiency on July 28 citing the Bank's failure to comply with the safety and soundness expectations in the OCC's heightened standards rule. The OCC issued this notice to help ensure that Bank management adhered on a timely basis to its plan to implement an effective enterprise-wide compliance risk management program.

2016 Examination Activity

2016 Report of Examination Issued and Supervisory Letter Finding Unsafe or Unsound Practices

The OCC continued its ongoing review of these matters into 2016, holding monthly meetings with Bank management in order to monitor and follow up on the Bank's progress in addressing the corrective actions required by the OCC. The OCC concluded its 2016 examination work in July, and issued its Report of Examination findings and a letter to the board. The Report of Examination communicated the findings and conclusions that the Bank's sales practices were unethical; the Bank's actions caused harm to consumers; and Bank management had not responded promptly to address these issues. A Supervisory Letter to the Bank's Chairman on July 18, 2016, also stated the Bank engaged in unsafe or unsound banking practices and shortly thereafter, the OCC's Major Matters Supervision Review Committee approved recommendations to issue the Consent Order and assess CMPs against the Bank for reckless unsafe or unsound sales practices and the Bank's risk management and oversight of those practices.

Enforcement Actions

The OCC's enforcement actions were coordinated closely with the CFPB and the LA City Attorney and issued on September 8, 2016.[5] Many of the elements of the cease and desist order reflect requirements included in the various OCC supervisory communications discussed above, which were issued as part of the OCC's ongoing supervision prior to issuance of the order.

The September 2016 OCC enforcement actions included the assessment of $35 million in CMPs, and required the Bank to make restitution to customers who were harmed by the Bank's unsafe or unsound sales practices and to develop a comprehensive enterprise-wide action plan to address the underlying causes of the harm. The Bank was also required to conduct a comprehensive assessment of any new or materially revised incentive compensation structure in its sales practices prior to implementation. Such an assessment is intended to ensure that the risks related to the Bank's incentive compensation structure are well managed, controlled, and adhere to policies, procedures, and processes designed to prevent potentially unsafe or unsound sales practices.

Restitution payments made by the Bank to customers pursuant to the OCC's order will also satisfy identical obligations required by the CFPB and the LA City Attorney.

III. Next Steps

While the OCC has made many improvements to our supervisory program in recent years, the actions against Wells Fargo highlight that we must continue our efforts to improve and refine the agency's supervisory program, to sharpen our early

[5] See NR 2016–106. "OCC Assesses Penalty Against Wells Fargo, Orders Restitution for Unsafe or Unsound Sales Practices." Sept. 8, 2016 (*http://www.occ.gov/news-issuances/news-releases/2016/nr-occ-2016-106.html*).

warning processes, and to enhance our supervisory capabilities, particularly with respect to our largest, most complex banks. And while the examination and investigation needed to bring comprehensive and coordinated enforcement action against Wells Fargo required deliberation and care, it is critically important that the OCC identify issues and act more quickly. To that end, I have asked the Senior Deputy Comptroller for Enterprise Governance to conduct a review of our actions taken in this matter in order to identify gaps in our supervision and assess any lessons the agency can learn from it.

At the same time, I have directed our examiners to review the sales practices of all the large and midsize banks the OCC supervises and assess the sufficiency of controls with respect to these practices.

IV. Enhancements to the OCC's Supervisory Programs

Since I began my term as Comptroller in April 2012, I have sought to strengthen the OCC's supervisory programs. The enhancements described below have put the agency on track to act in a more timely and effective manner to address unsafe and unsound practices and violations of law.

Heightened Standards

The financial crisis showed that supervisory expectations for front line units, risk management, internal audit, and corporate governance in our largest and most complex banks needed to be substantially higher, especially for the most systemically important institutions. To achieve that goal, the OCC developed a set of "heightened expectations." Starting in 2010, the agency introduced these expectations to the large banks we supervise. By 2012, the OCC began assessing compliance with the expectations, and incorporated our findings into our risk assessments of those institutions. We found that progress was too slow and that a more robust approach, providing for the possibility of an enforceable response, was needed. Thus, in January 2014, the OCC proposed enforceable guidelines and, in September 2014, issued final enforceable guidelines. Under this approach, if a bank fails to satisfy a standard in the guidelines, the OCC may require it to submit a compliance plan detailing how it will correct the deficiencies and the applicable timeline. The OCC can issue an enforceable order if the bank fails to submit an acceptable compliance plan or fails in any material way to comply with an OCC-approved plan.

The heightened standards guidelines have two major components. The first sets forth the minimum standards for the design and implementation of a covered bank's risk governance framework, stipulating that it should be based on what the industry commonly refers to as the three lines of defense: front line units, independent risk management, and internal audit. The risk governance framework and the three lines of defense are intended to ensure that the bank has an effective system to identify, measure, monitor, and control risk-taking and standards of behavior. Those units must ensure that boards of directors have enough information on their bank's risk profiles and risk management practices so that the bank operates within the risk appetite established by management and the board.

The second component of our heightened standards guidelines pertains to the responsibilities of boards of directors. The guidelines establish criteria to ensure that bank boards have a minimum number of independent directors and that all board members have the information they need to provide effective oversight, including the ability to pose a credible challenge to management. The guidelines also require each bank to establish and maintain an ongoing training program for all board members and to conduct an annual self-assessment of the board's effectiveness in meeting the standards in the guidelines. The date for the largest banks to comply with these standards was in November 2014.

Major Matters Supervision Review Committee

As Comptroller, I established a committee comprised of my most senior and expert executives to review major supervisory matters. The committee operates independently of the supervision function and replaces a less robust review and decision-making process previously in place for significant enforcement cases, thereby strengthening and enhancing the governance over decisionmaking.

The Committee's role is to ensure OCC bank supervision and enforcement policies are applied fairly, effectively, and consistently. The Committee considers all major enforcement cases, and its charter recently was expanded as the Committee has added value to the OCC's supervisory program. The matters that must be brought before the Committee include all enforcement actions against large banks (informal and formal) based on safety and soundness; all large bank enforcement actions that include articles addressing the Bank Secrecy Act (BSA); all enforcement actions against any bank based in whole or in part on unfair or deceptive acts or practices in violation of section 5 of the Federal Trade Commission Act; and certain fair

lending referrals and actions. The Committee's charter also requires vetting by senior executives on the Committee of decisions made outside of the Committee *not* to pursue enforcement actions that would otherwise come before the Committee.

Compliance and Community Affairs (CCA)

Earlier this year, I established Compliance and Community Affairs (CCA), a new business unit within the OCC's organizational structure. CCA, led by a Senior Deputy Comptroller, is separate from the existing supervisory units and is charged with addressing all aspects of compliance and community affairs. The assignment of these responsibilities to one unit avoids the risk of a fragmented approach to these issues and inconsistent outcomes among different OCC supervisory lines of business. The establishment of the CCA unit reflects the significance of consumer and BSA/anti-money laundering compliance issues within the OCC and the banking industry, and the extent to which compliance risk management deficiencies may pose the risk of great harm to consumers and the safety and soundness of banks. The need for ongoing communication and effective collaboration with a wide range of other regulatory agencies in these areas also contributed to my decision to establish the CCA unit. By establishing this unit with both supervision and policy functions, I recognized the need for a change in the OCC's organizational structure to provide the best possible platform and support for this work throughout the agency. Fairness and compliance are critical aspects of the OCC's mission and are interconnected with, and as important as, safety and soundness. As I noted earlier, compliance and safety and soundness go hand in hand. The compliance discipline, like its safety and soundness sibling, requires dedicated staff and strong infrastructure to ensure the OCC takes timely and appropriate actions with respect to compliance and related safety and soundness issues.

Coordination Principles

The enforcement action against Wells Fargo follows other coordinated enforcement actions we have issued with the CFPB since 2012. The actions have included significant consumer restitution as well as penalties assessed by the OCC and the CFPB against institutions that were found to have engaged in unfair billing practices and deceptive sales and marketing practices, among other issues. However, our coordination is not limited to enforcement actions. In June of this year, the OCC and the CFPB jointly issued a set of 10 coordination principles to guide how the staffs of the two agencies collaborate and share information. The principles build on the 2012 interagency MOU on supervisory coordination that I noted earlier and a 2012 interagency MOU on information sharing, and reflect how closely the two agencies work together to ensure that our country's financial services industry meets the needs of consumers, communities, and businesses. Key to the principles and the underlying coordination is that OCC and CFPB employees should be responsive and share information; communicate openly with each other; consult with each other especially when working on a joint project; elevate to management issues of importance; coordinate on approaches to their work; and respect the goals and mission of each agency.

V. Additional Actions Required

It is clear from our work and the actions announced on September 8 against the Bank that the misaligned priorities and unacceptable behavior at Wells Fargo resulted in unsafe and unsound practices that led to widespread consumer harm. Issues of incentive compensation are relevant to ensuring behavior aligns with acceptable corporate practice. For those reasons, the OCC strongly supports issuing a final rule on incentive compensation that would address some of the issues I am raising today.

The OCC, along with the Federal Reserve, Federal Deposit Insurance Corporation, the Securities and Exchange Commission, the Federal Housing Finance Agency, and the National Credit Union Administration, issued a proposed rule on incentive-based compensation earlier this year that would apply to financial institutions with total consolidated assets of $1 billion or more. The proposed rule would prohibit incentive-based compensation arrangements that provide excessive compensation and that could lead to material financial loss to a financial institution. A financial institution covered by the proposed rule would not be permitted to provide an incentive-based compensation arrangement unless the arrangement appropriately balanced risk and reward, was compatible with effective risk management and controls, and was supported by effective governance.

The proposed rule also includes specific requirements for incentive-based compensation arrangements at the largest financial institutions, like Wells Fargo, with total consolidated assets of $50 billion or more. The most notable of these is the requirement that larger financial institutions defer a certain percentage (40–60

percent) of the incentive-based compensation they pay to certain senior executive officers and significant risk-takers for a minimum period of time (1 to 4 years). Those deferred amounts would be subject to a forfeiture review by the financial institution if certain triggering events, such as a material risk management or control failure, occurred. Incentive-based compensation paid to these employees would also be subject to claw back for 7 years. Additionally, the proposed rule would prohibit larger financial institutions from providing incentive-based compensation based solely on transaction volume or revenue, without regard to transaction quality or compliance with sound risk management.

Further, the proposed rule includes risk management requirements, including an independent compliance program and independent monitoring of incentive-based compensation plans and programs. The comment period for the proposed rule closed on July 22, 2016. The agencies are carefully reviewing the comments that we received and are working toward completion of a final rule. I strongly supported the proposed rule,[6] and while the content of the final rule will not be determined until it is considered by the agencies' principals, I also strongly support completing the work as quickly as practical.

VI. Conclusion

I remain committed to ensuring the OCC completes its review of this matter and takes additional actions to hold the bank and individuals accountable as warranted. Moreover, I will work to foster continuous improvements at the OCC to fulfill our mission. I want to close by expressing my appreciation again for my colleagues at the CFPB and in the LA City Attorney's office. Our Nation's financial services industry is complex and dynamic. Effective supervision and enforcement requires regulators to work together to achieve a safe and sound banking system that treats customers fairly. I look forward to continued collaboration with my fellow regulators.

PREPARED STATEMENT OF RICHARD CORDRAY

DIRECTOR, CONSUMER FINANCIAL PROTECTION BUREAU

SEPTEMBER 20, 2016

Chairman Shelby, Ranking Member Brown, and Members of the Committee, thank you for the opportunity to speak with you today. In these brief remarks, I will discuss: (1) what our investigation found about the sales practices at Wells Fargo; (2) what we are seeking to achieve by our Order; and (3) some initial thoughts about what further steps need to be taken to improve the culture and practices of the banking industry. On September 8, 2016, the Consumer Bureau, together with our partners at the Los Angeles City Attorney's office and the Office of the Comptroller of the Currency, took an enforcement action against Wells Fargo Bank. Our investigations found that, in order to meet sales goals and collect financial bonuses for themselves, employees of the bank created unauthorized deposit and credit card accounts, enrolled consumers in online banking services, and ordered debit cards for consumers, all without their consent or even their knowledge. Some of these practices involved fake email accounts and phony PIN numbers.

The fraudulent conduct occurred on a massive scale. As detailed in our Order, Wells Fargo opened 1,534,280 deposit accounts that may not have been authorized, including transferring funds from some customer accounts without their knowledge or consent. Wells Fargo also initiated applications for 565,443 credit card accounts that may not have been authorized, by using consumers' information without their knowledge or consent. These activities caused some consumers to incur fees. Even apart from that, they represent a staggering breach of trust and conduct that should never occur at *any* bank. Wells Fargo has demonstrated the epic scope of its failures by terminating at least 5,300 people thus far, including branch managers and managers of managers.

The gravity and breadth of the fraud that occurred at Wells Fargo cannot be pushed aside as the stray misconduct of just a few bad apples. As one former Federal prosecutor has aptly noted, the stunning nature and scale of these practices reflects instead the consequences of a diseased orchard. As our Order describes, Wells Fargo built and refined an incentive compensation program and implemented sales goals to boost the cross-selling of products, but did so in a way that made it possible for its employees to pursue unfair and abusive sales practices. It appears that the

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[6] See NR 2016–46, "Comptroller Statement Regarding the Proposed Incentive-Based Compensation Rule." Apr. 26, 2016 (*http://www.occ.gov/news-issuances/news-releases/2016/nr-occ-2016-49.html*).

bank did not monitor the program carefully, allowing thousands of employees to game the system and inflate their sales figures to meet their sales targets and claim higher bonuses. Rather than put its customers first, Wells Fargo built and sustained a program where the bank and many of its employees served themselves instead, violating the basic ethics of a banking institution, including the key norm of trust.

Our Order accomplishes several things. First, the kind of detail that we always make it a point to provide in our enforcement orders exposes Wells Fargo's illegal misconduct, including its scale, for all to see for themselves. It has spawned vigorous public scrutiny over the past 2 weeks that no doubt will continue.

Second, the Order helps answer one question that many of you have asked me from time to time: what does the term "abusive" mean in our governing statute? Although we have been careful in analyzing all the ramifications of that new term, we did not hesitate for one minute to apply it emphatically to what we found here. In this matter, Wells Fargo engaged in abusive conduct toward its customers and consumers. We have said so, and executives, shareholders, and investors throughout the financial system will now have to consider what that means in their efforts to address their own cultures and practices going forward.

Third, we have ensured that all consumers who suffered financial harm as a result of these practices will be fully compensated for that harm. Wells Fargo is required to set aside $5 million to cover all of that, and if it turns out to exceed $5 million, the bank will cover that as well.

Fourth, we levied upon Wells Fargo a fine of $100 million, the largest fine by far that the Consumer Bureau has imposed on any financial company to date. Some have said it should have been higher, others have said it should have been lower. All told, the bank will pay $185 million in fines for the illegal actions of these employees. That is a dramatic amount as compared to the actual financial harm to consumers, but it is justified here by the outrageous and abusive nature of these fraudulent practices on such an enormous scale. As for whether we have done enough here, it is notable that the Order is generating considerable consequences, including market effects, shareholder activity, further potential lawsuits, and follow-up investigations by other public officials that may be either civil or criminal in nature.

Fifth, the Order requires independent consultants to be installed at Wells Fargo to complete all further work on this matter, to ensure that all consumers are fully compensated, and to ensure that changes in the bank's sales practices are fully implemented to ensure that these types of misconduct do not recur. Both the top executives at Wells Fargo and its board of directors will be directly engaged in this work. If the independent consultants identify any further issues or concerns, we will address those as well.

Let me conclude with some more general concerns. As one of the biggest and best known banks in the United States, Wells Fargo is in a position to lead by example in terms of how every bank should treat its customers. In the wake of this Order, it now must do so. Much bank growth these days occurs by cross-selling customers on more products and services. This approach should lead banks to focus on strong customer service that produces high levels of customer satisfaction, which in turn should generate repeat business from existing customers and positive word of mouth to others.

As we have seen here, however, unchecked incentives and an unrealistic and uncaring culture of high-pressure sales targets can lead to serious consumer harm. Incentive compensation structures are common in businesses and they can motivate positive behavior. Yet companies need to pay close attention to their compliance monitoring systems in order to prevent violations of the law and abusive practices.

This action should serve notice to the entire industry. If sales targets and incentive compensation schemes are implemented in ways that threaten harm to consumers and lead to violations of the law, then banks and other financial companies will be held accountable. We have seen the risk that such programs pose to consumers across the entire financial sector—in debt collection, mortgage origination, credit card add-on products, overdraft products, and now in this action. Any such initiatives should be carefully monitored as a basic element in a company's compliance program.

Thank you again to our partners here at this table who worked with us on this important enforcement action. And thank you for this opportunity to testify. I will be happy to answer your questions.

RESPONSES TO WRITTEN QUESTIONS OF SENATORS BROWN, REED, SCHUMER, MENENDEZ, TESTER, WARNER, MERKLEY, WARREN, HEITKAMP AND DONNELLY FROM JOHN G. STUMPF

Q.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?

A.1. 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.

Q.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.

Q.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.

A.2.–A.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.

Q.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 to address the problem, including which Wells Fargo employees (such as senior executives) and Federal and State regulators they informed of the problem.

A.4. 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.

Q.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?

Q.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.[1] 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?

A.5.–A.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.

Last, 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.

Q.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?

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[1] 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).*

A.7. We believe that the activity at issue here was limited to certain team members within the Community Banking Division.

Q.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?

A.8. 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 percent 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.

Q.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?

Q.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.

Q.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?

A.9.–A.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.

Q.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.*

Q.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.

A.12.–A.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.

Q.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.

Q.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.

Q.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.

Q.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.

Q.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 decisionmaking in those matters, and how such matters are reported up to the General Counsel, senior management, and board members.

A.14.–A.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.

Q.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?

Q.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.

A.19.–A.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).

Q.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?

A.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.

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 . . . "[2] 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 . . . "[3] We will continue to review developments related to sales practices matters and make additional disclosures as the facts and circumstances warrant.

Employees

Q.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; and

A.22.a.–d. 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 percent of Wells Fargo's total population of Community Banking employees.

Approximately 65 percent of the terminated team members were in Personal Banker positions or functionally similar roles and 7 percent 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.

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[2] *See* Wells Fargo, September 28, 2016, Form 8–K (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm).*

[3] *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).*

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.

Q.22.e. Please provide the Committee with information on the median pay by position 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.22.e. 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, healthcare 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.*

Q.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.

Q.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.

A.23.–A.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 percent of Wells Fargo's total population of Community Banking employees.

Approximately 65 percent of the terminated team members were in Personal Banker positions or functionally similar roles and 7 percent 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.

Q.25. Please provide the States and Zip Codes of the Wells Fargo branches where each of the 5,300 employees were terminated.

A.25. Wells Fargo team members' employments were terminated in the following States (and District of Columbia):

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.

Q.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.

Q.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.

A.26.–A.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, 7-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, H.R. 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.

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.

Q.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.

A.28. Mr. Stumpf addressed the unauthorized accounts issues during a townhall meeting following the December 2013 *Los Angeles Times* story. During that townhall, 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 . . . EthicsLine, [or you can] talk to somebody in HR. We want to do the right thing. We're in the long-term business.[4]

Q.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?

A.29. 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.

Q.30. Did employees establish accounts or claim to sell additional products for minor children?

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[4] Hollywood, FL, Town Hall, February 5, 2014 (Transcript on file).

A.30. 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.

Q.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?

A.31. 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 percent in 2011 to 4.0 percent in 2014. The median payout earned by district managers, who supervise store managers, also declined between 2011 and 2014, from 13.1 percent to 3.0 percent.

Consumer Harm

Q.32. Please provide a State-by-State list of the number of Wells Fargo customers that you have determined may have been harmed by this misconduct.

A.32. 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*** [emphasis added] unauthorized, and approximately 1.5 million deposit accounts ***could have*** [emphasis added] 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*** [emphasis added] 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
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

State	Number of Accounts Identified by PwC (Credit & Deposit)
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

Q.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.

Q.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+.

A.33.–A.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 percent 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.

Q.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.

Q.36. Will Wells Fargo be providing any nonmonetary compensation (such as free credit reporting, ID protection, or discounted or free Wells Fargo services) to customers? Please explain.

Q.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.

A.35.–A.37. 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.

Q.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?

A.38. 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.

Q.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.

A.39. 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.

Q.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.

A.40. Wells Fargo is not aware of the degree to which our competitors use cross-sell strategies.

Restoring the Credit Scores of Wells Fargo Customers

Q.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.

Q.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.

Q.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.

Q.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 information, it's another to ensure the bureaus go ahead and actually remove it.

A.41.–A.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 unauthorized credit card accounts. 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

Q.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; and (3) the impact of Ms. Tolstedt's decision to retire on her final compensation.

Q.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?

Q.47. What are the criteria that the board will use to determine all elements of Ms. Tolstedt's 2016 compensation?

A.45.–A.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.[5]

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.[6]

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.

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[5] 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/).*

[6] Wells Fargo, September 27, 2016 Form 8–K, (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm).*

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[7]	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 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	Restricted Share Rights ("RSR") awards and 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.	Executive Officers Other team members in receipt of RSRs as part of annual incentive/ bonus awards.

[7] Adopted June 15, 2009 and extended February 2010.

Policy/Provision	Trigger for Clawback or Recoupment	Compensation Subject to Recovery	Impacted Population
	• The Company or the executive's business group suffers a material downturn in financial performance or suffers a material failure of risk management.		
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 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.	All equity awards granted under the LTICP, whether vested or unvested, for which the applicable Company clawback or recoupment policy or legal requirement is triggered.	All team members who receive Wells Fargo equity 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.

Q.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.

A.48. 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.[8]

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 3-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.[9]

Q.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

[8] Wells Fargo, 2016 Proxy Statement, at 38–39, 52 (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm).*

[9] Wells Fargo, 2016 Proxy Statement, at 53–54 (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm).*

accountability at the company."[10] 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.

A.49. 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.

Q.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.

