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AN EXAMINATION OF WELLS FARGO'S SALES PRACTICES AND MANAGEMENT AND BOARD OVERSIGHT

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INTRODUCTION

On September 8, 2016, the Consumer Financial Protection Bureau (CFPB), Office of the Comptroller of the Currency (OCC), and Office of Los Angeles City Attorney Mike Feuer announced they had entered into separate regulatory settlements with Wells Fargo Bank, N.A., in connection with Wells Fargo's illegal practice of opening deposit and credit card accounts that has not been requested or authorized by their accountholders. As a condition of these settlements, Wells Fargo agreed to pay full restitution to customers who had unauthorized accounts opened in their names, hire an independent consultant to conduct a thorough review of its procedures, and pay a \$100 million fine to the CFPB's Civil Penalty Fund, \$50 million fine to the City and County of Los Angeles, and \$35 million fine to the OCC. In November, 2016, the OCC modified its settlement agreement with Wells Fargo and announced it would require the bank to obtain OCC's approval before changing any of its directors or senior executive officers or authorizing any golden parachute payments for these individuals.

The September, 2016 settlement agreements referenced above brought to light activities that had been allowed to go on at the bank at least as far back as 2011, and possibly earlier. According to Wells Fargo on the basis of an analysis performed by Pricewaterhouse Coopers (PwC), Wells Fargo employees opened as many as 1.5 million checking and savings accounts and as many as 565,000 credit card accounts that may not have been requested or authorized by their accountholders. The distribution of these accounts by state is shown on Table 1.

Table 1. Potentially Unauthorized Accounts By State¹

State	Number of Potentially Unauthorized Deposit and Credit Card Accounts Opened
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

¹ Source: Wells Fargo's written response to the U.S. Senate Committee on Banking, Housing, and Urban Affairs, pages 88-89.

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State	Number of Potentially Unauthorized Deposit and Credit Card Accounts Opened
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
Texas	149,857
Utah	41,686
Vermont	144
Virginia	41,703
Washington	38,861
Washington, D.C.	2,433
West Virginia	341
Wisconsin	8,922
Wyoming	2,317

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Although many of these checking and savings accounts were automatically closed by Wells Fargo when they were not funded by their accountholders, and many of these credit card accounts were automatically closed by Wells Fargo when their account holders failed to activate the cards, at least 115,000 of these potentially unauthorized accounts remained open long enough to trigger fees, which were charged to the people in whose names the accounts were opened. According to Wells Fargo, accounts for which PwC could find no clear evidence of customer authorization racked up \$2.6 million in fees during the 2001 to 2015 time period examined.

On November 28, 2016, the California Senate Banking and Financial Institutions Committee will convene an oversight hearing to highlight new information that has come to light since the September settlement agreements were announced and identify key questions that remain unanswered about Wells Fargo's actions. A significant amount of this new information is contained in Appendix A, which includes responses provided by Wells Fargo to a series of questions posed by Chairman Glazer, and Appendix B, which includes responses provided by Wells Fargo to a series of questions posed by members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs.

WHEN WAS WELLS FARGO'S WRONGDOING DISCOVERED, BY WHOM, AND HOW WAS IT ALLOWED TO CONTINUE FOR YEARS?

Definitive answers to these and related questions are the subject of ongoing investigations and may not be known for quite some time. However, the testimony of ex-Chairman and Chief Executive Officer (CEO) John Stumpf before the U.S. Senate Committee on Banking, Housing and Urban Affairs², and a written response provided by Wells Fargo to members of that U.S. committee and to the California Senate Banking and Financial Institutions Committee on November 18, 2016 (see Appendix B), help shine light on some of these questions.

Wells Fargo's simplest answer provides context for the more detailed responses that follow: "This was a problem of focus. While information related to sales-practice problems existed prior to 2013, it was believed that the problem was more isolated than it actually was. We were wrong."³

Mr. Stumpf's written testimony and Wells Fargo's written response to the U.S. Senate Committee provide more detail on when the problems first came to light and on how Wells Fargo responded to them. For example, on September 20, 2016, John Stumpf testified before Congress that "our efforts to detect and deter unethical conduct have progressively evolved over the last five years. They were put in place out of concerns that some employees were not doing what was right for customers and were providing products to customers they did not want. For example, in 2011, we piloted our Quality-of-Sale Report Card in California, and it was implemented in 2012 across retail banking. The Quality-of-Sale Report Card was designed to,

² <http://www.banking.senate.gov/public/index.cfm/2016/9/an-examination-of-wells-fargo-s-unauthorized-accounts-and-the-regulatory-response>

³ Wells Fargo's written response to the U.S. Senate Committee on Banking, Housing, and Urban Affairs, page 43.

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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 2011, 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% 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.”⁴

Further detail is found in Wells Fargo's November, 2016 follow-up responses to the U.S. Senate Committee:⁵ “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.

⁴ Written testimony of John Stumpf before the U.S. Senate Committee on Banking, Housing, and Urban Affairs, page 2.

⁵ Wells Fargo's written response to the U.S. Senate Committee on Banking, Housing, and Urban Affairs, page 73.

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“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.”⁶

WHEN DID JOHN STUMPF, CARRIE TOLSTEDT, AND THE BOARD OF DIRECTORS LEARN OF THE WRONGDOING?

According to Wells Fargo, “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.”⁷

Further, “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. 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.”⁸

Finally, “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

⁶ Ibid.

⁷ Id., page 30.

⁸ Id., pages 25 and 76.

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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.”⁹

WHO HAS BEEN HELD ACCOUNTABLE FOR THE WRONGDOING?

Non-Executive Level Employees: Between 2011 and 2015, Wells Fargo terminated 5,367 employees for engaging in unethical sales practices. Approximately 1,000 employees were terminated each year, a number that represents approximately 1% of Wells Fargo's total population of Community Banking team members.¹⁰ According to a response provided by Wells Fargo to Chairman Glazer on October 29, 2016 (see Appendix A), “Approximately 65% of the terminated team members were in Personal Banker positions or functionally similar roles and 17% were in Teller positions or functionally similar roles. Over 480 managers were terminated. Most of those were Store Managers, but five District Managers and one Area President – none of whom worked in California – were also terminated. A total of 1,421 team members were terminated for sales-practice violations in California, comprising about 26% of the 5,367 terminations for sales-practice violations made nationwide.”

All of the terminated individuals were employed in Wells Fargo's Community Banking Division. When asked by members of the U.S. Senate Committee on Banking, Housing and Urban Affairs if Wells Fargo was confident that the wrongdoing was limited to the Community Banking Division, Wells Fargo responded, “We believe that the activity at issue here was limited to certain team members within the Community Banking Division.”¹¹

The following table, excerpted from Wells Fargo's response to the U.S. Senate Committee on Banking, Housing, and Urban Affairs, illustrates Wells Fargo's Regional Bank job classifications as of 2015 and is intended to help give context to the job classifications cited by Wells Fargo in its response to Chairman Glazer.¹²

Job Title	Median Full-Time Equivalent Base Pay
Teller	\$26,187
Customer Sales and Service Representative	\$31,533
Personal Banker	\$38,501
Service Manager	\$42,848

⁹ Id., page 54.

¹⁰ Id., page 32.

¹¹ Id., pages 74-75.

¹² Id., pages 1-2.

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Job Title	Median Full-Time Equivalent Base Pay
Business Banking Specialist	\$49,358
Store Manager	\$65,012
Private Banker	\$70,013
District Manager	