A.50. In 2015, Mr. Stumpf received the following compensation:[11]

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[12] (dollar value on date of grant of 2015 Performance Shares at "target"—actual will be determined in the first quarter of 2018 and may range from zero to 150% of the target shares, depending on Company performance)	4,000,000 (833,333 of which was paid in Restricted Share Rights that vest over three years)[13]	N/A	18,550	19,318,604

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 percent 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 percent of each eligible participant's

[10] *http://money.cnn.com/2016/09/22/investing/wells-fargo-ceo-john-stumpf-200-million/index.html?iid=hp-stack-dom.*

[11] Wells Fargo, 2016 Proxy Statement, at 57 (available online *https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm*).

[12] 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/.*

[13] Mr. Stumpf agreed to forfeit this award. *See Id.*

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.[14]

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 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.[15]

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.

Q.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.

A.51. 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

[14] Wells Fargo, 2016 Proxy Statement, at v, 55–56 (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm).*

[15] Wells Fargo, 2016 Proxy Statement, at v, 55–56, 59 (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm*).

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 Ms. Tolstedt's separation, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her separation.[16]

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

Q.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.

Q.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?

Q.54. In cases where the arbitrator ruled for the customer, what remediation was made to customers? What was the average settlement amount?

Q.55. In cases where customers took cases to arbitration, did secrecy clauses prevent them from making any information about their grievances public?

Q.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?

Q.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.

Q.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?

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[16] 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/*).

A.52.–A.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.

Appendix I

Please provide the states and zip codes of the Wells Fargo branches where each of the 5,300 employees were terminated.

The zip codes of the affected branches are as follows:

02116	07524	08520	11021
06405	07601	08530	11514
06451	07606	08534	11530
06475	07624	08540	11572
06492	07652	08619	11787
06513	07663	08691	17033
06514	07677	08721	17042
06516	07701	08752	17067
06525	07719	08755	17101
06798	07724	08757	17566
06830	07726	08759	17601
06831	07733	08805	17901
06880	07735	08809	18014
06901	07738	08816	18018
06905	07746	08817	18020
07006	07747	08824	18034
07010	07750	08854	18036
07016	07753	08861	18041
07041	07755	08873	18049
07044	07760	08876	18106
07052	07762	08884	18252
07059	07840	08902	18344
07065	07901	08904	18411
07083	07920	10017	18643
07087	07924	10026	18702
07102	07950	10036	18902
07110	08026	10520	18938
07111	08028	10538	18940
07202	08030	10549	18966
07208	08052	10562	18969
07302	08053	10566	18977
07307	08066	10573	19004
07410	08075	10594	19010
07442	08077	10598	19020
07456	08084	10704	19026
07470	08096	10707	19044
07501	08244	10710	19046
07503	08401	10965	19047
07522	08505	10970	19053

19055	20852	23320	28078
19067	20879	23434	28083
19078	20902	23451	28216
19087	20906	23462	28262
19090	21030	23505	28270
19103	21050	23606	28328
19109	21090	23666	28387
19116	21133	23692	28405
19123	21136	23803	28411
19132	21146	23927	28412
19134	21202	24011	28516
19135	21212	24014	28557
19148	21216	24019	28779
19301	21222	24055	28792
19341	21224	24179	28803
19348	21228	24333	29033
19355	21231	24517	29072
19363	21234	24572	29201
19380	21701	24588	29212
19382	22030	27017	29226
19422	22031	27101	29229
19426	22042	27103	29303
19428	22124	27106	29307
19444	22180	27203	29401
19446	22193	27215	29501
19462	22201	27302	29512
19477	22310	27320	29571
19604	22508	27511	29585
19607	22553	27513	29615
19610	22603	27529	29625
19713	22801	27545	29640
20003	22812	27588	29715
20004	22901	27603	30004
20005	22902	27604	30022
20006	22960	27605	30024
20007	23005	27610	30024
20024	23059	27613	30034
20036	23060	27707	30040
20151	23063	27804	30041
20164	23112	27858	30064
20171	23116	27948	30066
20175	23185	28002	30067
20646	23188	28012	30082
20745	23224	28023	30084
20817	23235	28034	30087
20850	23236	28043	30088

30092	32708	33319	33908
30121	32714	33323	33913
30189	32720	33324	33950
30265	32725	33401	33966
30274	32757	33406	33991
30310	32789	33407	34104
30316	32801	33408	34108
30319	32803	33409	34110
30326	32806	33410	34119
30329	32818	33414	34135
30338	32828	33417	34145
30339	32901	33426	34207
30342	32905	33431	34221
30346	32920	33434	34232
30605	32935	33436	34233
30606	32960	33442	34236
30721	32962	33444	34242
30909	32963	33446	34243
31047	32966	33458	34266
31093	33004	33467	34453
31201	33009	33483	34667
31322	33012	33484	34685
31401	33021	33511	34689
31822	33023	33547	34698
32082	33024	33607	34741
32084	33027	33618	34744
32114	33029	33701	34994
32119	33056	33702	34997
32127	33063	33703	35010
32137	33069	33710	35022
32168	33131	33712	35023
32169	33133	33713	35071
32174	33134	33759	35203
32206	33139	33761	35209
32207	33149	33764	35214
32208	33150	33767	35216
32210	33154	33770	35217
32211	33155	33771	35235
32216	33157	33772	35242
32256	33162	33801	35243
32259	33174	33812	35244
32277	33180	33838	35501
32303	33183	33844	35640
32308	33184	33896	35801
32408	33186	33904	35901
32605	33308	33907	36081

36117	55044	63146	77005
36272	55105	68105	77008
36301	55109	68114	77018
36330	55112	68116	77019
36571	55121	68127	77024
36609	55303	68130	77025
36830	55305	68135	77035
36867	55306	68164	77036
37027	55313	68504	77040
37204	55330	68508	77056
37215	55350	68510	77057
37219	55369	68516	77060
38119	55411	68801	77062
38125	55417	68847	77065
39201	55428	68901	77069
39564	55429	71822	77070
39565	55431	71854	77071
40202	55436	72034	77077
46804	55443	75001	77079
46805	55448	75013	77081
46825	55792	75023	77089
47960	55811	75067	77301
48009	55902	75075	77345
49855	55987	75093	77346
49935	56001	75094	77379
50112	56013	75150	77382
50125	56308	75154	77384
50266	56502	75201	77388
50310	57104	75205	77401
50312	57106	75211	77429
50315	57201	75219	77449
51106	57252	75240	77450
52501	57301	75247	77459
52806	57350	76021	77471
52807	57701	76031	77478
53051	57747	76053	77479
53151	59102	76063	77502
53224	59401	76092	77504
53406	59601	76110	77511
53704	59701	76137	77534
54313	60154	76179	77573
54601	60202	76210	77598
54650	60647	76234	77802
54911	61254	76262	77840
54956	63103	76308	77901
55025	63103	76710	77904

78028	80203	84003	85143
78114	80206	84025	85194
78130	80210	84041	85201
78154	80211	84042	85202
78155	80222	84044	85203
78201	80224	84057	85205
78212	80226	84058	85210
78216	80227	84065	85248
78227	80228	84070	85254
78237	80229	84088	85255
78238	80231	84104	85260
78245	80241	84107	85281
78251	80246	84108	85282
78503	80274	84111	85296
78504	80301	84115	85297
78520	80302	84116	85301
78666	80433	84119	85323
78681	80501	84319	85338
78731	80524	84341	85340
78732	80631	84404	85351
78741	80634	84405	85364
78745	80751	84601	85377
78746	80904	84651	85382
78749	80907	84720	85635
78750	80909	84770	85704
79109	80920	85003	85711
79407	81005	85008	85714
79902	81008	85009	85718
79912	81416	85012	85719
79924	81501	85015	85737
79925	81520	85016	86301
79927	81623	85018	86326
79936	82001	85022	86401
80003	82414	85027	86442
80015	82435	85028	87106
80016	82609	85032	87111
80020	82716	85033	87112
80022	82718	85037	87124
80033	82801	85040	87505
80110	82901	85042	87506
80112	83127	85044	87507
80121	83202	85050	88001
80124	83402	85051	88130
80127	83686	85086	88252
80129	83705	85139	88346
80134	83709	85140	89014

89015	90274	91730	92394
89027	90275	91731	92404
89030	90280	91740	92405
89044	90292	91741	92408
89052	90405	91745	92532
89102	90501	91748	92543
89103	90505	91762	92584
89104	90602	91765	92591
89108	90605	91789	92612
89119	90620	91791	92618
89121	90631	91801	92630
89128	90640	91901	92653
89139	90660	91911	92673
89141	90701	91915	92677
89146	90744	91942	92691
89147	90745	91945	92692
89149	90746	91950	92706
89169	90755	92008	92806
89406	90802	92021	92807
89431	90803	92024	92841
89436	91006	92025	92860
89502	91011	92028	92883
89509	91016	92037	93021
89511	91101	92071	93030
89519	91104	92084	93041
89521	91108	92103	93065
89523	91203	92104	93117
89701	91303	92108	93215
90001	91304	92109	93245
90007	91307	92114	93277
90008	91316	92119	93301
90017	91324	92121	93311
90034	91335	92123	93312
90039	91344	92126	93534
90040	91355	92130	93535
90041	91364	92173	93550
90048	91367	92201	93635
90049	91381	92211	93704
90064	91402	92223	93720
90069	91405	92231	93727
90210	91504	92236	93933
90212	91604	92264	93950
90241	91606	92308	94002
90245	91702	92346	94010
90247	91706	92374	94015
90266	91710	92376	94040

94041	94582	95354	97203
94063	94588	95401	97213
94065	94599	95403	97214
94066	94608	95453	97216
94087	94610	95482	97225
94104	94611	95603	97230
94105	94612	95608	97301
94108	94705	95610	97401
94111	94920	95621	97471
94112	94928	95661	97501
94114	94941	95678	98004
94118	95003	95691	98075
94121	95008	95695	98101
94122	95010	95765	98102
94127	95020	95815	98109
94132	95032	95816	98121
94401	95035	95824	98166
94402	95037	95825	98258
94404	95050	95932	98273
94509	95060	95945	98370
94513	95113	96001	98373
94520	95124	96080	98404
94530	95126	96150	98407
94556	95129	97005	98826
94559	95133	97006	98908
94560	95136	97015	99201
94563	95202	97030	99206
94564	95207	97045	99611
94568	95242	97062	99801
94577	95301	97086	
94580	95350	97202	

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM JOHN G. STUMPF

Q.1.a. Please describe the personnel structure of the Community Banking division of Wells Fargo Bank, N.A., including:

The name of each position, the description of each position's responsibilities, and whether each position is salary or hourly;[1]

A.1.a. The improper sales practices at issue occurred in the Regional Bank, which is a line of business within Community Banking. Below is a table that identifies the primary positions in the Regional Bank and for each position provides (1) average headcount, (2) Fair Labor Standards Act ("FLSA") overtime classification, (3) median hourly base pay, (4) median Full Time Equivalent (FTE) base pay, and (5) average annual overtime hours for nonexempt positions. The table is followed by a description of each position's responsibilities. 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 health insurance, life insurance, dental and vision insurance, short- and long-term disability, 401(k) plan, and paid parental leave.

Regional Bank Job Summary

Job Title / Group	Avg. Headcount[2]	FLSA Classification	Median Hourly Base Pay[3]	Median FTE Base Pay[4]	Avg. Annual Overtime Hours[5]
TELLERS	33,734	Non Exempt	$ 12.59	$ 26,187	17.17
TELLER	*25,241*		*$ 12.00*	*$ 24,960*	*35.71*
LEAD TELLER	*8,493*		*$ 14.75*	*$ 30,680*	*11.64*
CUST SLS & SVC REPS	4,931	Non Exempt	$ 15.16	$ 31,533	30.28
CUST SLS & SVC REP-RTL (SAFE)	*1,067*		*$ 15.11*	*$ 31,429*	*47.65*
CUST SLS & SVC REP-RTL (LO)	*3,864*		*$ 15.16*	*$ 31,533*	*25.85*
PERSONAL BANKERS	19,519	Non Exempt	$ 18.51	$ 38,501	35.75
ASST STORE MANAGER (SAFE)	*763*		*$ 20.80*	*$ 43,264*	*86.07*
PERSONAL BANKER (SAFE) 1	*14,199*		*$ 17.25*	*$ 35,880*	*35.83*
PERSONAL BANKER REG (SAFE) 1	*379*		*$ 19.04*	*$ 39,603*	*35.01*
PERSONAL BANKER (SAFE) 2	*2,326*		*$ 21.64*	*$ 45,011*	*35.85*
PERSONAL BANKER REG (SAFE) 2	*1,853*		*$ 25.50*	*$ 53,040*	*35.20*
SERVICE MANAGERS	7,019	Mixed		$ 42,848	63.86

[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.
[2] Data reported based on 2015 annual headcount.
[3] Data reported as of September 1, 2016.
[4] Median FTE base pay calculated as hourly rate X 2080.
[5] Data reported based on 2015 overtime.

Regional Bank Job Summary

Job Title / Group	Avg. Headcount[2]	FLSA Classification	Median Hourly Base Pay[3]	Median FTE Base Pay[4]	Avg. Annual Overtime Hours[5]
SERVICE MANAGER (LO) 1	*3,318*	*Non Exempt*	*$ 18.87*	*$ 39,250*	*63.86*
*SERVICE MANAGER (LO) 2**	*3,701*	*Exempt*	*N/A*	*$ 46,176*	
STORE MANAGERS	**5,816**	**Exempt**	**N/A**	**$ 65,021**	
*RB STORE MANAGER (SAFE) 1**	*1,983*		*N/A*	*$ 55,682*	
RB STORE MANAGER (SAFE) 2	*2,648*		*N/A*	*$ 64,792*	
RB STORE MANAGER (SAFE) 3	*1,121*		*N/A*	*$ 78,562*	
STORE MANAGER SENIOR (SAFE) 3	*65*		*N/A*	*$ 92,227*	
BUS BANKING SPECIALISTS	**1,437**	**Non Exempt**	**$ 23.73**	**$ 49,358**	**46.13**
BUSINESS BANKING SPEC (SAFE)	*1,385*		*$ 23.54*	*$ 48,963*	*45.22*
SR BUSINESS BNKG SPEC (SAFE)	*52*		*$ 25.44*	*$ 52,915*	*64.89*
PRIVATE BANKERS	**1,687**	**Mixed**		**$ 70,013**	**22.03**
RB PRIVATE BANKER UL (SAFE) 1	*76*	*Non Exempt*	*$ 31.25*	*$ 65,000*	*20.44*
RB PRIVATE BANKER (SAFE) 1	*1,100*	*Non Exempt*	*$ 31.38*	*$ 65,270*	*22.11*
RB PRIVATE BANKER (SAFE) 2	*505*	*Exempt*	*N/A*	*$ 81,557*	
WM PRIVATE BANKER (SAFE) 3	*7*	*Exempt*	*N/A*	*$ 94,078*	
DISTRICT MANAGERS	**596**	**Exempt**	**N/A**	**$ 119,995**	
REGIONAL BKG DISTRICT MGR 1	*22*		*N/A*	*$ 92,664*	
REGIONAL BKG DISTRICT MGR 2	*240*		*N/A*	*$ 104,000*	
REGIONAL BKG DISTRICT MGR 3	*334*		*N/A*	*$ 130,000*	

** Service Manager (LO) 2 and RB Store Manager (SAFE) 1 will be reclassified to nonexempt in November 2016 in anticipation of the FLSA amendments.*

The job descriptions for these positions are as follows:

Teller

Tellers in the Regional Bank primarily perform the following functions:

- Greeting customers;
- Processing transactions for customers;
- Finding ways to make financial services more convenient for customers;
- Referring customers with more complex needs to Wells Fargo bankers and other internal partners; and
- Accurately maintaining and balancing a cash drawer.

Customer Sales and Service Representative (CSSR)

CSSRs in the Regional Bank primarily perform the following functions:

- Providing excellent and prompt service in all customer interactions to ensure satisfaction;
- Following up with customers who are referred by tellers based on confirmed needs;
- Completing teller job duties as necessary; and
- Based on the specific branch needs, a CSSR may spend a portion of his or her time handling cash transactions.

Personal Banker

Personal Bankers in the Regional Bank primarily perform the following functions:

- Having conversations with customers and conducting detailed financial reviews, offering products and services that meet their needs and help them succeed financially;
- Contacting customers by phone to follow up to ensure customer satisfaction, build relationships, and address any additional financial needs based on the customers' financial priorities;
- Setting performance objectives and working with branch manager to increase effectiveness in serving customers and meeting their financial needs;
- Building loyalty while helping customers with service requests; and
- May handle cash transactions.

Business Banking Specialist

Business Banking Specialists in the Regional Bank primarily perform the following functions:

- Proactively growing and deepening relationships with existing small business customers as well as actively prospecting for new Wells Fargo small business and retail customers;
- Attempting to earn all of the business of a small business owner, including their consumer and small business needs, while ensuring retention and exercising excellent customer service in all customer interactions;
- Championing for small business and bringing focus and attention to small business opportunities;
- Offering deposit, lending, and other small business product solutions in order to serve as an expert to meet the customer's needs and financial goals;
- Providing product delivery and service support to retail customers; and
- Reaching out into the community by visiting businesses, making outbound calls to customers, and conducting educational seminars in the community.

Service Manager

Service Managers in the Regional Bank primarily perform the following functions:

- Assisting with hiring, training, coaching and developing a highly engaged service team;
- Filling in for the Store Manager when necessary;
- Observing, coaching, and providing feedback to ensure consistent service team performance and excellent customer satisfaction;
- Managing complex customer concerns and transactions;
- Ensuring compliance with all operational regulations, sales and service processes, policies and procedures, and completion of compliance requirements; and
- Assisting with effective scheduling, managing the Teller line, lobby management, and delegating essential tasks to ensure

operational integrity while creating a positive customer experience.

Store Manager

Store Managers in the Regional Bank primarily perform the following functions:

- Developing in-depth knowledge about products and systems;
- Using initiative and good judgment to manage the branch's expense budget and lead the store to achieve projected performance;
- Supporting the Service Manager and observing, coaching, and providing feedback to the service team;
- Hiring, coaching, training, scheduling, and developing all branch team members to achieve performance objectives;
- Managing the store's compliance requirements; and
- Holding team members accountable for the delivery of exceptional customer service, performance expectations, and operational integrity.

Private Banker

Private Bankers in the Regional Bank primarily perform the following functions:

- Providing full-service banking to high-value customers and overseeing a portfolio of simple and/or packaged-product account relationships;
- Consulting with customers regarding financial needs, recommending product/solutions, and financial services to meet those needs;
- Resolving inquiries, opening and servicing accounts such as checking, savings, credit/loan, and identifying investment opportunities;
- Partnering and/or acting as a liaison to other business partners and working to deepen customer relationships by offering partner products and services to existing clients; and
- Building a network of internal and external sources and resources to further enhance the customer experience and meet the customer's needs.

District Manager

District Managers in the Regional Bank primarily perform the following functions:

- Managing multiple Wells Fargo locations, each with one line of business that provide products and services to a designated marketplace;
- Developing and implementing sales and service strategy, as well as the locations' retail banking, marketing, and performance plans;
- Working with staff to develop and implement individual performance objectives against established standards;

- Managing the relationship with various partner business entities to ensure the ability to deepen customer relationships along with managing service quality to ensure ongoing customer satisfaction;
- Serving as the sales product and services manager and providing formal and informal training;
- Implementing and maintaining prescribed security controls while managing within the framework of Wells Fargo standards, policies, and procedures; and
- Actively participating and representing Wells Fargo in various community, civic, and professional organizations.

Q.1.b. The number of employees in each position;

A.1.b. Please see the response to the first bullet point of Question 1 above for additional detail. Currently, approximately 75,000 team members work in the Regional Bank.

Q.1.c. The median salary of each salaried position;

A.1.c. Please see the response to the first bullet point of Question 1 above.

Q.1.d. The median hourly wage of each hourly position;

A.1.d. Please see the response to the first bullet point of Question 1 above.

Wells Fargo has set its own minimum pay at $12.00/hour effective March 2016, which is significantly higher than the Federal minimum wage of $7.25. In addition, all salaried and hourly team members who are classified as regular or part-time (*i.e.,* regularly scheduled to work 17.5 hours or more per week) are eligible for Wells Fargo-sponsored benefits, including tuition reimbursement, healthcare insurance, dental insurance, vision insurance, life insurance, short- and long-term disability, 401(k) plan, and paid parental leave.

Q.1.e. Average overtime hours worked for each position; and

A.1.e. Please see the response to the first bullet point of Question 1 above.

Wells Fargo's policy states that non-exempt team members are compensated for all hours worked, including all overtime hours. Wells Fargo's Team Member Handbook states:

> If you're in a nonexempt position, you are entitled to pay for all hours actually worked, even those exceeding your regular schedule or those not authorized before working them. Therefore, you must report all hours worked in Time Tracker. Wells Fargo supports and enforces this policy and wage and hour compliance.

Q.1.f. Whether each position is considered to be exempt or non-exempt for FLSA purposes and the justification for any exemptions.

A.1.f. Please see the response to the first bullet point of Question 1 above.

At the time each new job is created, Wells Fargo completes an analysis of job duties to determine FLSA classification. The Wells Fargo Compensation Team also periodically reviews jobs or adjusts job classification as necessary in accordance with current regulations and court decisions.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR REED FROM JOHN G. STUMPF

Q.1. Through the lens of my service on both this Committee and the Armed Services Committee, I have been focused on the well-being of our service members in the consumer finance marketplace because predatory lending and personal financial issues can have a real impact on military readiness. This is why I worked on a bipartisan basis to establish the Office of Service member Affairs at the CFPB. Can you please tell me how many of the harmed customers are service members or veterans?

A.1. Wells Fargo is committed to serving our service member customers. We are grateful for their significant sacrifices to our country and are honored to serve their banking needs.

We asked PricewaterhouseCoopers (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*** [emphasis added] unauthorized, and approximately 1.5 million deposit accounts ***could have*** [emphasis added] 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*** [emphasis added] conclude that any of these accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities. In that way, its analysis of credit card authorization and potential simulated funding in deposit accounts was designed to be over-inclusive. 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.

We have found indications that the PwC number includes accounts where the customer authorized its opening. For example, Wells Fargo has worked to contact customers with open, inactive credit card accounts identified by PwC (*i.e.,* the customers with accounts that ***could have been*** [emphasis added] unauthorized) to determine whether they want these credit cards. 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.

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 percent of the accounts identified by PwC were associated with customers who are identified in the DMDC.

We are committed to making it right for all customers—including any customer who is a service member or veteran. This includes refunding any fees that were assessed on unauthorized accounts, correcting credit bureau reporting, and addressing any other forms of harm.

Q.2. In the most recent proxy statement dated March 16, 2016, Wells Fargo discloses its intention to structure compensation packages so that they are tax deductible under Section 162(m) of the Internal Revenue Code. In Wells Fargo's last tax filing, what was the value of these 162(m) deductions? What is the cumulative value of these 162(m) deductions taking into account the value of each and every 162(m) deduction Wells Fargo has ever taken?

A.2. Wells Fargo is proud to be a valuable partner to the communities we serve and pays all required Federal, State, and local taxes.

Wells Fargo reports executive compensation on its Federal income tax return according to the rules in the Internal Revenue Code, including the rules under Section 162(m). The amount of executive compensation paid by Wells Fargo is reported on its proxy statement filed annually pursuant to the Securities Exchange Act of 1934. For example, Wells Fargo's 2015 proxy statement reports that the 2015 compensation paid to Wells Fargo's executive leadership was as follows:[1]

[1] Wells Fargo, 2016 Proxy Statement, at 57 (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm).*

Name and Principal Position	Salary ($)	Stock Awards ($)	Non-Equity Incentive Comp. ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Comp. ($)	Total ($)
John G. Stumpf ***Chairman & CEO***	2,800,000	12,500,054[2] (dollar value on date of grant of 2015 Performance Shares at "target"—actual will be determined in the first quarter of 2018 and may range from zero to 150% of the target shares, depending on Company performance)	4,000,000[3] (833,333 of which was paid in Restricted Share Rights that vest over three years)	N/A	18,550	19,318,604
John R. Shrewsberry ***Senior Executive Vice President & CFO***	1,700,000	6,500,036 (approximately 5,500,000 of this amount consists of Performance Shares, the actual value of which will be determined in the first quarter of 2018 and may range from zero to 150% of this amount, depending on Company performance; approximately 1,000,000 consists of Restricted Share Rights which will vest over four years beginning on the first anniversary of the grant date)	850,000	3,395	18,550	9,071,981
Timothy J. Sloan ***President & COO***	2,000,000	8,000,084 (approximately 6,500,000 of this amount consists of Performance Shares,	1,000,000	20,054	18,550	11,038,688

[2] 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/*).

[3] Mr. Stumpf agreed to forfeit this award. *See Id.*

Name and Principal Position	Salary ($)	Stock Awards ($)	Non-Equity Incentive Comp. ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Comp. ($)	Total ($)
		the actual value of which will be determined in the first quarter of 2018 and may range from zero to 150% of this amount, depending on Company performance; approximately 1,500,000 consists of Restricted Share Rights which will vest over four years beginning on the first anniversary of the grant date)				
David M. Carroll *Senior Executive Vice President (Wealth and Investment Management)*	1,700,000	6,500,036 (approximately 5,500,000 of this amount consists of Performance Shares, the actual value of which will be determined in the first quarter of 2018 and may range from zero to 150% of this amount, depending on Company performance; approximately 1,000,000 consists of Restricted Share Rights which will vest over four years beginning on the first anniversary of the grant date)	850,000	25,620	18,550	9,094,206

Name and Principal Position	Salary ($)	Stock Awards ($)	Non-Equity Incentive Comp. ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Comp. ($)	Total ($)
Avid Modtjabai ***Senior Executive Vice President (Consumer Lending)***	1,700,000	6,500,036 (approximately 5,500,000 of this amount consists of Performance Shares, the actual value of which will be determined in the first quarter of 2018 and may range from zero to 150% of this amount, depending on Company performance; approximately 1,000,000 consists of Restricted Share Rights which will vest over four years beginning on the first anniversary of the grant date)	850,000	9,254	18,550	9,077,840
Carrie L. Tolstedt ***Senior Executive Vice President (Community Banking)***	1,700,000	6,500,036[4] (approximately 5,500,000 of this amount consists of Performance Shares, the actual value of which will be determined in the first quarter of 2018 and may range from zero to 150% of this amount, depending on Company performance; approximately 1,000,000 consists of Restricted Share Rights which will vest over four years beginning on the first anniversary of the grant date)	850,000	23,095	18,550	9,091,681

[4] The Independent Directors determined in September 2016 that Ms. Tolstedt would forfeit all outstanding equity awards.

Q.3. In the Consent Order with the CFPB, Wells Fargo agreed not to take advantage of tax loopholes to write off portions of fines and civil penalties from its Federal taxes. But because loopholes in the tax code are so broad and unclear, Wells Fargo could still claim a business deduction for money it reimburses to its victims. Your company agreed to pay consumers for the harm it caused, and it should pay in full without help from American taxpayers. Will you commit now that Wells Fargo will not take any deduction for the amounts it pays under the Consent Order?

A.3. Wells Fargo is currently reviewing these issues as they relate to various tax implications. As noted in our response to Question 2 above, Wells Fargo pays all required Federal, State, and local taxes.

Q.4. In light of the revelations of unauthorized accounts being opened, could you please describe how you are confident Wells Fargo is still in compliance with anti-money laundering rules and regulations?

A.4. Wells Fargo has policies, procedures, and internal controls that are reasonably designed to comply with applicable anti-money laundering laws and regulations.

Q.5. Did you or any member of the Wells Fargo Operating Committee specifically notify Wells Fargo employees in writing that using a customer's identification information to open unauthorized accounts would not only be unethical, but also unlawful? If so, please provide this written material, indicating the date(s) on which this material was shared with employees.

A.5. Language prohibiting the opening of unauthorized accounts has existed for several years in sales integrity and ethics training materials, and as part of essential learning paths, among other communications Wells Fargo makes to its team members.

Additionally, business ethics are discussed in quarterly Company-wide townhalls. Specifically, Mr. Stumpf addressed the unauthorized accounts issues during a townhall meeting following the December 2013 *Los Angeles Times* story. During that townhall, Mr. Stumpf informed team members that 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[.][5]
>
> 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 . . . EthicsLine, [or you can] talk to somebody in HR. We want to do the right thing. We're in the long-term business.

[5] Hollywood, FL, Town Hall, February 5, 2014 (Transcript on file).

Q.6. As of September 20, 2016, is it still possible that unauthorized customer accounts may be opened by Wells Fargo employees?

Q.7. What changes have you made to better protect the identification information of your customers so that unauthorized accounts are never opened again?

A.6.–A.7. 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:

- 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 made system and process enhancements, including sending automated confirmation emails to our customers when 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 percent 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 have also 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.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM JOHN G. STUMPF

Q.1. When did Wells Fargo first institute cross-selling strategies in the Community Banking Division? When did Wells Fargo first start encouraging employees to engage in strategies to boost sales, including but not limited to gaming, pinning, sandbagging, bundling, and simulated funding? Please provide copies of any company materials sent to retail banking employees regarding cross-selling strategies.

A.1. "Cross-selling" is the term Wells Fargo uses to describe its strategy for deepening its relationships with its customers, and this strategy has been present in some form at Wells Fargo since at least 1999.[1] Wells Fargo offers a variety of financial products and services. When an existing customer has a financial need that Wells Fargo can fulfill with a product or service that the customer does not have, Wells Fargo wants to ensure that the customer is made aware that the Company can fulfill that particular financial need. To do this, Wells Fargo trains our team members to listen to our customers, consider their financial needs, determine which Wells Fargo product or service can fulfill that need, and offer that product or service to the customer.

This approach is called needs-based selling, and it is the essence of Wells Fargo's cross-selling strategy. This strategy enables Wells Fargo to deepen its relationships with its customers because Wells Fargo is fulfilling more of our existing customers' financial needs. Cross-sell numbers are therefore one metric for measuring relationship depth, and Wells Fargo has traditionally encouraged its team members to build and maintain strong customer relationships through needs-based selling. It does not benefit either Wells Fargo or its customers to open accounts that our customers do not need, use, or want.

Q.2. When did Wells Fargo first institute product sales goals in the Community Banking Division? Please provide details on the structure of the sales goals and the specific thresholds employees were required to meet.

A.2. Product sales goals have been present at Wells Fargo in some form since at least the early 2000s. The specific goals have varied across markets and years, and from 2012 to 2015, Wells Fargo steadily reduced sales goals for Regional Bank team members. Wells Fargo has now eliminated product sales goals entirely for Regional Bank team members who serve customers in our retail branches, effective October 1, 2016.

Q.3. For the employees required to meet product sales goals in the Community Banking Division, on average, what percentage of their pay was based on meeting and/or exceeding sales thresholds?

A.3. Please see question 7, below.

Q.4. Has there been any attempt to quantify how many customers succumbed to pressure from bank employees to sign up for bank

[1] Wells Fargo, 1999 Annual Report, at 7 (available online at *http://www.wellsfargohistory.com/download/annualreports/1999annualreport_wf.pdf).*

products they did not need or want? Will Wells Fargo attempt to identify these customers?

A.4. Wells Fargo has worked to contact holders of an open consumer or small business credit card account that the third-party consulting firm, PricewaterhouseCoopers (PwC) identified as never having been used and never having been "fraud activated" by the customer calling an 800 number after receiving the card, unless there were indications of customer consent, under the assumption that non-activation may indicate a customer's lack of desire or need for the account. The purpose of contacting these inactive credit card account holders is to determine whether they want these credit cards. 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 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.) These results demonstrate that PwC's findings were over-inclusive, containing accounts where the customer authorized the opening of the account.

Q.5. Does Wells Fargo utilize cross-selling strategies or other similar initiatives across any of its other divisions? If so, please describe the structure of the sales programs and any related incentives.

A.5. Businesses may sometimes use the terms "referral program" and "cross-sell" interchangeably. These programs exist across the Company and might typically involve:

- A line of business referring a customer to another group or line of business at Wells Fargo for a product or service offered by that separate group; or
- A line of business that is unable to approve a customer's request for a product, helping the customer pursue an alternative product or service from another line of business.

Please refer to our answer to question 6, below, for additional information on this topic.

Q.6. Does Wells Fargo provide compensation incentives based on meeting product sales goals in any of its other divisions? If so, please describe the structure of the programs and the specific thresholds employees are required to meet.

A.6. Wells Fargo tailors its compensation structure to each line of business, the services our team members perform, compliance with applicable laws, and the best interests of our customers. Incentive compensation plans require ongoing compliance with Wells Fargo's Code of Ethics and Business Conduct, Information Security Policy, Risk Management Accountability Policy, and other employment and compliance requirements applicable to the role. Violations may

subject the team member to disqualification from the plan or downward adjustments to the incentive award.

None of our incentive plans currently have minimum product-specific sales goals as a condition of eligibility for an incentive; however, many of our plans have minimum revenue or volume production thresholds that must be met to qualify for an incentive.

As Wells Fargo previously announced, product sales goals for our Regional Bank team members who serve customers in our retail branches have been eliminated. This means there are no minimum product-specific sales goals and no minimum revenue or volume production thresholds for this group of team members. However, two Community Banking business groups separate from the retail banking business—Practice Finance (which provides financial services to medical-related businesses) and Business Payroll Services—are eligible for compensation incentives. The incentive plans offered to team members in these two business groups do not involve product sales goals: Practice Finance incentives are based on funded volume goals, and Business Payroll Services incentives are based on revenue goals.

Several business groups outside Community Banking—such as Consumer Lending, Wealth and Investment Management, Wholesale Bank, Insurance, and Capital Finance—also offer incentive compensation plans to some of their team members. Many of these team members are in business development or sales roles, offering customers home mortgages, commercial loans, wealth management advice, insurance plans, or other Wells Fargo products and services. While some of these plans use production thresholds, many are predominately commission-based and have no product, revenue, or volume goals or thresholds.

Wells Fargo is currently reviewing all of its incentive compensation plans to ensure the structures and production thresholds are appropriate to the roles and do not inadvertently incent inappropriate sales practices.

Q.7. How many Wells Fargo employees, across all divisions, are eligible to receive compensation based on meeting and/or exceeding product sales goals? For those employees, on average, what percentage of their pay is based on meeting and/or exceeding product sales goals?

A.7. Please see our response to Question 6 above for information about Wells Fargo's incentive plans across divisions that require minimum production thresholds (*i.e.,* may be minimum revenue or minimum volume) as a condition of eligibility for incentive compensation. There are no minimum product-specific sales goals.

With respect to the Regional Bank team members, 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.

We are currently reviewing our compensation structures with respect to other Wells Fargo team members to ensure all incentive programs are properly aligned with the interests of our customers.

Q.8. What does Wells Fargo plan to do to address the issue of the bank targeting individuals holding Mexican Matricula Consular Cards, as raised in the Los Angeles City Attorney's May 5, 2015, complaint?

A.8. Wells Fargo is committed to rectifying this situation for all customers, regardless of the type of identification used to open an account. This includes refunding any fees that were assessed on unauthorized accounts, correcting credit bureau reporting, and addressing any other forms of harm.

Q.9. Please provide the proportion of the employees terminated who are: racial/ethnic minorities, military/veterans, and persons with disabilities.

A.9. Of the 5,300 team members whose employments were terminated for sales-integrity violations from 2011 to 2015, 39 percent were white, 33 percent were Hispanic, 15 percent were black/African American, 1.9 percent self-identified as veteran, and 0.7 percent self-identified as having a disability.

Q.10. How does Wells Fargo plan to address and remediate the multiple reports of former employees who were fired or demoted after refusing to open fake accounts, including those employees who called the bank's ethics hotline about what they had witnessed? What steps will Wells Fargo take to reform its internal processes to ensure that employees have a mechanism to report fraudulent and illegal practices without facing retribution from their managers or the bank at large? How will Wells Fargo ensure the anonymity of employees who raise flags about questionable practices or behavior?

A.10. 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, 7-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, H.R. 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.

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 corrective action 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.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARNER FROM JOHN G. STUMPF

Q.1. One of the things that concerns me about this settlement is how your individual customers may have been impacted. I would like to know how many customers incurred overdraft fees or had missed payments as a result of accounts being opened without consent and, similarly, how FICO scores may have been impacted by new credit accounts being opened without consent?

Q.2. You understand that new credit accounts and late payments impact a person's FICO score. In Virginia, 22,000 fraudulent deposit accounts and 19,000 fraudulent credit accounts were opened by Wells Fargo employees. How many customers might have been downgraded from Prime to Sub Prime as a result of this?

Q.3. If FICO scores were indeed affected due to Wells Fargo's fraudulent behavior, resulting in denial of a loan in the future or a higher interest payment, how will you make this right for those customers?

Q.4. I understand you have paid back $2.6 million to customers affected and the agreement is $5 million. Do you think that an average payment of $25 per customer is sufficient for the harm caused? Do you have any plans to expand customer compensation?

A.1.–A.4. 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 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.

We asked PricewaterhouseCoopers (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*** [emphasis added] unauthorized, and approximately 1.5 million deposit accounts ***could have*** [emphasis added] 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. In other words, PwC ***did not*** [emphasis added] conclude that these accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities because its analysis of credit card authorization and potential simulated funding in

deposit accounts was intentionally designed to be over-inclusive. For example, PwC flagged all credit card accounts that were not used and were not "fraud activated" by the customer calling an 800 number after receiving the card, unless there were indications of customer consent, even though there are many reasons why a customer may not activate their card.

Therefore, it is important to note PwC did not determine that "22,000 fraudulent deposit accounts and 19,000 fraudulent credit accounts" were opened in Virginia. Instead, PwC found that approximately 22,000 deposit accounts ***could have*** [emphasis added] experienced simulated funding and approximately 19,000 credit card accounts in Virginia ***could have been*** [emphasis added] unauthorized.

Of the subset of accounts identified, nationwide PwC determined that approximately 115,000 accounts were charged a fee, averaging less than $25 per account and totaling $2.66 million in revenue to Wells Fargo. That figure is far surpassed by the costs associated with opening and closing the unused accounts. Wells Fargo has already made direct deposits and issued checks to refund these fees. 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.

We have found indications that the PwC number includes accounts where the customer authorized its opening. For example, Wells Fargo has worked to contact customers with open, inactive credit card accounts identified by PwC (*i.e.,* the customers with accounts that ***could have been*** [emphasis added] unauthorized) to determine whether they want these credit cards. 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. These results demonstrate that PwC's findings as to the credit card accounts analyzed were over-inclusive, containing accounts where the customer authorized the opening of 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 make them whole for negative repercussions that were tied to a drop in their credit score. 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.

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.

Q.5. Did you refer any of these individuals to law enforcement? If not, why not?

A.5. 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).

Q.6. How did you miss this activity for such a long time? What have you changed about your internal controls to ensure this type of behavior does not happen again and, if it does, is caught at an earlier stage?

A.6. This was a problem of focus. While information relating to sales-practice problems existed prior to 2013, it was believed that the problem was more isolated than it actually was. We were wrong.

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:

- 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 percent 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.

Q.7. It was only recently that you ended the incentives policy that apparently inspired the fraud. I have heard that Wells has had a culture of exercising pressure on employees to bring in accounts. Walk me through how you are going to change the overall culture at the retail bank. Have you hired independent auditors to suggest future changes to your compliance regime?

A.7. Please see the response to Question 6 above for a detailed list of changes Wells Fargo is implementing to enhance oversight, expand customer transparency, and improve the customer experience.

Senior management has recognized that there are issues that need to be fixed within our culture. There are weaknesses within it that we must change. Undue pressure on team members to do things inconsistent with our vision and values has no place in our culture. That is why the terminations over the last 5 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. A team member has many avenues to escalate, including our anonymous EthicsLine. We take each matter seriously and enforce our Nonretaliation Policy.

In addition to the steps outlined in Question 6 above, Wells Fargo has also increased training in many areas related to ethics and integrity. Currently, all team members in the retail banking business go through sales-integrity training as part of their Essential Learning Program when they begin at their positions, and are required to complete additional annual compliance training over the course of their careers. New training programs implemented in 2015 are tailored to the respective positions, and include scenario-based modules to help prepare team members for situations that they are likely to encounter in the course of their work. Wells Fargo Regional Bank team members are also required to complete approximately two dozen different modules of annual compliance

training. Additionally, in 2012, Wells Fargo began requiring bankers to annually certify to having read the Sales and Service Quality Manual, which is updated every year to address emerging sales-integrity issues and specifically outlines proper and improper sales practices. Wells Fargo also began to implement an annual "Leadership Summit" in 2014 to provide additional training for all leadership personnel in the retail banking business (more than 850 District Managers, Area Presidents and Regional Presidents). This summit provides guidance on leading teams in a way that is consistent with sales ethics, including on incentivizing good behavior, and providing coaching to correct undesirable activities.

Last, pursuant to the Consumer Financial Protection Bureau (CFPB) and Office of the Comptroller of the Currency (OCC) Consent Orders, Wells Fargo will retain the services of an independent consultant to review the Company's policies and procedures to determine if they are reasonably designed to ensure that Wells Fargo's sales practices comply with all applicable Federal consumer financial laws.

Q.8. What percentage of compensation for the employees engaged in the wrongful behavior was derived from the cross-selling incentives? For example, if a banker earned $50,000 for the year, was 50 percent derived from cross-selling?

A.8. For the terminated team members, the average incentive compensation (sales and service) was 3.3 percent of base salary. Sales incentives included incentives for Regional Banking products and cross-sell partner referrals. There were no specific percentages or delineation between the products, as both were components of the sales-related incentive metrics.

Q.9. It looks like Carrie Tolstedt, the executive responsible for the retail unit, conveniently announced plans to retire over the summer and is walking away with up to $125 million, at least $45 million of which would not have vested had she been fired instead of allowed to retire, according to *Fortune.* How do you explain this in light of the obvious misbehavior in her unit? Why was she allowed to "retire" in the middle of your negotiations with regulators? Put another way, she was in charge of the retail unit. Why did you not terminate her employment?

Q.10. Do you understand that some might find it odd that the complaint was filed in 2015, but this summer you referred to Carrie Tolstedt as a "role model" and "standard-bearer for our culture?" Do you think that the way that Ms. Tolstedt ran her division exemplifies your culture?

A.9.–A.10. In early 2016, Mr. Stumpf, in consultation with Wells Fargo's Chief Operating Officer, decided that for various reasons the business would move in a different direction, meaning that Ms. Tolstedt would be removed from the leadership of the Community Bank, which took place effective July 31, 2016. After Ms. Tolstedt was told of that decision, she decided that she would retire at the end of 2016. In September 2016 the board's Independent Directors determined that Ms. Tolstedt should immediately separate from Wells Fargo, that all of her unvested equity compensation, valued at approximately $19 million, would be forfeited, that she would not receive a bonus for 2016, and that she could be subject to

further compensation and other actions based upon the results of the Independent Directors' investigation. The Independent Directors also took steps to ensure that stock options awarded to Ms. Tolstedt in prior years would remain subject to forfeiture based upon the board's determinations following its investigation.[1] Ms. Tolstedt has agreed to not exercise any outstanding stock options previously awarded by Wells Fargo until the completion of that investigation.

Q.11. I supported claw backs for executives who commit fraud, misstate earnings, or otherwise engage in wrongful behavior in Dodd-Frank. Why shouldn't aggressive claw backs, relating to the time period of this fraud (2011–2016), apply to *all* senior executives responsible for management of Wells Fargo? If you do not claw back a substantial amount of compensation, your shareholders will shoulder the burden of the $185 million in fines and restitution—do you think it is fair for your shareholders to shoulder that burden, as opposed to senior Wells Fargo management?

A.11. 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 claw backs are appropriate. A special committee of Independent Directors will lead 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. Carrie Tolstedt has 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 executives as a consequence of the information developed in the investigation.[2]

Q.12. In the settlement with regulators, Wells Fargo did not admit to any wrongdoing. Why not? Do you believe what Wells Fargo employees did was wrong?

A.12. The particulars of the settlement were reached upon discussions with our regulators which are considered confidential supervisory information. However, Wells Fargo's management team did not identify or address the problems early enough. And there is no

[1] Wells Fargo, September 27, 2016, Form 8–K, (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm).*

[2] 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/*).

question that we view the actions of certain of our team members to be wholly unacceptable and wrong.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MERKLEY FROM JOHN G. STUMPF

Q.1. In the case of *Gutierrez v. Wells Fargo,* Judge William Alsup found Wells Fargo guilty of manipulating the order of its customers' transactions from 2004 to 2008 in order to maximize overdraft fees. Judge Alsup found that Wells Fargo reordered transactions, charging the largest transaction first rather than charging the transaction in chronological order. By reordering the transactions, Wells Fargo ensured that the consumer's bank account was depleted faster and the bank would be able to charge a higher number of overdraft fees.

After the 2008 lawsuit, are you aware of any more instances and/or cases where Wells Fargo was accused of engaging in reordering?

Q.2. If so, please list the instances and/or cases.

A.1.–A.2. Many banks, including Bank of America, Capital One, Citibank, Citizens Bank, HSBC Bank, JPMorgan Chase Bank, KeyBank, TD Bank, U.S. Bank, and Union Bank have confronted lawsuits alleging transaction reordering. Several of the lawsuits filed against Wells Fargo (and Wachovia, with which it merged in 2008) have been dismissed, including *Phillip Pena v. Wachovia Bank, N.A.* (D.N.J., Case No. 1:08–5263); *Vollmer v. Wachovia Bank, N.A.* (N.D. Ga., Case No. 1:09–560); *Poulin, et al. v. Wachovia Bank, N.A.* (S.D. Fla., Case No. 09–cv–21863–JLK); *Williams v. Wachovia Bank, N.A.*(N.D. Cal., Case No. 3:09–5622); *Green, Jr. v. Wachovia Bank, N.A.* (N.D. Ga., Case No. 1 10–1176); *Churchwell v. Wells Fargo Bank, N.A.* (S.D. Fla., Case No. 1:09–cv–23153); *McMillan v. Wells Fargo Bank, N.A.* (N.D. Cal., Case No. 3:08–5739); *Egan v. Wells Fargo Bank, N.A.* (D. Col., Case No. 1:09–253); *Mortenson v. Wells Fargo Bank, N.A.* (D. Nev., Case No. 3:09–65); *Ray v. Wells Fargo Bank, N.A.* (N.D. Cal., Case No. 3:09–4700); *Mitchell v. Wells Fargo Bank, N.A.* (S.D. Tex., Case No. 4:09–2578); *Preston & Assoc. Int'l v. Wells Fargo Bank, N.A.* (D. Col., Case No. 1:09–2940); *Braden v. Wells Fargo Bank, N.A.* (C.D. Cal., Case No. 2:10–3423); *Townsend v. Wells Fargo Bank, N.A.* (C.D. Cal., Case No. 2:10–550); and *Kennedy v. Wells Fargo Bank, N.A.* (N.D. Cal., Case No. 3:11–01222).

The remaining cases brought against Wells Fargo and Wachovia have been consolidated in a multidistrict litigation proceeding in the United States District Court for the Southern District of Florida. These cases include *Garcia, et al. v. Wachovia Bank, N.A.* (S.D. Fla., Case No. 1:08–cv–22463–JLK); *Spears-Haymond v. Wachovia Bank, N.A.* (S.D. Fla., Case No. 1:09–cv–21680–JLK); *Dolores Gutierrez v. Wells Fargo Bank, N.A.* (S.D. Fla., Case No. 1:09–cv–23685–JLK); *Martinez v. Wells Fargo Bank, N.A.* (S.D. Fla., Case No. 1:09–cv–23834); and *Zankich v. Wells Fargo Bank, N.A.* (S.D. Fla., Case No. 1:09–cv–23186–JLK). The consolidated cases against Wells Fargo and Wachovia are currently on appeal to the Eleventh Circuit.

Q.3. Earlier this month Wells Fargo admitted to opening 2 million unauthorized bank accounts and credit cards. Given the recent revelations of unauthorized activity committed by Wells Fargo, along with a history of reordering transactions, your consumers deserve to know if they were unknowingly opted-in to overdraft protection.

During your tenure, has Wells Fargo ever enrolled customers in overdraft protection without their knowledge or authorization?

Q.4. If yes, how many customers were opted-in to overdraft protection without their authorization?

A.3.–A.4. Wells Fargo is committed to providing only those services that our customers need or want, including overdraft services. The reviews to be undertaken will examine this issue. Customers are encouraged to contact us if they have any issues or concerns.

Please note that Wells Fargo has not "admitted to opening 2 million unauthorized bank accounts and credit cards." That figure refers to accounts that ***could have been*** [emphasis added] unauthorized. Please see our response to Senator Reed's Question 1 for additional details.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SASSE FROM JOHN G. STUMPF

Q.1.a. I'd like to discuss how this scandal impacted Nebraska.

Of the roughly 5,300 employees who were fired, how many of them worked in Nebraska?

A.1.a. Of the approximately 5,300 Wells Fargo team members whose employments were terminated for sales-integrity violations from 2011 to 2015, 47 worked in Nebraska.

Q.1.b. During the 2011 through 2015 period covered by the CFPB's fine, were any Wells Fargo employees fired for failing to meet sales quotas? If so, how many?

Q.1.c. Of those fired employees working in Nebraska, how many of them were at risk of being fired for failing to meet product sales quotas?

A.1.b.–c. Wells Fargo cannot quantify with any degree of confidence how many team members' employments, if any, 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. It is possible that team members' employments were terminated solely for not meeting sales goals; however, 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, 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. Additionally, 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. All of the team members referenced in Question 1(a) were terminated for sales-integrity violations, not for failing to meet product sales goals.

Q.1.d. Of those fired employees working in Nebraska, please provide a percentage breakdown of the position held by each of the fired employees before they were fired.

A.1.d. The majority held personal banker (51 percent) or teller (23 percent) positions at the time of termination. The other team members who were terminated were employed in a variety of Regional Bank roles, including Customer Sales & Service Representative, Business Banking Specialist, Assistant Store Manager, Service Manager, and Store Manager.

Q.1.e. How many of those accounts classified as potentially fraudulent were opened in Nebraska?

Q.1.f. How many unauthorized fees and fines were levied on Nebraska consumers in relation to this scandal? What is the total cost of these fees and fines?

A.1.e.–f. We asked PricewaterhouseCoopers (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*** [emphasis added] unauthorized, and approximately 1.5 million deposit accounts ***could have*** [emphasis added] 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*** [emphasis added] conclude that any of these accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities because its analysis of credit card authorization and potential simulated funding in deposit accounts was intentionally designed to be over-inclusive. For example, PwC flagged all credit card accounts that were not used and were not "fraud activated" by the customer calling an 800 number after receiving the card, unless there were indications of customer consent, even though there are many reasons why a customer may not activate their card. 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.

We have found indications that the PwC number includes accounts where the customer authorized its opening. For example, Wells Fargo has worked to contact customers with open, inactive credit card accounts identified by PwC (*i.e.,* the customers with

accounts that ***could have been*** [emphasis added] unauthorized) to determine whether they want these credit cards. 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.

Of the approximately 2.1 million accounts that PwC identified, PwC identified approximately 12,000 Nebraska-based deposit and credit card accounts in its review for which it could not rule out the possibility that they were unauthorized and /or experienced simulated funding. For the reasons described, it is likely that not all of these accounts had simulated funding and/or were unauthorized.

For the approximately 2.1 million deposit and credit card accounts that PwC identified, Wells Fargo refunded all potentially unauthorized charges. PwC's review found that of the roughly 2.1 million accounts identified, approximately 115,000 accounts were charged a fee, totaling $2.66 million in revenue to Wells Fargo. That figure, substantially all of which has been refunded to affected customers via check or direct deposit, is far surpassed by the costs associated with opening and closing the unused accounts.

To Nebraska customers specifically, Wells Fargo paid approximately $14,000 to remediate potentially unauthorized charges. Again, for the reasons described, the remediation amount likely overstates the actual amount of unauthorized charges on these accounts.

Q.2.a. I'd like to ask about Carrie Tolstedt's role in the fraudulent accounts scandal.

When was Ms. Tolstedt first informed about Wells Fargo employees who were fired for creating fraudulent accounts? Please provide a specific date.

A.2.a. 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-integrity issues so that, as issues came up that needed to be addressed, Ms. Tolstedt would be informed about those issues. It is our present understanding that these issues were likely raised with Ms. Tolstedt in or around 2011 but the ongoing investigation by the Independent Directors of the Board of Directors and others is looking carefully at this question.

Q.2.b. If Ms. Tolstedt was fired for her role in the scandal, would she have received less total lifetime compensation (in any form)? If so, how much less compensation?

Q.2.c. How much of Ms. Tolstedt's total, lifetime compensation (in any form), as of September 20, 2016, was eligible for clawback?

Q.2.d. How much of Ms. Toldstedt's total, lifetime compensation (in any form) was earned from 2011 through 2016?

Q.2.e. What legal and/or contractual standard must Wells Fargo evaluate in order to determinate if any of Ms. Tolstedt's compensation (in any form) should be clawed back?

A.2.b.–e. 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.[1]

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.[2]

Ms. Tolstedt's total compensation from 2011 to 2015, as reported in accordance with SEC rules, is provided in the table below:[3]

Year	Annual Salary ($)	Stock Awards ($)	Non-Equity Incentive Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
2011	1,700,000	5,500,004	1,400,000	84,172	19,600	8,703,776
2012	1,700,000	5,500,008	1,530,000	105,204	20,000	8,855,212
2013	1,700,000	5,500,003	1,530,000	N/A	20,400	8,750,403
2014	1,700,000	6,500,058	1,300,000	N/A	18,200	9,518,258
2015	1,700,000	6,500,036	850,000	23,095	18,550	9,091,681

Ms. Tolstedt's stock holdings and outstanding compensation as of September 16, 2016, fell into three categories: (a) Wells Fargo shares that Ms. Tolstedt owned outright and acquired during her 27-year career with the Company; (b) vested, but unexercised stock options granted in February 2008 and February 2009; and (c) unvested and unpaid restricted share rights and performance share awards granted between February 2014 and February 2016:

(1) Ms. Tolstedt owned 960,175 shares of Wells Fargo stock that were worth approximately $43.6 million based on Wells Fargo's September 16, 2016, closing stock price.

(2) Ms. Tolstedt had vested, but unexercised stock options granted in February 2008 and February 2009 that were worth approximately $34.1 million pre-tax, based on Wells Fargo's

[1] Wells Fargo, September 27, 2016, Form 8–K (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm).*

[2] 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/*).

[3] 2011–2013 compensation figures available in Wells Fargo, 2014 Proxy Statement, at 53 (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312514104276/d663896ddef14a.htm)*; 2013–2015 compensation figures available in Wells Fargo, 2016 Proxy Statement, at 3 (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm).*

September 16, 2016, closing stock price and each award's exercise price.

(3) Ms. Tolstedt had unvested and unpaid equity awards in the form of restricted share rights and performance share awards, granted between February 2014 and February 2016, with a target value of approximately $18.9 million pre-tax based on Wells Fargo's September 16, 2016, closing stock price.

On September 27, 2016, the board announced that the Independent Directors had determined that Ms. Tolstedt would forfeit all of this last category, *i.e.,* the outstanding unvested equity awards, valued at approximately $19 million.[4] Ms. Tolstedt also agreed that she would not exercise her outstanding options during the pendency of the investigation undertaken by the Independent Directors. These initial actions do not preclude additional steps being taken with respect to Ms. Tolstedt as a consequence of the information developed in the investigation.

For example, the board has the authority to evaluate previously paid incentive compensation, including prior annual incentive awards, under its Extended Clawback Policy. Wells Fargo's Extended Clawback Policy applies to any bonus payment (such as previously paid annual incentive awards and vested equity awards) already made to Wells Fargo's executive officers, if the bonus payment was based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria. The board delegated to the Human Resources Committee the authority to make determinations with respect to the application of the Policy, including the value of the bonus payment, the amount of bonus payment (if any) that was based on materially inaccurate performance metric criteria, whether a performance metric criteria is material or materially inaccurate, and whether the inaccurate measurement of performance or application of performance to performance criteria is material. Under the Policy, the Company must exercise its rights to the fullest extent permitted, unless it would be unreasonable to do so.

More generally, Wells Fargo has multiple recoupment or clawback policies and provisions in place that are applicable to current and former executive officers, including Ms. Tolstedt. The following table[5] describes these policies:

[4] 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/*).

[5] Wells Fargo, 2016 Proxy Statement, at 47–48 (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm*).

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[6]	Incentive compensation was based on materially inaccurate financial information or any other materially inaccurate performance metric criteria, whether or not the executive was responsible	Incentive compensation that was based on materially inaccurate financial information or any 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 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.	Restricted Share Rights ("RSR") awards and 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	Executive Officers Other team members in receipt of RSRs as part of annual incentive/ bonus awards

[6] Adopted June 15, 2009, and extended February 2010.

Policy/Provision	Trigger for Clawback or Recoupment	Compensation Subject to Recovery	Impacted Population
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 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.	All equity awards granted under the LTICP, whether vested or unvested, for which the applicable Company clawback or recoupment policy or legal requirement is triggered	All team members who receive equity 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.

Q.2.f. On what specific date did Ms. Toldstedt (or any other Wells Fargo employee) first inform you of any item relating to the fraudulent accounts scandal?

A.2.f. 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.

Q.3.a. It has been reported that Wells Fargo is going to end sales goals for its retail products by the end of the year.

Please describe the new system that will replace these sales goals.

A.3.a. While our go-forward plan is still being developed under the leadership of Mary Mack, the new head of our Community Banking Division, we contemplate using customer service, growth, and risk management as criteria on which we will evaluate our teams and individual team members, focused on positive customer outcomes.

Q.3.b. Will any employee compensation be contingent on this new system?

A.3.b. Regional Bank team members who serve retail customers in bank branches will be eligible for bonus compensation based upon a combination of the factors enumerated in Question 3, subpart (a) above.

Q.3.c. Will employees who fail to meet the criterion under this new system be fired?

A.3.c. As has always been, and will remain, the case in the Community Banking Division, decisions to terminate a team member are made on a case-by-case basis upon consideration of all relevant facts and circumstances.

Q.3.d. Will product sales be considered as a part of this new system?

A.3.d. No. Regional Bank team members who serve retail customers in bank branches will not be evaluated on product sales goals going forward.

Q.3.e. What steps will Wells Fargo take to ensure that the new system does not incentivize the creation of fraudulent accounts?

A.3.e. While our go-forward plan is still being developed, we are confident that our customer service, growth, and risk management metrics will align our team member incentives with our customers' interests.

Q.4.a. I'd like to discuss the geographic distribution of the potentially fraudulent accounts.

What percentage of the potentially fraudulent accounts were located in the city of Los Angeles? What about the percentage of employees fired for creating potentially fraudulent accounts?

A.4.a. Approximately 9 percent of the deposit and credit card accounts identified by PwC were located in the city of Los Angeles. Please see the response to Question 1, subparts (e–f) above for more information about PwC's process for identifying these accounts.

Of the approximately 5,300 Wells Fargo team members whose employments were terminated from 2011 to 2015 for sales-integrity violations, approximately 5 percent worked in zip codes located in the city of Los Angeles.

Q.4.b. What percentage of the potentially fraudulent accounts were located in the Southwest Region? What about the percentage of employees fired for creating potentially fraudulent accounts?

A.4.b. Approximately 16 percent of the deposit and credit card accounts identified by PwC were located in the Southwest region, specifically the States of Texas, Oklahoma, Arizona, and New Mexico. Please see the response to Question 1, subparts (e–f) above for more information about PwC's process for identifying these accounts.

Of the approximately 5,300 Wells Fargo team members whose employments were terminated from 2011 to 2015 for sales-integrity violations, approximately 15 percent worked in the Southwest region.

Q.4.c. What factors contributed to the geographic distribution of the fraud?

A.4.c. Wells Fargo is working hard to address any Company-wide or region-specific processes that may have led certain team members to behave in a way contrary to Wells Fargo's vision, values, and culture. That is one reason Wells Fargo has eliminated product

sales goals entirely for Regional Bank team members who serve customers in our retail branches.

Q.4.d. Did Wells Fargo evaluate the potential for geographic diversity in terms of the ability to meet product sales goals?

A.4.d. Yes. From 2011 to 2016, product sales goals varied by store year-to-year and across regions.

Q.4.e. Did Wells Fargo adjust the product sales goals to match each region?

A.4.e. Effective October 1, 2016, Wells Fargo no longer uses product sales goals for Regional Bank team members who serve customers in our retail branches. From 2009 to October 1, 2016, for the western markets and following the Wachovia/Wells Fargo conversion for the eastern markets, Wells Fargo centralized responsibility for setting store goals with its national leadership team working in conjunction with regional and local managers to determine appropriate goals for each store. A variety of factors were considered in determining the specific goals at the regional and store level, including customer demand and traffic, market demographics, and staffing levels.

Q.5.a. I'd like to discuss the employees who were fired for creating fraudulent accounts.

Starting in 2009, when was the first employee fired for creating fraudulent accounts? Please provide a specific date.

Q.5.b. Starting in 2009, when were the first 100 employees fired for creating fraudulent accounts? Please provide a specific date.

Q.5.c. Starting in 2009, when were the first 1,000 employees fired for creating fraudulent accounts? Please provide a specific date.

A.5.a.–c. From 2011 to 2015, the employments of approximately 5,300 team members were terminated for sales-integrity violations. 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 percent of Wells Fargo's total population of Community Banking team members.

Q.5.d. How many employees were fired for failing to meet sales quotas during the 2011 through 2015 period covered by the CFPB's fine?

Q.5.e. Were any of the employees who were fired for creating fraudulent accounts at risk of being fired for missing product sales goals? If so, what percentage of these employees were at risk?

A.5.d.–e. Wells Fargo cannot quantify with any degree of confidence how many team members' employments, if any, were at risk of being terminated for not meeting sales goals. The bank tracks involuntary terminations for failure to perform job duties, which can include a range of issues. It is possible that team members' employments were terminated solely for not meeting sales goals; however, 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.

Q.5.f. During the period covered by the CFPB's fine, how much of an employee's salary was contingent upon meeting product sales goals? Please provide a detailed breakdown, covering each category of employees who were fired for creating fraudulent accounts.

A.5.f. Prior to our elimination of product sales goals, Regional Bank team members serving customers in our retail branches were eligible for earned incentive compensation based in part on sales performance. Leading up to the elimination of product sales goals, effective October 1, 2016, 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-related objectives for tellers, for example, declined from 4.6 percent in 2011 to 0.9 percent in 2015. Historically, the target incentive opportunity for overall performance 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.

Q.5.g. What was the position of the highest ranking Wells Fargo employee who was fired in connection with this scandal?

A.5.g. Of the approximately 5,300 team members whose employments were terminated for sales-integrity violations from 2011 to 2015, the highest ranking Wells Fargo team member terminated held the position "Regional Banking Area President 2."

Q.5.h. Please provide a percentage breakdown of the position held by each of the fired employees before they were fired.

A.5.h. Approximately 65 percent of the terminated team members were in Personal Banker positions or functionally similar roles and 7 percent 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.

Q.6.a. I'd like to follow up on Senator Toomey's questioning about Wells Fargo's SEC filings.

Did Wells Fargo ever disclose in its SEC filings that it had a materially adverse set of circumstances relating to false accounts that could result in a large fine from multiple regulators? If so, when? If not, why?

Q.6.b. If Wells Fargo did not disclose this information, would Wells Fargo have disclosed it if Wells Fargo had known about the public and market reaction to the fraudulent accounts scandal, along with the size and the associated fines?

Q.6.c. If not, what are the conditions under which Wells Fargo would disclose in its SEC filings that it is facing a significant regulatory or criminal risk?

Q.6.d. In response to the fraudulent accounts scandal, has Wells Fargo changed its standards and process for evaluating if and how to disclose potential regulatory risk in SEC filings?

A.6.a.–d. 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.

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 . . . "[7] 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 . . . "[8] We will continue to review developments related to sales practices matters and make additional disclosures as the facts and circumstances warrant.

Q.7.a. I'd like to discuss the compensation that Wells Fargo provided to its customers that were impacted by the fraudulent accounts scandal.

When did Wells Fargo first learn that it had customers who were charged fraudulent fines and fees for fake accounts that were opened in their name?

A.7.a. 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 paid fees on accounts that they did not authorize or use. In 2015, the Company realized that, in a small percentage of cases, fees had been paid.

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[7] *See* Wells Fargo, September 28, 2016, Form 8–K (available online at *https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm).*

[8] *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).*

Q.7.b. How soon after learning about these inappropriate fines did Wells Fargo compensate their customers for this fraud?

A.7.b. After realizing that fees were paid in a small percentage of cases, PwC analyzed deposit and credit card accounts. 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 made direct deposits and issued checks to refund substantially all fees, with interest, that were assessed on the approximately 2.1 million accounts identified by PwC.[9] These refunds were issued without determining that any particular account was unauthorized.

Q.7.c. Does Wells Fargo plan on compensating its customers for all reasonable costs associated with this fraud, including any potential drop in their customer's credit score?

Q.7.d. If so, how does Wells Fargo plan on identifying and compensating every customer who may have suffered a drop in credit score in association with the fraudulent accounts scandal?

A.7.c.–d. 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.

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*** [emphasis added] unauthorized, and approximately 1.5 million deposit accounts ***could have*** [emphasis added] 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. In other words, PwC ***did not*** [emphasis added] conclude that these accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities because its analysis of credit card authorization and potential simulated funding in deposit accounts was intentionally designed to be over-inclusive. For example, PwC flagged all credit card accounts that were not used and were not "fraud activated" by the customer calling an 800 number after receiving the card, unless there were indications of customer consent, even though there are many reasons why a customer may not activate their card.

Of the subset of accounts identified, PwC determined that approximately 115,000 accounts were charged a fee, averaging less

[9] Refunds were not made if the amount paid by the customer plus interest was less than $1.00.

than $25 per account and totaling $2.66 million in revenue to Wells Fargo. That figure is far surpassed by the costs associated with opening and closing the unused accounts. Wells Fargo has already made direct deposits and issued checks to refund these fees. 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.

We have found indications that the PwC number includes accounts where the customer authorized its opening. For example, Wells Fargo has worked to contact customers with open, inactive credit card accounts identified by PwC (*i.e.,* the customers with accounts that ***could have been*** [emphasis added] unauthorized) to determine whether they want these credit cards. 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. These results demonstrate that PwC's findings as to credit card accounts were over-inclusive, containing accounts where the customer authorized the opening of 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 make them whole for negative repercussions that were tied to a drop in their credit score. 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.

Q.7.e. Is Wells Fargo aware of a material amount of fraudulent accounts created in the names of customers prior to 2009?

Q.7.f. What constraints would prevent Wells Fargo from compensating customers for losses associated with fraudulent accounts, from actions dating back prior to 2009?

Q.7.g. Does Wells Fargo plan to reach back earlier than 2009 to refund customers for losses associated with their fraudulent accounts scandal? Why or why not?

A.7.e.–g. 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.

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.

Q.8.a. I'd like to discuss Wells Fargo's interactions with law enforcement officials and regulators.

Please provide the specific date that Wells Fargo first discussed the fraudulent accounts scandal with the Consumer Financial Protection Bureau (CFPB).

A.8.a. 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 it of the lawsuit. In June and July 2015, Wells Fargo provided information to the CFPB.

Q.8.b. Does the CFPB have any employees embedded in Wells Fargo? If so, how many?

A.8.b. The CFPB has 4 employees who are resident onsite. In addition, additional CFPB employees may be onsite at Wells Fargo when they are engaged in conducting examinations of our consumer businesses.

Q.8.c. When (if at all) did Wells Fargo first provide the CFPB with internal documents relating to the fraudulent accounts scandal?

A.8.c. 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 it of the lawsuit. In June and July 2015, Wells Fargo provided information to the CFPB.

Q.8.d. Please provide the specific date that Wells Fargo first discussed the fraudulent accounts scandal with the Office of the Comptroller of the Currency (OCC).

A.8.d. 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.

Q.8.e. Does the OCC have any employees embedded in Wells Fargo? If so, how many?

A.8.e. Several OCC employees are embedded at Wells Fargo.

Q.8.f. When (if at all) did Wells Fargo first provide the OCC with internal documents relating to the fraudulent accounts scandal?

A.8.f. 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.

Q.8.g. Please provide the specific date that Wells Fargo first discussed the fraudulent accounts scandal with the Office of the Los Angeles City Attorney.

A.8.g. 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.

Q.8.h. When (if at all) did Wells Fargo first provide the OCC with internal documents relating to the fraudulent accounts scandal?

A.8.h. 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.

Q.9.a. I'd like to discuss the fraudulent accounts that were created by Wells Fargo.

What standards did the independent audit consult in identifying the fraudulent accounts?

A.9.a. Please see the response to Question 7, subparts (c–d) above.

Q.9.b. Could a fraudulent account had escaped notice of the independent audit if it had all of the characteristics of a fraudulent account, but it contained or was billed for more than $100? What about more than $1,000?

A.9.b. PwC's analysis looked at all consumer and small business checking, savings, and credit card accounts opened during the

relevant period—over 93 million accounts in total—to identify characteristics consistent with potential simulated funding in deposit accounts, and a potential lack of customer authorization in credit card accounts. Accounts were not excluded on the basis of how much they were charged in fees. The characteristics of deposits and withdrawals were factors considered by PwC in conducting its analysis and so the nature of the deposits made in an account would have affected whether the account was identified as possibly having simulated funding.

Q.9.c. Of the fraudulent accounts, roughly what percentage of them were canceled within 3 days?

Q.9.d. Of the fraudulent accounts, roughly what percentage of them were canceled within a week?

Q.9.e. Of the fraudulent accounts, roughly what percentage of them were canceled after a month?

A.9.c.–e. Deposit accounts that are not used by a customer are automatically closed pursuant to Wells Fargo's policies and procedures. Under those policies and procedures, unused accounts typically would not automatically be closed within a 30-day period.

Q.9.f. Did any of these fraudulent accounts ever contain or were billed for more than $1? If so, roughly, what percentage of accounts?

Q.9.g. Did any of these fraudulent accounts ever contain or were any of them ever billed for more than $10? If so, roughly what percentage of accounts?

Q.9.h. Did any of these fraudulent accounts ever contain or were billed for more than $100? If so, roughly what percentage of accounts?

Q.9.i. Did any of these fraudulent accounts ever contain or were billed for more than $1,000? If so, roughly what percentage of accounts?

Q.9.j. Did any of these fraudulent accounts ever transfer money to other accounts, other than those that were held by the named customer of the account? If so, roughly what percentage of accounts?

A.9.f.–j. Please see the response to Question 7, subparts (c–d) above. In some instances, Wells Fargo team members temporarily funded unauthorized accounts with their own deposits. After a certain time period, those funds were removed by the team member.

Q.9.k. Did Wells Fargo ever file suspicious activity reports in association with the accounts that were identified by the independent audit as potentially fraudulent? If so, how many?

A.9.k. 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).

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARREN FROM JOHN G. STUMPF

Fees Charged as a Result of the Creation of Fraudulent Accounts

Q.1.a. Working with PwC, Wells Fargo identified 1.5 million deposit accounts and 565,000 credit card accounts that "may have been unauthorized." However, "PwC did not find these accounts had been unauthorized"—it simply "could not rule out the possibility." Please provide a detailed explanation of why PwC was unable to identify whether all of the 565,000 accounts were unauthorized.

Q.1.b. What records does Wells Fargo have of the number and amount of fees charged on unused accounts between 2011 and 2015?

A.1.a.–b. We asked PricewaterhouseCoopers (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. For example, PwC flagged all credit card accounts that were not used and were not "fraud activated" by the customer calling an 800 number after receiving the card, unless there were indications of customer consent, even though there are many reasons why a customer may not activate their card. 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. Similarly, for checking and savings accounts, the fact that the accounts have certain characteristics consistent with potential simulated funding does not mean that those accounts experienced simulated funding.

Of the approximately 2.1 million accounts identified, PwC determined that approximately 115,000 accounts were charged a fee, averaging less than $25 per account and totaling $2.66 million in revenue to Wells Fargo. Wells Fargo has already made direct deposits and issued checks to refund these fees. 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.

We have found indications that the PwC number includes accounts where the customer authorized its opening. For example, Wells Fargo has worked to contact customers with open, inactive credit card accounts identified by PwC (*i.e.,* the customers with accounts that ***could have been*** [emphasis added] unauthorized) to determine whether they want these credit cards. 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 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. These

results demonstrate that PwC's findings as to credit card accounts were over-inclusive, containing accounts where the customer authorized the opening of the account.

Q.1.c. Please provide the annual revenue that Wells Fargo gained from deposit and credit card account fees for 2011–2015.

A.1.c. The following table shows the line-item revenue data for Service Charges on Deposit Accounts and Card Fees as reported, according to generally accepted accounting principles, in Wells Fargo's income statements for the years 2011 through 2015. These figures are inclusive of both consumer and commercial businesses, with the commercial businesses contributing proportionately more in the Service Charge category than in Card Fees. Service Charges on Deposit Accounts are primarily composed of periodic account fees and overdraft fees. Card Fees are primarily composed of interchange fees, as well as annual and other fees.

Annual Revenue from Service Charges on Deposit Accounts and Card Fees (dollars in millions)					
	2011	2012	2013	2014	2015
Service Charges on Deposit Accounts	$4,280	$4,683	$5,023	$5,050	$5,168
Card Fees	$3,653	$2,838	$3,191	$3,431	$3,720

Fair Labor Standards Act (FLSA)

For years Wells Fargo employees have described a management culture characterized by "mental abuse," being forced to work overtime "for what felt like after-school detention" during the week and on weekends, and being "severely chastised and embarrassed in front of 60-plus managers."[1] And as a June 2016 report from the National Employment Law Project, "Banking on the Hard Sell,"[2] documents, these kinds of practices are pervasive across the industry.

Even in this context, however, Wells Fargo stands out, given allegations that the bank repeatedly violated wage and hour provisions in the FLSA by denying employees overtime pay for hours worked in excess of 40 hours a week and by misclassifying workers as overtime exempt to avoid paying time and a half for those additional hours. My office has uncovered dozens of wage and hour complaints from Wells Fargo employees, going back as far as 1999 and cutting

[1] E. Scott Reckard, "Wells Fargo's pressure-cooker sales culture comes at a cost," *Los Angeles Times* (December 21, 2013) (available at *http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html).*

[2] Anastasia Christman, "Banking on the Hard Sell: Low Wages and Aggressive Sales Metrics Put Bank Workers and Customers at Risk," *National Employment Law Project* (June 2016) (available at *http://www.nelp.org/content/uploads/NELP-Report-Banking-on-the-Hard-Sell.pdf).*

across many of the different business groups within Wells Fargo, including the insurance, mortgage, and retail banking groups.[3]

These and other allegations raise a number of questions about Wells Fargo's treatment of its bank tellers and associates.

Q.2.a. What are Wells Fargo's policies with regard to paying overtime for bank tellers and associates who stayed late or came in on weekends to meet their sales quotas?

A.2.a. Wells Fargo's policy is that nonexempt team members are compensated for ***all*** [emphasis added] hours worked, including all overtime hours. Wells Fargo's Team Member Handbook states:

> If you're in a nonexempt position, you are entitled to pay for all hours actually worked, even those exceeding your regular schedule or those not authorized before working them. Therefore, you must report all hours worked in Time Tracker.

Wells Fargo supports and enforces this policy and wage and hour compliance.

Time Tracker is the online system that Wells Fargo nonexempt team members use to enter daily work time. Team members input, review, and approve the time reported each week. Time Tracker uploads the recorded work time to the payroll system and the team member is paid for all time worked, including any overtime pay. Supervisor approval of timesheets is not necessary for pay to be processed based upon the time entered by the team member.

A team member may report any discrepancies or concerns regarding accurate time reporting or pay, including overtime pay, via an email address to the payroll team; by contacting the EthicsLine; or by reaching out to Human Resources (HR). The H.R. team investigates all such claims. If unreported time is identified, the team member is provided a document to record all previously unreported work time and pay is processed.

Nonexempt team members are directed to an online training module that details how to properly record all work time in Time Tracker. Wells Fargo managers are required to complete FLSA training no less frequently than every other year. The training explains Wells Fargo's commitment to proper pay practices and emphasizes each manager's responsibilities for ensuring that all work time is reported and proper pay is received. Supplemental resources, including Manager Tip sheets and H.R. professionals, provide further support to managers to help fulfill Wells Fargo's

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[3] See, for example, Louie Torres, "Former employee says bank didn't pay overtime," *Penn Record* (August 22, 2016) (online at *http://pennrecord.com/stories/510999469-former-employee-says-bank-didn-t-pay-proper-overtime*); James Rufus Koren (with the *Los Angeles Times*), "Wells Fargo still faces lawsuits from customers, ex-employees," *Santa Cruz Sentinel* (September 10, 2016) (online at *http://www.santacruzsentinel.com/article/NE/20160910/NEWS/160919974*); Overtime Pay Laws Resource Center, "$2 Million Settles Wells Fargo Overtime Lawsuit" (May 12, 2015) (online at *http://www.overtimepaylaws.org/2-million-settles-wells-fargo-overtime-lawsuit/*); E. Scott Reckard, "Wells Fargo's pressure-cooker sales culture comes at a cost," *Los Angeles Times*, (December 21, 2013) (online at *http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html*); Top Class Actions, "Wells Fargo Loan Officer Underpaid Overtime Class Action Settlement" (October 22, 2015) (online at *https://topclassactions.com/lawsuit-settlements/closed-settlements/210771-wells-fargo-loan-officer-unpaid-overtime-class-action-settlement/*); Chicago Overtime Law Center, "Wells Fargo Settles Overtime Class Action for Mortgage Consultants" (December 29, 2015) (online at *http://www.chicagoovertimelawyerblog.com/2015/12/1514.html*); Shannon Henson, "Tech Workers File FLSA Suit Against Wells Fargo," Law360 (May 30, 2008) (online at *http://www.law360.com/articles/57871/tech-workers-file-flsa-suit-against-wells-fargo*); and E. Scott Reckard, "Wells Tellers File Lawsuit Alleging Unpaid Wages," *Los Angeles Times* (November 8, 2003) (online at *http://articles.latimes.com/2003/nov/08/business/fi-wells8*).

responsibilities to comply with FLSA and fulfill all time keeping requirements.

Q.2.b. What portion of Wells Fargo team members, sales associates, and bank tellers make less than the current FLSA salary threshold of $455 per week ($23,660 per year)?

Q.2.c. For the group of employees that Wells Fargo paid above this salary threshold, how many and what percentage were classified as overtime exempt?

Q.2.d. For those employees who were classified as overtime exempt, what percentage of their time was spent performing duties that were managerial in nature, as defined by the FLSA?

Q.2.e. What was the median salary (or wage) earned by the 5,300 bank employees that were fired for their role in the fraudulent activities at Wells Fargo?

Q.2.f. What percentage of fired employees were classified as overtime exempt?

A.2.b.–f. Please see the response to Question 2, subpart (a) above. Note that Wells Fargo has set its own minimum pay at $12.00/hour effective March 2016, which is higher than the Federal minimum wage of $7.25, and results in compensation higher than $455 per week for a 40-hour week. 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 health insurance, life insurance, dental and vision insurance, short- and long-term disability, 401(k) plan, and paid parental leave.

At the time each new job is created, Wells Fargo completes an analysis of job duties to determine FLSA classification. The Wells Fargo Compensation Team also periodically reviews jobs or adjusts job classification as necessary in accordance with current regulations and court decisions.

The average base compensation for team members whose employments were terminated 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).

Customer Restitution

Q.3.a. How will Wells Fargo be providing restitution to customers affected by wrongdoing in these cases?

Q.3.b. What is the criteria for determining which customers do or do not qualify for restitution?

A.3.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 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.

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*** [emphasis added] unauthorized, and approximately 1.5 million deposit accounts ***could have*** [emphasis added] 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. In other words, PwC ***did not*** [emphasis added] conclude that these accounts were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities because its analysis of credit card authorization and potential simulated funding in deposit accounts was intentionally designed to be over-inclusive. For example, PwC flagged all credit card accounts that were not used and were not "fraud activated" by the customer calling an 800 number after receiving the card, unless there were indications of customer consent, even though there are many reasons why a customer may not activate their card.

Of the approximately 2.1 million accounts identified, PwC determined that approximately 115,000 accounts were charged a fee, averaging less than $25 per account and totaling $2.66 million in revenue to Wells Fargo. That figure is far surpassed by the costs associated with opening and closing the unused accounts. Wells Fargo has already made direct deposits and issued checks to refund these fees. 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.

We have found indications that the PwC number includes accounts where the customer authorized its opening. For example, Wells Fargo has worked to contact customers with open, inactive credit card accounts identified by PwC (*i.e.,* the customers with accounts that ***could have been*** [emphasis added] unauthorized) to determine whether they want these credit cards. 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. These results demonstrate that PwC's findings as to credit card accounts were over-inclusive, containing accounts where the customer authorized the opening of the account.

For those customers who want the credit card, the account will remain open. 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).

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 make them whole for negative repercussions that were tied to a drop in their credit score. 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.

Q.3.c. How many customers will be receiving restitution?

Q.3.d. What is the total amount of restitution that these customers will receive?

A.3.c.–d. The number of customers receiving restitution, and the amount of restitution, will continue to increase as our expanded review and customer outreach efforts continue and as Wells Fargo develops and implements a redress and reimbursement plan with the independent consultant required by the CFPB and OCC Consent Orders.

Disclosure and Board Discussion of Problems at Wells Fargo

Q.4. Prior to the settlement with CFPB, Wells Fargo fired over 5,000 employees for misconduct related to false accounts. Did the Wells Fargo board discuss the reason for this many employees being fired, and the problems that led to them being fired? If so, please provide copies of relevant board committee minutes relating to this issue, including minutes of the Risk Committee and the Audit and Examination Committee, from October 2013 forward.

A.4. 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 a report from management that it was monitoring sales integrity in Community Banking. Sales integrity issues also were discussed periodically with the board.

We are not presently aware of any document or instance prior to the settlement with the CFPB that informed the board of the total number of employees who had been terminated for misconduct related to improper sales practices. The number of terminations and the reasons for them are subjects that the Independent Directors are addressing in their investigation.

Wells Fargo's Culture of "Cross-Selling"

Q.5.a. In Wells Fargo's 2010 Annual Report, you described the company's cross-selling success and wrote "I'm often asked why we set a cross-sell goal of eight. The answer is, it rhymed with 'great.'"

Was the "cross-sell goal" at the time eight banking products per household?

A.5.b. Was this goal set at eight because "it rhymed with 'great'"?

A.5.a.–b. While over 25 percent of our customers 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 just over half the number 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. 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.

High Rates of Wells Fargo Broker Misconduct

In April 2016, the Securities Litigation and Consulting Group (SLCG) used data from the Financial Industry Regulatory Authority's (FINRA) BrokerCheck database to assess rates of broker misconduct throughout the brokerage industry.[4]

As part of its analysis, SLCG compiled a list of brokerage firms that employ more than 400 brokers and ranked those firms based on the percentage of their brokers associated with "investor harm events" (defined, in this case, as "the initial filing of a grievance [reported to FINRA] that subsequently results in an arbitration award in favor of the customer or in a settlement in excess of $10,000 prior to May 18, 2009, and in excess of $15,000

[4] Craig McCann, Chuan Qin, and Mike Yan, "How Widespread and Predictable is Stock Broker Misconduct?" *Securities Litigation and Consulting Group* (April 2016) (online at *http://www.slcg.com/pdf/workingpapers/McCann%20Qin%20and%20Yan%20on%20BrokerCheck.pdf*). McCann, Qin, and Yan replicated the work of Quereshi and Sokobin, "Do Investors Have Valuable Information About Brokers?" (August 20, 2015) (online at *http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2652535*) and Egan, Matvos, and Seru, "The Market for Financial Adviser Misconduct" (February 2016) (online at *https://www.chicagobooth.edu/~*/media/B76C81EFE39B4EDB9A4B4D8B34D0B0F7.pdf) to reconcile competing estimates of misconduct within the brokerage industry.

thereafter").[5] Wells Fargo Advisors was ranked 16th, solidly within the Top 30 recidivist firms cited by SLCG.[6] SLCG found that nearly 9 percent of Wells Fargo's 1,993 brokers were associated with a harm event; 30 Wells Fargo brokers, meanwhile, had been previously fired from brokerage firms as a result of misconduct.[7]

You recently stated that "there is no incentive [for employees] to do bad things" within Wells Fargo, and that Wells Fargo's recent misdeeds "in no way reflect our culture."[8] But the high rate of recidivism among Wells Fargo brokers raises questions about these statements. To help me better understand the culture of Wells Fargo Advisors, please provide my office with the following information and answers:

Q.6.a. A description of the Wells Fargo Advisors broker hiring process, including any policies that outline how Wells Fargo assesses potential hires for the likelihood of broker misconduct and a description of how Wells Fargo Advisors factor a potential hires' past misconduct into its overall decision to hire a candidate?

Q.6.b. Does Wells Fargo Advisors hire brokers with records of misconduct, and if so, why?

A.6.a.–b. Wells Fargo Advisors, LLC ("WFA") subjects prospective financial advisors to a robust pre-hire due diligence process. More specifically, the Compliance Department performs a detailed review of the candidate's background, utilizing a comprehensive questionnaire, as well as by conducting a thorough review of the candidate's Central Registration Depository ("CRD") record at FINRA. The review takes into consideration the candidate's complaint history, regulatory history, reportable financial and criminal incidents, past disciplinary or supervisory actions, registration restrictions, terminations, outside business activities, employment history, business mix and any other incidents that may be reflected on the candidate's CRD record or identified through independent validation. Additionally, each candidate is fingerprinted and undergoes a criminal background and financial fitness check. After a thorough and qualitative review of any identified issues, the Compliance Department will either "object" or "not object" to the hiring of the prospective financial advisor. In the rare circumstance where the line of business disagrees with the Compliance Department's recommendation, the hiring decision is escalated to senior representatives from Legal, Compliance, and the line of business for further review and a decision.

Q.6.c. A description of how Wells Fargo Advisors compensates its brokers.

A.6.c. Please see response to question 6, subpart (f), below.

Q.6.d. How does Wells Fargo Advisors ensure that its brokers, once hired, do not engage in misconduct? Please provide copies of any training materials, policies, or procedures the company uses.

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[5] Craig McCann, Chuan Qin, and Mike Yan, pg. 6.
[6] Craig McCann, Chuan Qin, and Mike Yan, pg. 32.
[7] Craig McCann, Chuan Qin, and Mike Yan, pg. 32.
[8] Emily Glazer and Christina Rexrode, "Wells Fargo CEO Defends Bank Culture, Lays Blame with Bad Employees," *Wall Street Journal* (September 13, 2016) (online at *http://www.wsj.com/articles/wells-fargo-ceo-defends-bank-culture-lays-blame-with-bad-employees-1473784452*).

A.6.d. WFA has established and maintains an extensive supervisory and oversight program, which includes multiple, complementary processes to review the conduct of its Financial Advisors for potential and actual breaches of WFA's policies and procedures and/or applicable rules, regulations, and standards of practice. WFA utilizes this supervisory and oversight control system to identify potential and/or actual misconduct; of course, WFA also may learn of misconduct through customer complaints and/or the Wells Fargo corporate EthicsLine. Although not an exhaustive list, some of the more pertinent controls, systems, processes, or functions within WFA that may lead to the discovery of misconduct include:

- ***Field Supervision:*** As an integral part of WFA's "first line of defense," Branch Office Managers and local, qualified supervisors perform direct supervision of Financial Advisors and other branch team members by enforcing WFA's policies and procedures.
- ***Centralized Supervision Units (CSUs):*** Like WFA's field supervisors, the CSUs sit within the line of business organizationally, and are delegated the responsibility to review trade blotters, and daily and monthly alerts generated by WFA's electronic SuperVision system. SuperVision is a suitability-based supervisory system that assists WFA's supervisory personnel in identifying accounts and transactions that may warrant further attention, based on the triggering of established risk-based thresholds. The CSUs also coordinate the review of electronic communications for assigned branches, review annuity transactions, perform targeted account, product and Financial Advisor activity reviews, and perform self-audits, among other risk-related activities.
- ***Retail Surveillance & Oversight:*** The Retail Surveillance & Oversight Group within the Compliance Department consists of several distinct teams that conduct retail brokerage transaction oversight through both systematic and targeted monitoring. The group monitors activities to mitigate risk using various internal control tools, including the SuperVision, Smartstation, and Compliance Reporting applications. The group conducts oversight of the CSUs and other Qualified Supervisors to assess supervisory practices and to identify and address potential compliance and sales practice issues. The Retail Control Group within Compliance maintains WFA's restricted lists and monitors retail trading for compliance with trade restrictions. The Market Reviews Group performs targeted reviews of existing products and established supervisory programs within the business channels to assess their effectiveness.
- ***Branch Examinations:*** The WFA Branch Examinations Team is responsible for conducting onsite announced and unannounced compliance examinations of the retail brokerage lines of business in order to test compliance with Federal, State, and SRO regulations and Firm policies and procedures. As with the other WFA Compliance units, the primary purpose of Branch Examinations is to provide oversight of branch-related activities within WFA in order to identify and mitigate

potential risks. All WFA-registered branch sales locations are visited within the calendar year. The exam program is risk-based, with a strong focus on brokerage sales practices, product suitability, and supervision. The program is tailored for the specific sales practices engaged in by each retail brokerage unit. When applicable, current Securities and Exchange Commission and FINRA regulatory priorities are incorporated into the program. The exam program is reviewed and updated annually for each business unit with the advice and feedback of the Compliance Department, Legal, and senior supervisory staff. Summaries of frequent branch exam findings and trends are continually shared and discussed with business unit senior management throughout the exam cycle.

- ***Special Supervision and Review (SSR):*** The SSR Group conducts investigations related to potential violations of Firm policies and industry rules; recommends and tracks discipline; reviews requests by registered representatives to participate in certain Firm programs, and manages the Firm's Heightened Supervision Program. The SSR Group coordinates the application of WFA's disciplinary review standards with members of Internal Investigations, External Fraud, Human Resources, Employee Relations, Legal, and line-of-business management.
- ***Trading Review Group:*** The WFA Trading Review Group is responsible for performing daily reviews of team member and client trading activity with a view toward identifying potential instances of insider trading. The Team analyzes trade data, market data, news events, and information provided by others including from various business supervisors or other Compliance personnel. The Trading Review Team serves as the primary escalation point for potential insider trading occurrences, and has the responsibility for determining whether additional escalation is warranted. Business and control function units that may refer matters to the group include: Corporate AML, the field supervisors and the CSUs described above, Legal, and other Compliance team members. Matters involving team members, or accounts within their control, are referred to the SSR group (described above) for further investigation.
- ***Complaints Resolution Group:*** WFA's Complaints Resolution Group within the Compliance Department gathers, reports, responds, tracks, and analyzes sales practice and operational customer complaints, in keeping with Finra's requirements and expectations. The group routinely refers and collaborates with business and control function units regarding possible violations of Firm policy, standards of care, and industry rules and regulations.
- ***Internal Controls:*** The Internal Controls Group within the Compliance Department is responsible for monitoring WFA's overall control environment and for implementing programs designed to improve the control environment. The group works with managers across all business units to review internal controls, help mitigate regulatory and operational risk, and to assist in maintaining high corporate governance standards.

The Internal Controls Group performs independent testing throughout the year in support of WFA's 3130 program.

- ***Internal Audit:*** Commonly referred to as the "Third Line of Defense," internal audit is another critically important control function, which also reviews for policy breaches and misconduct.
- ***EthicsLine/Employee Escalation:*** All team members have the ability to raise concerns 24-hours a day, 7-days a week, anonymously via telephone or online through the Company's EthicsLine.

Q.6.e. A description of the disciplinary process that Wells Fargo Advisors initiates, should it find any of its brokers guilty of misconduct.

A.6.e. Depending on the nature and severity of the misconduct, there are a number of ways in which misconduct can be addressed by WFA. As a general matter, all compliance policy breaches may be subject to WFA's established disciplinary review process, which is designed to provide a swift and meaningful response and to promote consistency in determining appropriate levels of discipline across WFA (and its different sales channels). The SSR Group investigates matters relating to violations of Firm policies (including the Wells Fargo Code of Ethics and Business Conduct) and industry rules, and typically coordinates with management within the line of business, and, as needed, with Internal Investigations, Legal, Risk, Human Resources, Employee Relations, among other groups to ensure that all disciplinary decisions and recommendations are thoroughly and fairly vetted. WFA may impose internal discipline ranging in severity from a Memorandum of Education all the way to involuntary termination. Policy violations that are not compliance-oriented are generally handled pursuant to corporate Human Resources Corrective Action Guidelines. Such corrective actions could include a Performance Improvement Plan, Informal Warning, Formal Warning, or Final Notice.

Q.6.f. Are there compensation policies or other business practices that Wells Fargo has changed because of concerns that they could contribute to or encourage broker misconduct?

A.6.f. WFA's compensation plans are designed to be balanced, fair, and appropriately controlled, with a focus on product-neutral incentive design and deferral compensation. WFA has also developed a comprehensive process for the periodic review and approval of changes to such plans. WFA's CEO, the Head of Wealth Management (for Wealth Brokerage Services, or "WBS") and WFA's Conflicts Committee all participate in the review of field-facing compensation plans. WFA's Conflicts Committee is comprised of senior leaders from the various control functions and lines of business, including Compliance, Legal, Risk, Human Resources, Finance, Products & Advice, and the sales channels. The Chief Compliance Officer, Chief Risk Officer, Head of HR, and the seniormost WFA Legal representative each possess full "veto" authority on this Committee, which provides an opportunity for important control function representatives to help shape the design of any compensation plans.

Each compensation plan includes components to mitigate risk and incent compliance with industry rules, regulations, and standards of practice. For example, WFA incentive compensation plans include the following characteristics:

- Requirements to comply with all industry laws, rules, and regulations, and procedures applicable to the Participant's assigned job responsibilities;
- Performance-based deferrals, with specific goals, such as best practices activities that move toward long-term client-focused solutions; and
- Full discretionary authority for the Plan Administrator to adjust or amend a Participant's deferred compensation incentive award under the Plan, subject to the approval of the Line of Business Head. This component provides the Line of Business with the authority to modify awards due to unknown or unforeseen circumstances that may arise.

Generally, branch manager compensation plans include several risk mitigation components, including:

- All operational losses and settlements are charged directly to the profit/loss (P&L) of the branch, with the branch P&L being considered in bonus awards;
- Annual branch inspections are performed on Markets and Complexes by the Branch Examinations team in Compliance (described above). Inspection failures result in a direct reduction to the branch manager's annual performance award;
- Discretionary awards recognize and reward leadership in numerous areas, including risk and culture in the manager's branch; and
- Branch manager salary is designed to compensate individuals for their role as manager, which includes financial performance, supervision, compliance, risk management, and other factors.

As referenced above, WFA conducts regular reviews of compensation plans for field-facing team members, with a view toward incenting client-focused behaviors and outcomes.

Wells Fargo Campus Card Program

Q.7.a. According to a 2012 report by U.S. PIRG, Wells Fargo had contracts with institutions of higher education serving over 2 million students to provide student identifications that can be linked to a Wells Fargo checking account.[9] In some cases, these contracts provide Wells Fargo exclusive access to market to students.

In 2009, Congress enacted the Credit CARD Act, which banned aggressive marketing practices on college campuses. Banks are now forbidden from providing gifts to lure students into signing up for credit cards. They are also required to publicly disclose contracts. However, these requirements do not apply to student checking accounts.

[9] U.S. PIRG, *The Campus Debit Card Trap: Are Bank Partnerships Fair to Students?* (May 30, 2012) (online at *http://www.uspirg.org/reports/usp/campus-debit-card-trap).*

Q.7.a.i. Have any Wells Fargo staff or service providers offered any gift of value to students as an inducement to activate a Wells Fargo checking account?

A.7.a.i. The Wells Fargo Campus Card Program's policy has been to offer gifts of only token value to students who open Wells Fargo checking accounts. Such gifts typically have a value of less than $5.

Q.7.a.ii. Has Wells Fargo established any sales targets to employees regarding enrollment in student checking accounts?

A.7.a.ii. The Wells Fargo Campus Card Program did not establish any student checking account sales targets.

Q.7.a.iii. How many accounts have been opened by students enrolled in institutions with contracts with Wells Fargo, by year from 2007 to the present?

A.7.a.iii. Wells Fargo does not have a means to track accounts opened by students attending higher education institutions that have Campus Card contracts with Wells Fargo.

- Students may open accounts in any of our branches from coast-to-coast, and may or may not notify a banker of their status as a student or the school that they attend.
- Students may choose to open any of a number of Wells Fargo accounts and services that best meet their needs, further limiting Wells Fargo's opportunity to draw any conclusions about accounts held by students based solely on product type/name.
- Students may open their accounts long before enrolling in or attending a school with which Wells Fargo has a Campus Card contract, and the students may choose to participate in the Campus Card Program with their pre-existing accounts.
- Students may transfer into/out of institutions or graduate from institutions without notifying Wells Fargo.
- Institutions' faculty and staff may participate in Campus Card Programs, and may choose the same accounts that many students choose.

Q.7.b. According to a study by the Consumer Financial Protection Bureau, nearly 40 percent of individuals aged 18–25 incurred an overdraft, with 11 percent incurring more than 10 overdrafts on an annualized basis, making these young consumers, often college students, a lucrative segment for big banks.[10] What is the total amount of overdraft fees incurred by Wells Fargo student accounts, by year and by campus from 2007 to the present? By campus?

A.7.b. Wells Fargo does not have a means to track accounts opened by students attending higher education institutions that have Campus Card contracts with Wells Fargo.

- Students may open accounts in any of our branches from coast-to-coast, and may or may not notify a banker of their status as a student or the school that they attend.
- Students may choose to open any of a number of Wells Fargo accounts and services that best meet their needs, further limiting Wells Fargo's opportunity to draw any conclusions

[10] Consumer Financial Protection Bureau, *Data Point: Checking Account Overdraft* (July 2014) (online at *http://files.consumerfinance.gov/f/201407_cfpb_report_data-point_overdrafts.pdf*).

about accounts held by students based solely on product type/name.

- Students may open their accounts long before enrolling in or attending a school with which Wells Fargo has a Campus Card contract, and the students may choose to participate in the Campus Card Program with their pre-existing accounts.
- Students may transfer into/out of institutions or graduate from institutions without notifying Wells Fargo.
- Institutions' faculty and staff may participate in Campus Card Programs, and may choose the same accounts that many students choose.

Q.7.c. In 2013, the Consumer Financial Protection Bureau called on financial institutions to publicly disclose their secret contracts with colleges. Has Wells Fargo made these agreements available to students and their families on an easily accessible website? If so, where? If not, why not?

Q.7.c.i. Please provide all contracts with institutions of higher education to market accounts to students from 2007 to the present, including those agreements no longer in existence.

Q.7.c.–c.i. Campus banking agreements are subject to Department of Education rules requiring certain higher education institutions to make these agreements available to students and their families on easily accessible websites. Due to confidentiality provisions contained in some contracts with higher education institutions, Wells Fargo cannot release that information; only the educational institutions can. Alternatively, the Department of Education has published a database of such contracts, as self-reported by higher education institutions. That database is available at this website: *https://studentaid.ed.gov/sa/about/data-center/school/cash-management-contracts.*

Q.7.d. In the hearing, I raised concerns regarding cross-selling practices at Wells Fargo. These concerns are comparable to cross-selling issues that have been raised regarding the Wells Fargo Campus Card Program.

Q.7.d.i. Please provide all documentation regarding what policies and procedures are in place regarding cross-selling other products to Wells Fargo private student loan borrowers.

Q.7.d.ii. How many private student loan customers have signed up for other accounts at Wells Fargo since 2009?

Q.7.d.iii. For these accounts, what has been the total amount of fees related to other accounts charged to students who had Wells Fargo student loans?

Q.7.d.iv. What incentives were provided to Wells Fargo sales and marketing staff to cross-sell student loan borrowers into other Wells Fargo products? Please provide total amount of additional compensation paid to employees for cross-selling student loan borrowers.

A.7.d.i.–iv. For the period from January 1, 2009, through September 30, 2016, there were 570,510 customers that were first-time recipients of private student loans. Before opening their first student loan account, such customers had previously opened on

average approximately 1.6 bank products with Wells Fargo. Such private student loan customers as of September 30, 2016, had on average approximately 1.8 active bank products with Wells Fargo.

From January 2014 to September 2016, Loan Origination team members for the Education Financial Services ("EFS") line of business would refer student loan customers (students and co-signers) to a banker if the customer expressed an interest in other banking products and services. EFS Loan Origination team members were eligible for closed referral payouts for every qualified closed referral—$5 per closed referral in January 2014 and $10 per closed referral from February 2014 through September 2016—with a maximum monthly payout for all closed referrals of $150 in January 2014 and $140 from February 2014 through September 2016.

The total amount of banker referrals paid to EFS Loan Origination team members for closed/qualifying referrals from January 2014 through September 2016 was $95,135.

Q.7.e. The Wells Fargo student loan program offers different loan terms and interest rates for students at traditional colleges and universities (Wells Fargo Collegiate) than it does for students enrolled at career and community colleges, which have much higher interest rates. Please provide a detailed description of how the bank is pricing private student loans for students, including an explanation for why the bank charges career and community colleges higher interest rates.

Q.7.e.i. How many borrowers—by school—are in each of these student loan programs?

Q.7.e.ii. Please provide the aggregate demographic information of borrowers in each of these student loan programs, by school.

Q.7.e.iii. Please provide the average interest rate for borrowers in each of these student loan programs by FICO band.

A.7.e.i.–e.iii. Wells Fargo is proud to partner with students at thousands of institutions across the country. A customer receives an interest rate that corresponds with a variety of applicant-specific factors, institutional loss/delinquency rate data, and competitive market considerations.

The table below includes balance and rate information for Wells Fargo's active loan programs:

	Loan Counts	Loan Balance	Avg. Loan Balance	Avg. Variable Rate	Avg. Fixed Rate	Borrower Count
Total	876,769	$10,136,602,004	$11,561	6.43%	9.07%	543,860

Wells Fargo Student Loan Business Segment

Q.8.a. On August 22, 2016, Wells Fargo's student loan business—one of the biggest in the country—was fined by the Consumer Financial Protection Bureau for illegal student loan servicing practices. According to the consent order, Wells Fargo illegally hit borrowers with multiple late fees and engaged in wrongful conduct

related to credit reporting.[11] The Consumer Financial Protection Bureau warned about these practices in a detailed report in October 2013, noting that "too many borrowers have to run through an obstacle course to get their payments processed properly."[12]

Q.8.a.i. What was the total annual compensation for the officers of Wells Fargo Education Services' top 5 executives, including its head, John Rasmussen, from 2010 to the present? Please specify compensation by component (base salary, cash awards, equity awards, other deferred compensation, and other perquisites).

Q.8.a.ii. What remedial and corrective actions did the board of directors take to executives and employees engaged in the illegal student loan servicing conduct uncovered by the Consumer Financial Protection Bureau? How many executives and employees were sanctioned or terminated (please provide names and sanctions)?

Q.8.a.iii. Were any executives required to return any bonuses or cash awards? Please provide all meeting minutes of the board of directors and the management team related to these discussions.

A.8.a.i.–a.iii. The August 20, 2016, Consent Order issued by the Consumer Financial Protection Bureau covered certain legacy student loan servicing practices concerning (i) how payments were allocated across multiple loans (payment allocation), (ii) how partial payments were aggregated, and (iii) a systems programming error related to the assessment of late fees. The Consent Order requires a total amount of $410,000 of customer remediation for late fees assessed under the following scenarios:

- Payment allocation: Wells Fargo allocated payments sent in for less than the full amount due to pay a group of loans in a single account and in a manner the CFPB found as not for the greatest benefit of the customer. Wells Fargo amended its allocation practices in August 2012. Late fees will be refunded to customers.
- Payment aggregation: Wells Fargo did not aggregate some partial payments or overpayments paid within the same month or over multiple months when they collectively added up to a monthly payment. Wells Fargo automated the aggregation process in 2011 and eliminated the issue. Late fees will be refunded to customers. Additionally, we will make the appropriate credit bureau reporting adjustments.
- Late fees on payments made during the grace period: Wells Fargo identified a system coding error that resulted in a failure to waive late fees for some payments made on the last day of the payment grace period (*i.e.,* payments that constituted a full monthly payment). The system coding error was corrected in May 2013, and self-identified to the CFPB. Late fees will be refunded to customers.

The matters covered by the Consent Order were operational issues and a systems coding error. As the issues came to our

[11] Consumer Financial Protection Bureau, "CFPB Takes Action Against Wells Fargo for Illegal Student Loan Servicing" (August 22, 2016) (online at *http://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-wells-fargo-illegal-student-loan-servicing-practices/*).

[12] Consumer Financial Protection Bureau, "CFPB Report Highlights Private Student Loan Payment Processing Pitfalls" (October 16, 2013) (online at *http://www.consumerfinance.gov/about-us/newsroom/cfpb-report-highlights-private-student-loan-payment-processing-pitfalls/*).

attention, we took action to resolve them, in each case well before the CFPB issued its Consent Order. The Consent Order does not require any changes to Wells Fargo's current student loan servicing methodologies related to payment allocation and payment aggregation, or its approach to processing payments made during the grace period. Wells Fargo is enhancing billing statements, repayment schedules and borrower—facing Web pages to provide customers additional detail concerning its payment application and allocation methodologies, including with respect to partial payments.

Q.8.b. In 2012, the Consumer Financial Protection Bureau released a report detailing the deeply troubling practices by the private student loan industry, including aggressive direct marketing and subprime-style lending to students, many of whom took out high-cost loans before accessing Federal student aid. Many of these loans were not certified by the student's institutions of higher education.

Q.8.b.i. How many loans did Wells Fargo (or its acquired subsidiaries) make to private student loan borrowers that were not certified by the student's institution of higher education?

A.8.b.i. Wells Fargo is proud to partner with hundreds of thousands of students across the country and offer them valuable products they need, including educational loans. Since May of 2012, 100 percent of Wells Fargo's core undergraduate and graduate loans have required the school's certification as a condition of loan approval and funding. Wells Fargo continues to provide access to needed credit for student customers seeking to refinance/consolidate existing private student loans, to pay for bar exam study, to cover medical residency, or for similar purposes where a school certification is not applicable (*e.g.,* for customers that have graduated from school and are seeking to refinance existing private loans, the student is no longer enrolled). These specialty loan programs constitute less than 25 percent of Wells Fargo's annual private student loan business and less than 3 percent when excluding consolidation/refinancing of existing student loan debt.

Q.8.b.ii. What referral fees or bonuses did Wells Fargo pay to lenders and marketers who steered business to—or sold private student loans to—the bank?

A.8.b.ii. The sole private loan lead-referral arrangement with another organization is terminating at the end of November 2016. The terms of this contract are protected against disclosure by confidentiality provisions.

Q.8.b.iii. What incentives were provided to Wells Fargo sales and marketing staff to drive student loan volume? Please provide documentation on these incentive agreements from 2003–2015.

A.8.b.iii. For Wells Fargo's education loan division, overall compensation for team members is based on a blend of salary and variable compensation plans. Variable compensation plans are based on a balance of product acquisition goals, customer satisfaction goals, and compliance and quality goals.

Q.8.c. The Consumer Financial Protection Bureau has called on the private student loan industry to aggressively offer borrowers

loan modifications to reduce their principal and help struggling borrowers get back on track.

Q.8.c.i. How many private student loans has Wells Fargo provided principal reduction?

Q.8.c.ii. What is the total amount of principal forgiveness that has been provided?

Q.8.c.iii. What are the detailed criteria for loan modifications with principal reduction?

A.8.c.i.–iii. Wells Fargo's reliance on prudent underwriting requirements, designed to ensure that credit extensions are only made when supported by an ability to repay, facilitates access to credit within safety and soundness expectations of our prudential regulators. Our long-standing commitment to responsible underwriting has for many years translated into uninterrupted access to credit in support of access to higher education with very strong repayment performance within our overall private education loan portfolio.

Today, over 97 percent of our private education loan accounts that are in repayment are current, and our private education loan portfolio has reflected comparable delinquency management results for a number of years. Our servicing program also provides important tools and features to assist the very small percentage of customers who experience repayment difficulty, such as an extensive loan modification program, a long-standing loan refinancing option, and loan forgiveness in the event of the death or permanent/total disability of the student loan beneficiary.

Long-Term Repayment Options: Loan Modifications

For the small number of Wells Fargo private student loan customers experiencing serious financial hardship and who need assistance beyond short-term payment assistance options, Wells Fargo developed and introduced its Private Student Loan Modification Program in November 2014. The Wells Fargo student loan modification program provides financially distressed customers a modified, affordable monthly payment by reducing the private student loan interest rate to as low as 1 percent, and, only if "affordability" is not reached through interest rate reductions, by extending the loan term up to an additional 5 years. The reduced interest rate approach means that more of each payment that is made is applied toward the principal of the loan, more quickly reducing the debt load of the customer while providing a payment he or she can afford given her or his current situation. Loan modifications can cover from 1 to 5 years, depending on the individual circumstances of each customer. In accordance with safety and soundness guidance, Wells Fargo's student loan modification program does not include principal forgiveness as part of the solution for the customer because principal forgiveness for unsecured debts constitutes a settlement and therefore requires an accelerated payback of the remaining balance within a short term, negating the benefit of any initial payment reduction.

Details:

- Affordability is defined as reaching a prescribed payment-to-income (PTI) ratio based upon the total of our Wells Fargo private student loan payments as a percentage of the borrower's and/or cosigner's gross income. All liable parties on the loan(s) must be demonstrating a hardship for the loan to qualify for a modification. Liable parties must provide income documentation to verify their level of income prior to approval.
- Initial temporary modification periods cover 12 to 60 months depending upon the borrower's circumstances. After this initial period, the interest rate will begin to increase in steps every 6 months until a pre-determined final market-level interest rate is reached.
- A permanent modification, where the interest rate and payment will never increase, may be offered in cases where there is no expectation for increased future income.
- Loans may be current or delinquent to be eligible; however, if they are less than 60 days past due, the parties will need to meet the "Imminent Default" criteria to qualify. Examples of Imminent Default criteria are: 10 percent or greater reduction in income since time of origination, unexpected ongoing increases in household expenses >10 percent of income (not including debt payments), temporary disability, *etc.*

See the answer to Question 8, subpart (c)(iv) below for more detail.

Q.8.c.iv. Are loan modifications available to borrowers who are not yet in distress? If so, please provide the criteria for providing loan modifications.

A.8.c.iv. Customers seeking relief through our student loan modification program do not need to be delinquent to obtain payment relief. The borrowers and any cosigners present on the loan(s) in question, however, do need to be showing some level of distress. To be considered for a loan modification, the hardship the customer is experiencing must be 6 months or greater in duration. If it is less than that we have other short-term options to help them stay current on their loans. The criteria for determining a hardship are as follows:

- Loan(s) 60 days past due or greater qualify as being in a hardship.
- For loans less than 60 days past due, a hardship must meet one of the following Imminent Default criteria:
  - The combination of the change in income and change in Education Financial Services ("EFS") private student loan payment must exceed a specified percentage of current income.
    - Payment change would not include a private student loan account(s) coming out of a deferment.
    - If origination income for the liable parties is not available, then we will use the income from the prior 2 years to determine if any changes have occurred.
    - For student borrowers who are in their first 2 years of repayment, prior income is not considered in the Imminent

Default calculation as their income was not used for purposes of obtaining the loan.

- A documented, involuntary, unplanned increase in monthly living expense (this does not include debt obligation).
- Capacity to repay the current loan terms must be in question based on one or both of the following:
  - Exceeding a debt-to-income ratio threshold.
  - Gross residual income is less than the threshold.
  - Death of immediate family member, documented by:
    - Death certificate, or
    - Obituary or newspaper article reporting the death; and
    - Income documentation prior to the event compared to income documentation of the remaining borrower after the event.
- Long-term or permanent disability or illness of the borrower or cosigner or dependent family member (in accordance with the IRS's definition of dependent), documented by:
  - Medical bills, or
  - Proof of monthly insurance benefits or government assistance (if applicable), or
  - Tax return showing medical deductions above the minimum for itemized deductions.

    Note: If the "disability" is a total and permanent disability of the borrower that qualifies the loan for forgiveness under EFS's Death and Disability Forgiveness Policy, the loan will be processed in accordance with such Policy rather than considered under this Policy for a loan modification. Since 2010, Wells Fargo has forgiven over $47 million in private student loans due to the death or permanent/total disability of the student borrower/beneficiary. This loan forgiveness feature is part of the consumer credit agreement that we enter into with our customers, affording our customers a contractual right to this benefit. We also provide information about the availability of such loan forgiveness on our public website (for example, please see *https://www.wellsfargo.com/student/repay/*).
- Legally documented divorce or separation, documented by:
  - Divorce decree signed by the court, or
  - Current credit report evidencing recorded divorce decree, or
  - Separation agreement signed by the court if separation is legally documented by the court, or
  - Current credit report evidencing recorded separation agreement; and
  - Income or expense documentation prior to the event compared to the income or expense documentation of the remaining borrower after the event.
- Once a hardship is established either through the delinquency level or the Imminent Default criteria, we attempt to reach affordability for our customers by targeting payment-to-income

ratio thresholds as a percentage of gross income dependent upon the level of income.

Q.8.d. Until it sold much of its portfolio to Navient, another student loan giant, Wells Fargo owned billions of dollars in Government-guaranteed student loans and was one of the largest participants in the Federal Family Education Loan Program (FFELP).

Borrowers with FFELP loans are eligible for income-driven repayment loan modification plans to help them lower their monthly payments if they are struggling to repay their loans. Wells Fargo, in its role as a student loan servicer, was responsible for enrolling borrowers in these programs so they could avoid default.

Q.8.d.i. How many borrowers on Wells Fargo's FFELP portfolio have enrolled in income-driven repayment plans since 2009? Please specify enrollment by number of borrowers, number of loans, and total dollar amount by year, from 2009.

Q.8.d.ii. How many borrowers have defaulted on Wells Fargo's FFELP portfolio? Please specify defaults by number of borrowers, number of loans, and total dollar amount by year, from 2009?

Q.8.d.iii. Were any Wells Fargo executives or board provided executive performance bonuses conditioned on meeting certain income-driven repayment loan modification plan targets? If so, what?

A.8.d.i.–iii. After the sale of substantially all of its legacy Federal loan portfolios in 2014 and 2015, Wells Fargo has a very small remaining FFELP loan portfolio, which materially impacts the loan-default figures and enrollment figures in 2015/2016 compared to the figures for 2012, 2013, and 2014.

The table below contains information about Federal loan customers enrolled in income-based or income-sensitive repayment plans for calendar years 2012 through 2015. The data has two limitations: (1) a customer is only counted once even if she enrolled in income-based or income-sensitive repayment plans more than once in any particular year, and (2) a customer can be counted in more than 1 year if she was enrolled in income-based or income-sensitive repayment plans in multiple years.

Enrollment in income-based or income-sensitive repayment plans

Year	Balance	Loans	Borrowers
2012	$855,531,424	119,728	25,493
2013	$969,338,096	142,461	32,466
2014	$1,202,514,452	179,957	43,069
2015	$324,168,356	44,463	11,081
YTD 2016	$186,116,679	26,785	5,837

The table below contains Federal loan default data for calendar years 2012 through 2015. The data has two limitations. First, the

data captures the number and amount of loan(s) paid-off through the guaranty agency claim payment process, as of the date of claim payment, where the claim submission was based on "default" of the borrower. Second, the data does not include loans that may have defaulted but were not eligible for a claim payment because the loan lost the Federal guaranty due to an origination or servicing defect.

Federal loan-default data

Year	Avg. Balance	Default Balance	%	Avg. Loans	Default Loans	%	Avg. Borr.	Default Borr.	%
2012	$13,742,518,645	$718,306,184	5.23%	2,789,625	171,520	6.15%	977,867	57,885	5.92%
2013	$ 11,383,789,852	$615,607,040	5.41%	2,306,308	142,230	6.17%	811,769	47,952	5.91%
2014	$ 8,734,218,960	$485,172,039	5.55%	1,773,611	105,570	5.95%	622,650	35,157	5.65%
2015	$ 529,848,505	$ 14,550,262	2.75%	98,161	2,937	2.99%	29,111	875	3.01%
YTD 2016	$ 159,508,128	$ 2,205,121	1.38%	27,950	380	1.36%	6,469	126	1.95%

The nonmanagement members of the board of directors do not receive bonuses.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

Testimony of Khalid Taha
Before the Congressional Progressive Caucus
Briefing: "Banking on the Hard Sell"
June 10, 2016—2360 Rayburn HOB—10:00 a.m.

- My name is Khalid Taha, and I am a personal banker at a Wells Fargo in San Diego, California. When I came to the United States as a refugee, I had high hopes.

- After years of being torn by war, first in Iraq and then in Syria, my family and I moved to San Diego. I was just months away from graduating from a law degree when we came. Nonetheless, I was looking forward to a new start. I expected to find a good job in the United States, with good working conditions. But the reality I encountered was different.

- The unreasonable sales quotas at Wells Fargo have taken a huge toll on workers like me. The branch where I work is structured in such a way that we have to meet sales quotas every day. If I do not meet my sales goals I can get written up, and I risk being fired.

- This kind of pressure means bank employees must prioritize selling products, rather than just focusing on what best matches our customers' needs. On a daily basis, I have a quota of approximately 10 to 15 personal accounts, 2-3 new accounts, 2-3 credit cards and/or loans; and a daily referral to an insurance or mortgage.

- While working as a personal banker, I was being trained and working hard to be promoted to a Business Banker, and my supervisor encouraged me to take on both roles in order to get the promotion. This resulted in having two sets of sales goals that I had to meet, not only to show my manager I was qualified for the promotion, but to earn my commission and continue earn a living wage. I would work 12 hour shifts and would not take any breaks. Because of a strict policy that said employees could not eat at their desk, I sometimes wouldn't eat for hours.

- When I started to lose weight, and began noticing that my hair was falling out, I thought to myself that that this was just temporary, but the stress from work would keep me awake at night, and I began suffering from

exhaustion. After months of hard work, my manager ended up hiring a friend of his from outside the company for the business banker position. Meanwhile, I ended up in the emergency room as a result of my declining health. The hospital staff asked me if I was trying to commit suicide by starving myself to death. Since then, I continue to suffer from high blood pressure, insomnia, and anxiety, and I am only 28 years old.

- Not only is the sales goals structure hurting the lives of Wells Fargo's workers, they are hurting our customers as well. I would constantly have customers come in saying that they could not afford the monthly maintenance fees for their checking accounts because they were on a fixed income.

- Wells Fargo's solution is always focused on selling a new product, so the workers would be directed to tell the customer to open a Savings Account, so that they would not have to pay the maintenance fee for the checking account. However, if you do not maintain a $300 daily balance for your savings account, you will also be charged a maintenance fee, so customers would end up transferring money from their checking account to their savings account.

- Having less money in their checking accounts meant they were more likely to be hit with overdraft fees, which are $35.00 for each time you overdraft on your checking account. So, instead of helping lower income customers to avoid paying fees, Wells Fargo's insistence on selling new products ends up taking more money out of the customer's pocket.

- That's why last year I decided to join The Committee for Better Banks. At the committee I have met other workers who like me are fighting to improve our jobs and the banking industry.

Testimony of Julie Miller
Before the Congressional Progressive Caucus
Briefing: "Banking on the Hard Sell"
June 10, 2016—2360 Rayburn HOB—10:00 a.m.

Hello my name is Julie Miller. I'm very excited to be here to brief congress on the unethical sales practices that make banks incredibly profitable and hurt costumes and front-line bank workers.

I've worked in banking and banking related services for over 9 years. I currently run an insurance business with AllState but prior to that I worked in retail banking at Wachovia and Wells Fargo for 8 years.

I worked my way up through the ranks of Wachovia and Wells Fargo and ended my career in retail banking as the branch manager of a Wells Fargo in Macungie, PA. As a branch manager I have a unique perspective on how insidious the sales goals structure is in banking and how the pressure to sell at all costs comes from the upper levels of corporate and management. Most people myself including get into banking with the hopes of a stable job and the desire to help our customers build a sound financial future but high pressure sales just make that impossible.

As branch manager I was instructed by Wells Fargo to increase my branches sales 35% every year. My branch is not in a huge city or major metropolitan area there is a finite customer base. So where was that additional 35% supposed to come from, they only place it could come from was our existing customers which means selling them more and products.

I was told by Wells Fargo to make my personal bankers and tellers to sell sell sell, which often came at the cost of customer service and offering sound financial advice. Bankers would "churn" accounts, this is when you close accounts and open up new ones to manipulate the sales quota. Some bankers would open up multiple accounts for the same customer that weren't necessary, at times without the customer's consent. Every January Wells Fargo told us that we should require every employee to bring in 5 friends or family members to open up accounts, that sounds a lot like a pyramid scheme.

The sales goals set by Wells Fargo are out of reach, and just became more unobtainable year after year while salaries and bonuses went down. The sales goal structure and pay took a dramatic turn for the worst after the 2008 crash and Wachovia was bought by Wells Fargo. Bank workers feel the must do these types of things to keep their jobs, that allow many of them to just scrape by and corporate turns a blind

eye because their only concern is the bottom line. If the employees working under me didn't meet their goals it was three strikes and they are out. The extreme pressure bank workers are under takes a huge toll on their lives and health. I knew it wasn't right to push products on customers they neither needed or wanted so I stopped pressuring my employees to do so. Well Fargo came down very hard on me for not making my employees to sell and I was forced to take a leave of absence to mental health issues do to stress. Upon returning to work I was fired in violation of the family medical leave act.

I am testifying here to shed light on how banks are structured to make bank workers meet aggressive sales quotas every week/month. This is a great step. The public needs to hear what bank workers are going thru to meet their sales goals. Congress should hold big banks accountable and expand consumer protections while enhancing full transparency on the products being pushed by banks can strengthen integrity in our banking system.

Thank you so much for your time.

NELP NATIONAL EMPLOYMENT LAW PROJECT

REPORT | JUNE 2016

Banking on the Hard Sell:
Low Wages and Aggressive Sales Metrics Put Bank Workers and Customers at Risk

By Anastasia Christman

Executive Summary

In the aftermath of the Great Recession, regulators reined in damaging bank practices like those concerning mortgages and launched investigations of others such as overdraft fees. These new rules diminished the income streams from these practices. However, big banks continue to implement practices and policies that hurt customers and boost profits. Among these lucrative practices is the use of aggressive sales metrics and incentives programs to encourage front-line workers to push multiple banking "solutions," or products, on often unwitting customers. As each product comes with its own set of rules and fees, customers' financial standing can be damaged and their credit rating destroyed, and they can spend years paying for products they didn't really need. At the same time, workers laboring under these onerous quota systems experience hostile work conditions, excessive stress, and uncertain incomes that make caring for themselves and their families nearly impossible.

Banking on the Hard Sell incorporates information gleaned from class action lawsuits, landscape literature on banking practices, and interviews with dozens of workers employed by numerous banks in many positions to investigate the dangers of aggressive sales metrics to customers and workers alike. We find that workers suffer harassment and threats in order to make ever-changing over-aggressive quotas, and that low base wages mean they need to put their own financial interests above those of the customers. We note that at least one large U.S. bank, Amalgamated, does not use these types of quotas and that in other countries, agreements between bank workers and their employers ensure decent quality jobs and banking practices that put the customer first.

Key Findings

- Even six years after launching new consumer protections, the number of complaints to the federal Consumer Financial Protection Bureau (CFPB) concerning "Bank Account or Services" and "Debt Collection" continue to rise.
- Fees and service charges on deposit accounts, credit cards, and other products accounted for more than a quarter of revenues at one big bank, Wells Fargo, while "Commission and Incentive Compensation" expenses totaled only half of that windfall, meaning that the

employees who sell the products that bring in millions of dollars for their employer reap less than half the reward, with the banks pocketing the rest.

- Workers speak out:
  - A Maryland SunTrust worker says that "the goals are constantly shifting. If you don't hit your goal, it goes up 5 percent. If you do hit your goal, it goes up 10-15 percent."
  - A California teller recalled, "God forbid you went home without solutions. You could be subjected to ridicule for not meeting goals."
  - Several workers note that managers would look the other way when documentation verifying identity was lacking or when forms were turned in signed but not filled in.
  - Another worker with experience at both SunTrust and Bank of America recalled, "Managers really pushed me to ignore it when consumers say no."
  - One Minnesota U.S. Bank collections worker said, "There was a constant battle of how you do right for the customer without sacrificing, you know, not paying a light bill or having shoes for the kids going back to school. You can't make that sacrifice."
- Banks in other countries—often the same banks that operate in the United States—work with bank workers to establish codes of conduct regarding sales quotas that ensure business success while still protecting customers and ensuring decent working conditions.

Introduction

With news of the recession and the mortgage crisis largely pushed off the nation's front pages, big banks are no longer under so much public scrutiny nor the object of so much public disapproval. Meanwhile, they've been profiting in ways that hurt customers and their own employees alike. Bank employees walk a tightrope between offering customer service and financial advice and selling products to profit their employer, and the employer is the only one who benefits. Bank employees we interviewed reported high stress, mental distress, and physical ailments due to overwhelming pressure to sell banking products. One Bank of America worker, who ended up with an ulcer and vomiting blood after a dozen years in the industry, recalled a meeting when a coworker explained why he didn't offer to sell a product. "He said the account was overdrawn and the customer said she was out of work and had just lost her job," he remembered. "The manager told the worker that they should have offered a credit card because it's not our responsibility for them to pay the bill, just to make the sale."[1]

> "It's not our responsibility for [customers] to pay the bill, just to make the sale."
>
> —Bank of America manager to worker on pushing credit cards

In the recession's aftermath, regulatory agencies implemented new rules that cut into the cash streams created by subprime mortgages and massive overdraft charges, which fed big bank profit columns.[2] Yet, the country's biggest banks saw impressive profit gains in the years following the recession—impressive even as compared to the profit rates they enjoyed during the boom years leading up to it.[3] And while the big banks see some quarterly losses due to volatile market conditions, they report increased sales of credit cards and customer accounts.[4] They may report lower revenues in investment banking, but their consumer

banking businesses remain profitable, with Wells Fargo, Bank of America, and J.P. Morgan all seeing increases of 3 to 4 percent in the first three months of the year.[5] Overdraft fees at the 628 banks reporting to the Federal Financial Institutions Examination Council totaled $11.16 billion and accounted for 5.5 percent of their pre-tax profits.[6] In the first quarter of 2016, Bank of America issued about 1.2 million new credit cards, Wells Fargo reported a steady $459 billion in consumer loans, and Citibank saw a significant increase in its average card loans in North America.[7] Five years ago, a former Wall Street banker admitted that "the customer is simply an income stream and exploiting that is the purpose of the banking organization."[8] Last year, critics observed that Americans spent more on bank overdraft charges in 2013 ($32 billion) than what the country spends on fresh vegetables.[9]

Bank CEOs are reaping big rewards. Bank of America CEO Brian Moynihan will take home $16 million this year, a 23 percent raise from last year, while Michael Corbat of Citi received a 27 percent bump to $3.5 million and Jamie Dimon of J.P. Morgan received a whopping 35 percent raise. As *Fortune* magazine points out, the average bank CEO takes home approximately 455 times the average American worker's salary.[10] As big banks ring up profits off customer fees and monthly charges, front-line bank employees still labor under extreme pressure to push dangerous products on unwitting customers. Aggressive sales quotas rest on low employee wages and complicated commission and incentive programs, creating a moral dilemma for millions of low-wage hourly workers who must balance protecting customers' financial needs with meeting those of their own families. From numerous unnecessary credit cards, to multiple accounts and complicated financial tools they may not understand (each with its own set of fees and requirements), customers may find themselves struggling with unneeded products and unanticipated financial hardships as a result of these sales requirements. At the same time, bank workers suffer extreme stress in the workplace to meet these quotas and physical and mental problems at home trying to reconcile daily practices that feel unethical even if they are not, strictly speaking, illegal.

So long as individual workers, teams, branches, call centers, loan offices, and managers are all judged—and paid—based on their ability to meet onerous and ever-changing quotas, everyone suffers under this system. While the sales metrics systems remain in place for front-line workers—along with the accompanying bullying, threats of termination, and strong monetary incentives—there appears to be little indication that the big banks have set aside their view of customers as "simply an income stream" and workers as simply sales machines.

This paper reveals the responses to the sales quota system from workers themselves in the context of extensive literature on current consumer banking practices. Many of these critiques center on Wells Fargo which, as the defendant in several lawsuits, has been the subject of the most intense scrutiny. However, coupled with responses from bank workers from a variety of banks to a set of 75 informational interviews conducted in 18 different states, it becomes clear that Wells Fargo is not alone in implementing these policies. These workers, some current and some former bank employees, represent a variety of positions ranging from branch tellers to workers staffing collections call centers to branch managers. Taken together, their impressions about the dangers of the sales quota incentive systems in place in most big banks are troubling.

These testimonies highlight a variety of questionable sales tactics that workers are encouraged to use every day with banking customers and the harms they do to consumer finances and credit reports. It is critical for workers and customers alike that policymakers continue to reform the banking system and address these practices. In this paper, we suggest some examples from which U.S. policymakers might learn best practices.

Who Are the Bank Workers?

Roughly 1.7 million men and women work in retail banking, nearly half of whom are either bank tellers or customer service workers. They are overwhelmingly women (84.3 percent), and nearly one in three makes less than $15 an hour. Bank tellers, the single largest occupation within this category, have a median hourly wage of $12.44.[11] These wages have been stagnant for decades; the value of a teller's wages has been dropping since the 1970s.[12] With wages this low, it is little surprise that so many workers must fall back onto publicly funded safety net programs to support themselves and their families. In 2014, researchers at the University of California, Berkeley, found that nearly one-third of tellers' families were enrolled in one or more such programs (the Earned Income Tax Credit, Medicaid and/or CHIP healthcare programs, Supplemental Nutrition/Food Stamps, and TANF) at a public cost to taxpayers of nearly $900 million per year.[13] Thus it is also understandable that these workers would become concerned about and dependent on commission-based incentive pay offered on top of these wages for selling various banking products to customers.

The pressure to do so is extreme. According to recent studies, only about 13 percent of customer interactions with their bank involve entering a brick and mortar branch,[14] which can explain in part the extraordinary pressure workers in those locations feel to offer a long list of products to every customer who walks through the door. Workers in call centers staffing phones are presented with rigid scripts and quotas to close payment commitments on outstanding bills or to sell new financial products every few minutes. As one Wells Fargo branch operations manager recalled, "I practically chase customers out the door hawking unwanted credit and debit card accounts to a clientele hailing largely from African-American communities that have already been ravaged by foreclosure and predatory lending."

What Are the Bad Banking Practices and Policies?

Banks have long counted on various fees and charges on their customers to lift their bottom line. New regulations after the Great Recession cut into some of these income streams. For example, new rules implemented in 2010 made it difficult to change the order in which transactions were processed to maximize overdraft charges or impose fees on debit and automated-teller-machine transactions unless a customer actively opted to participate in overdraft protection programs.[15] By 2015, bank filings show this line item was 4 percent lower than the year before.[16] After these practices were publicized and the newly formed Consumer Financial Protection Bureau (CFPB) began investigating them, more big banks began voluntarily adopting fee disclosure forms. While workers report that sometimes these forms are not properly used and they are not encouraged to educate consumers, there has nonetheless been some measurable success in addressing these harmful practices.[17] As the Center for Responsible Lending pointed out, not only do abusive consumer banking practices

hurt customers' balance sheets, they also "crowd out better products by removing incentives for banks to offer lower-cost" options.[18]

This is why the perseverance of aggressive sales quotas and incentives programs at the nation's biggest banks is so disturbing. Without increased oversight and regulatory reform, these practices will continue to hurt workers and customers alike in order to boost the banks' bottom line. And customers are unhappy: complaints to the CFPB about "Bank Account or Services" have increased 34 percent from 2014-15 to 2015-16. In February of 2016, debt collection achieved the dubious distinction of being the single greatest source of complaints, constituting more than one-quarter of all complaints filed with the agency.[19]

Without enforced safeguards for customers, the banks have little incentive to stop these practices. As Wells Fargo assured shareholders, "Noninterest income was relatively stable in 2015 compared with a year ago, reflecting our ability to generate fee income despite fluctuations in market sensitive revenue."[20] Indeed, service charges on deposit accounts held steady at $5.17 million (6 percent of revenue), and card fees brought in another $3.7 million (4 percent of revenue). Other types of fees accounted for an additional $18.7 million (21 percent of revenue). At the same time, the line item for "Commission and Incentive Compensation" expenses totaled $10.4 million, meaning that the employees who sell the products that bring in millions of dollars for their employer aren't seeing the rewards in their paychecks.

Aggressive Sales Metrics Hurt Customers

In late 2013, the *Los Angeles Times* published the accounts of workers employed at Wells Fargo facilities across the country, revealing the aggressive sales quota systems in place there and the potential harms they caused to customers.[21] By spring of 2015, the Los Angeles City Attorney's Office had filed a lawsuit on behalf of California customers of the bank, alleging that the San Francisco–based bank was engaged in unfair business practices by misusing personal customer information without consent or even notification.[22] Six months later, *The Wall Street Journal* reported that the Office of the Comptroller of the Currency and the San Francisco Federal Reserve were also investigating the practices at Wells Fargo.[23]

The Los Angeles City Attorney's Office uses language in its filing that makes the severity with which they view the dangers of the sales quota system quite clear: words like "victimized," "pernicious," "unrealistic," and "fraudulent" indicate the dangers it sees for customers and the dilemma faced by workers. Based on information given by numerous employees, the suit characterizes the working conditions as "unrelenting pressure" and notes that managers "constantly hound, berate, demean and threaten employees to meet these unreachable quotas." It seeks a stop to the practices, financial restitution to the victims where appropriate, and civil penalties levied on the bank.

This effort is not the first in California to try to redress unfair banking practices that hurt customers, though it is the first attempt to directly take on the aggressive marketing of retail consumer debt vehicles by a big bank. In 2012, Los Angeles followed the example set in Cleveland, Boston, New York, Philadelphia, and Pittsburgh of responsible banking ordinances, building on Community Reinvestment Act laws, to ensure that banks that seek to manage public funds commit to fair lending and mortgage practices in underserved

communities.[24] And nationally, in 2010 federal regulators required that customers actively opt-in to overdraft protection programs and are currently investigating other practices designed to maximize overdraft charges.[25] Furthermore, the CFPB solicits information from current and former employees of financial institutions concerning consumer protection violations.[26] However, given the ubiquity of these sales programs not just at Wells Fargo but at all the big banks, the potential danger to the financial well-being of area families, and the challenges that low-wage workers face in standing up to the pressure to engage in unethical behavior, it is clear that stronger safeguards need to be in place regulating the use of sales quotas in retail banking. As one Los Angeles–based Wells Fargo personal banker stated, "Wells Fargo wants customers to succeed financially while ripping them off through overdraft and monthly fees, and all the other unnecessary products they were pushed to get in order to increase the monthly fees and interest."

"[The bank] wants customers to succeed financially while ripping them off through overdraft and monthly fees."
—Wells Fargo personal banker

In March of 2016 alone, almost one-fifth of the more than 115,000 California consumer complaints filed with the CFPB dealt with bank accounts or services, credit cards, or other financial services. If one assumes that at least some of the 16,000 credit reporting complaints and 28,000 debt collecting complaints also originated in unwanted products or services pushed to meet worker sales quotas, it becomes clear that these practices could create serious trouble for consumers.[27] And with 12,000 of the state's nearly 44,000 bank tellers, Los Angeles is the metropolitan area with the second-highest employment level in this occupation in the country (second only to the Greater New York City area), a significant number of workers laboring under stressful and troubling sales metric quotas.[28] Based on the information that has come to light about this element of routine banking practices since the responsible banking ordinance was last revised, the Los Angeles City Council needs to consider the dangers of aggressive sales quotas on its residents—retail banking customers and banking workers alike—and implement measures to safeguard against the unnecessary sale of banking products.

The California lawsuit is premised on the fact that practices come with numerous dangers for consumers. They may accrue fees for unknown accounts, and failing to pay them can result in accounts going to a collection agency. Unauthorized credit cards or other loans may negatively affect credit reports, making it difficult for consumers to qualify for purchases later. As one Rhode Island Bank of America worker observed, "Obviously, when you open a credit card that someone didn't want, it lowers their credit score. Closing an account can also lower your credit score. There's a lot of confusion it can cause; people can get all sorts of fees they don't understand." A lawsuit filed against Wells Fargo in Arizona alleges that as a direct result of sales metrics and quotas like the "Gr-Eight" program, bank employees opened multiple accounts for the plaintiff without her knowledge, and that as a result of fees accruing on these accounts, her information was sent to collection agencies.[29]

Customers suffer when banks disapprove of their financial behavior. As the National Consumer Law Center points out, the majority of negative reports filed on consumers with bank-account consumer-reporting-agency databases are based on "account abuse" related to overdrafts.[30] However, given the practices laid out here, allegations of these consumer abuses must be taken with a grain of salt because some customers may not even be aware of these accounts. Further, the fact that these reporting agencies are frequently owned by the same big banks that sell unneeded and unwanted banking products to consumers is simply adding insult to injury. Recognizing the financial repercussions of a single bad consumer banking report, the New York attorney general negotiated deals with big banks like Citigroup, Capital One, and Santander to stop using the largest of these screening companies, ChexSystems, which reported only negative information on those seeking to open bank accounts.[31]

Shopping for a bank account can be difficult for any customer, and even legally mandated consumer information can be hard to come by and confusing, with disclosure forms running into the dozens of pages.[32] The Wells Fargo "Vision and Values" pamphlet addresses this issue when it states that the bank's "customers trust us as their financial resource."[33] But numerous workers we interviewed expressed frustration at the speed with which they had to serve customers in order to make their quotas, often skipping clarifying questions or ensuring customers understood disclosure forms before signing them. Customers talk to bank employees expecting help and informed advice about financial products, but workers need to encourage consumers to sign up for as many products as possible—regardless of their applicability—in order to pay their own bills or even to keep their jobs.

Largest Consumer Banking Screening Companies and Their Relationships to Big Banks

Check and Bank Screening Company	Affiliated Companies	Nature of Relationship and History of Bad Behavior
Certegy Check Services	Fidelity National Information Services, Inc. (*FNIS performs a variety of services for leading U.S. banks, including deposit and lending systems, mobile and e-banking systems, branch automation, electronic funds transfer, and it issues credit cards and prepaid cards.*)	Owned by the FNIS subsidiary eFunds. In 2013, Certegy paid $3.5 million to settle a Federal Trade Commission charge that it violated the Fair Credit Reporting Act.
ChexSystems	Fidelity National Information Services, Inc.	Owned by the FNIS subsidiary eFunds. ChexSystems is the country's largest consumer banking screening agency; subscribers include Bank of America, JP Morgan Chase, Citibank, and Wells Fargo.
Early Warning Services	Bank of America, BB&T, Capital One, JPMorgan Chase, and Wells Fargo	Co-owned. Told *The New York Times* that approximately 80 percent of the largest American banks subscribe to its deposit-check service. ("Over a Million Are Denied Bank Accounts for Past Errors," *New York Times,* July 30, 2013.)
TeleCheck Services	First Data Corporation. (*First Data, a spin-off from American Express, handles e-commerce services including bank transactions and credit and debit card issuing and processing. It runs the STAR network that links ATM machines across numerous banking systems. Its CEO is Frank Bisignano, formerly the COO of JP Morgan Chase.*)	Wholly owned subsidiary. TeleCheck and its affiliate TRS Recovery Services, a debt collection company, settled with the Federal Trade Commission in 2014 for violations of the Federal Credit Reporting Act.

The Structure of Abusive Sales Metric Systems

As Wells Fargo explains to shareholders, they use "cross-sell metrics" to determine how well they are serving their customers. However, they note, products that qualify for inclusion in the retail household cross-sell metrics must "have the potential for revenue generation and long-term viability." Thus, the types of baseline banking products that most customers would request, including ATM cards, online banking, and direct deposit, are not included in the metrics.[34] Instead, the bank counts only products such as credit cards, debit cards, auto and student loans, mortgages, and home equity loans. For 2015, Wells Fargo's household cross-sell was 6.11, or just over six banking products on average per accountholder address.[35] A company pamphlet on vision and values states a desire to increase this number: "We want to get to eight...and beyond."[36]

To fulfill these kinds of growth plans, banks need to implement aggressive sales quotas at numerous levels: for the company overall, regionally, by location, and for each individual worker. Employees at every level explain extreme pressure to meet these goals, which often change and are sometimes not revealed to the workers in a timely manner. As one former manager for a Santander branch explains, goals for each employee of his facility came pre-packaged from the regional branch with a rate that was "always almost impossible, but always increasing."[37] A Wells Fargo personal banker told *The Wall Street Journal* that his branch has daily and hourly goals set by the company, which changed based on the season.[38]

Workers are enticed to meet their daily quota with a reward system that attaches value to each "solution" or product the worker sells to a customer, sometimes in the form of points that lead toward a set commission and sometimes as a dollar value. While the Wells Fargo "Gr-Eight" program, which set the goal of eight banking products per household, has come under the greatest public scrutiny, other banks have similar systems to compel front-line workers to push products such as "the Hustle" (or HSSL: High Speed Swim Lane) program at Countrywide (later a subsidiary of the Bank of America), which compensated employees solely on the volume of mortgage loans they originated and resulted in a $1.27 billion settlement.[39]

Quota "Lingo"

The culture of constant cross-selling and sales metrics comes with its own special vocabulary.[40]

Solutions: Blanket term for those financial products that qualify for incentive points, including student loans, car loans, credit cards, additional accounts, automatic overdraft protection, or "express send" for overseas money transfers. While the term "solutions" implies a clearly stated problem, often customers were not aware they were receiving these products or that they were optional.

Sandbagging: Because sales goals are often pinned to a particular reporting periods or special targeted days, bank workers might hold off processing a new account application until it can count toward that date without the customer's knowledge. (Often in connection with named sales promotions such as "Jump Into January," during which quotas at Wells Fargo were increased dramatically with hopes for impressive numbers for first quarter shareholder reports.)

Bundling: In order to make sales goals, bank workers might imply—or even explicitly claim—that some products were only available when combined with other ones, compelling customers to take on accounts or credit cards they did not want in order to get those they did. (Also known as "Packed Accounts.")

Pinning: A lawsuit filed by the Los Angeles City Attorney against Wells Fargo alleges that employees would at times assign a Personal Identification Number (PIN) code to new ATM cards in order to later enroll the customers in online services without their consent.

Gypsy Accounts: Accounts opened in order to make a sales quota, but with the intention of soon closing them, and often containing only a few dollars.

Tapped Out: The condition of a bank employee's family after that worker has asked them to open new accounts or take on new credit cards in order to help him or her achieve sales quotas.

Gaming: Opening accounts fraudulently by omitting signatures, adding secondary accounts without permission, or misrepresenting costs or benefits to customers.

Sales Quotas Are Ever-Changing and Unpredictable

Workers at many levels within the banks report that they struggle to meet their sales goals often without even knowing what those goals are for a given period.

- One Bankruptcy Relationship Manager at U.S. Bank said in late 2015 that her employer was "getting ready to change the bonus structure AGAIN in January," even though she did not know even at that late date what her current quota numbers were.
- A Maryland SunTrust worker says that "the goals are constantly shifting. If you don't hit your goal, it goes up 5 percent. If you do hit your goal, it goes up 10-15 percent."
- A collections worker at U.S. Bank observed, "The goals for bonuses are never announced in advance, so it's hard to know from month to month" what expectations are, while another elaborated that because goals were routinely not released until the 10th or 15th of the month, they were largely unattainable.
- Another U.S. Bank collections worker stated, "It's really hard to do a budget when I don't know what the bonus is even going to be until halfway through the next month. I wish they'd be more transparent."
- Managers, too, feel the pressure of these individual goals for tellers and personal bankers. One Wells Fargo manager said that while he was responsible "on paper" for making sure that each employee he oversaw met their expected goals, "off paper the expectation is that as a manager it all falls on your shoulders." A long-time Santander branch manager said that if an employee leaves before a full year on the job, the manager's own incentive pay was affected.

Quotas Pit Workers Against One Another and Create a Hostile Work Environment

According to workers, failure to meet one's sales quotas doesn't only come with financial repercussions in the form of lost incentive pay. Workers are also publicly mocked and threatened in front of their peers.

- The lawsuit filed against Wells Fargo in California alleges, "Managers constantly harass, berate, demean, and threaten employees to meet these unreachable quotas." A Wells Fargo employee cited in the complaint relates that if an employee failed to meet his or her quota, they were threatened or embarrassed during morning meetings. A Bank of America customer service representative wrote an op-ed in which he referred to "Hunger Games" scheduling, in which the most convenient or desirable work shifts were allocated after workers submit "bids" based on their quota incentive points, pitting workers with child care needs against those with transportation challenges. As he noted, "Here, our time rather than a bonus or promotion opportunity, is the prize."[41]
- A former teller at Wells Fargo revealed of management, "They would put everyone's metrics up in the break room."
- A California teller recalled, "God forbid you went home without solutions. You could be subjected to ridicule for not meeting goals."
- A branch manager explained that he was expected to hover behind employees during each conversation with a customer, and to draw the employee away mid-transaction if necessary to remind him or her to offer another product or ask why they were not doing so. "This was so terrorizing, it was unbelievable."
- A Los Angeles personal banker stated, "Entry-level Wells Fargo employees are being treated like hostages. We lack the job security and a healthy environment for work that is not stress, discrimination, or harassment free"

Sales Pressures Hurt Workers and Their Families

Workers laboring under these high-pressure incentive programs bring their work home with them. Many report suffering physical manifestations and ailments as a result of their stressful workplaces, and they struggle to make ends meet and care for their families on their low wages. In numerous cases, managers encourage them to pursue sales opportunities among family and friends in order to hit their goals.

- Workers open accounts that family members don't need just to make their numbers. One manager in Florida with experience at both Bank of America and Wells Fargo said that she opened an account for her daughter that she knew they would soon close, and that one of her bankers opened an account for each of his 11 grandchildren just to make quota numbers.
- Another teller in Florida admitted that she enrolled her sister for a credit card that the sister did not really understand. "She maxed it out, and she still has that maxed-out credit card 10 years later."
- Upon being asked if he made a living wage, one former Bank of America personal banker replied, "Oh gosh no. Food for my son was really hard. He's 12. I couldn't put him in any extracurricular activities."
- One Minnesota U.S. Bank collections worker said, "There was a constant battle of how you do right for the customer without sacrificing, you know, not paying a light bill or having shoes for the kids going back to school. You can't make that sacrifice."
- A Rhode Island call-center worker said, "I used to cry every day. Eventually, I learned how to compartmentalize."

To Meet Sales Expectations, Workers Must Weigh Their Interests Against Customer Interests

While many workers say they enjoy helping people and working in a customer service role, they find that these functions too often have to take a back seat to moving various banking "solutions" in order to meet their goals and earn critical incentive pay.

- A call-center worker alleges that her manager told her to keep numbers on call lists even after customers ask for their removal, and when she questioned whether that was a violation of the Fair Debt Collection Practices Act, she was written up.
- Several workers note that managers would look the other way when documentation verifying identity was lacking or when forms were turned in signed but not filled in.
- A former personal banker admitted, "I had never in my life been the sort of person to see dollar signs when people walk in. I always liked building relationships. But these inane goals really affected how I saw them. I didn't think about meeting their needs, I thought about how can I meet my goals."
- One Florida personal banker with Bank of America admitted, "I had days that even though I tried really hard, I couldn't sell, and that's very scary. It's not a financial service position, it's a sales position. And that means it's not about the customer."
- A Rhode Island Bank of America service specialist recalled, "If someone's getting married, tell them to get a credit card. Any life event that happened, you were supposed to say 'get a credit card for it.' If you heard kids in the background, the answer was a credit card."
- A former Pennsylvania Wells Fargo branch manager admitted that some tellers would "churn," or open new accounts for current customers, but manipulate the recording of the transaction to make it appear that new accounts were being opened, and that sometimes second or third accounts were being opened for customers without their approval.

Workers Have No Viable Avenue for Reporting Unethical or Illegal Policies

Workers frequently express discomfort with the tactics they must use to sell bank products, but find little redress when they go to managers with their concerns. In fact, in most cases, workers say that their managers are already aware of the practices in their branches and even encourage them.

- A Minnesota worker says he had at least two conversations with his manager about unrealistic sales goals and was told, "What do you want me to do, brother? My hands are tied and I just do what they tell me to do."
- A Chase Bank sales and service associate noted that "the managers were the ones who told us to push the products."
- A U.S. Bank collections worker couldn't share concerns with management because "they created an environment to get the payment, no matter how long it takes."

Another worker with experience at both SunTrust and Bank of America recalled, "Managers really pushed me to ignore it when consumers say no."

Workers Can Be Part of the Solution

There is nothing inherently wrong with businesses setting goals, establishing benchmarks, and encouraging all employees to help make the business successful. But the current structure of the quota system within the country's big banks bends those practices into a set of internal policies that benefit bank CEOs and shareholders, but are bad for nearly everyone else. This does not have to be the case. Amalgamated Bank, whose employees are unionized, recently signed a contract that ensured all its bank workers will earn a starting wage of at least $15 per hour, which gives them some ability to plan family budgets and care for themselves and their children. These men and women do not depend on sales incentives or rewards to make ends meet; in fact, while the bank does set goals for its branches, it does so with the best interests of the customer first and foremost and does not mandate individual goals nor offer individual rewards.[42]

There are also examples in other countries of codes of conduct that address the issue of over-aggressive sales quotas and incentives plans. The Finance Sector division of UNI, the global union organization, works with financial regulators and banking leaders in the European Union to protect worker interests, including ensuring that "the use of sales targets should be limited in order to avoid conflicts of interests and to reduce pressure on employees."[43] In 2010, after workers employed by financial companies across the globe shared their stories about aggressive sales practices, UNI Finance adopted a Model Charter on Responsible Sales of Financial Products. Recognizing that customers depend on bank employees for responsible advice and aid in their financial dealings, the Charter calls for realistic, fair, and transparent incentive systems for employees and states that rewards should be given for good customer service and qualified advice, not for selling specific products.[44] Furthermore, UNI Finance Sector worked to get whistleblower protections written into compulsory financial regulations adopted by the European Commission, giving concerned banking employees a process by which to alert lawmakers if their employer asks them to engage in unethical behaviors on the job.[45]

Additionally, in Brazil after a 2014 industry-wide strike, workers at numerous private and public banks won a pay raise and language addressing sales practices in that country.[46]

Santander Bank—one of the banks operating in the United States using aggressive sales metrics in its branches, according to workers interviewed for this report—has an agreement with its workers there that addresses many of the abuses reported by workers in this country. Managers are prohibited from publicly posting employees' rankings and from mocking workers who are not meeting their goals. They are encouraged to tailor sales offers to the needs and financial capacity of each banking customer and to ensure customers understand all the conditions attached to products before employees close the sale.[47] In Denmark and Finland, UNI reports that sales targets are set after consultation and negotiation with worker-led bodies and that targets are linked to customer service.[48]

The majority of bank and finance sector workers around the world, including those employed by U.S. banks operating in other countries, are union members who are covered by collective bargaining agreements. Finance workers who have a voice on the job and whose fundamental rights are protected through collective agreements can be instrumental in mitigating abusive labor practices that can lead to customer harm. When workers are empowered inside the workplace they have the ability to ensure, on a day-to-day basis, that customer interactions are not tied to excessive goals accompanied by the threat of loss of incentive pay, discipline, or termination. Through collective bargaining, they can implement methods that ensure that interactions with customers focus on meeting financial service needs and uphold high standards of ethical sales practices.

Less than a decade ago, poor practices and the pursuit of consumer-generated revenue by the big banks triggered the worst recession this country had seen in generations. Policymakers addressed some of those practices, but in the process, banks developed a policy of replacing some of those revenue streams with fees and penalties generated by multiple accounts and banking products. In order to generate these profits, low-wage front-line workers must engage in sales tactics that range from the uncomfortable and unethical to some that border on illegality. It is time for policymakers to support front-line workers who suffer under these systems and to continue the task of cleaning up the financial services industry and protecting consumers by crafting new regulations to cease these practices.

Endnotes

1 This and other worker quotes from our interviews are published here without identifying information in order to protect the worker from retribution or reprimand for speaking about their sales metrics or the workplace culture in which they work. Copies of interview sheets are on file with NELP.

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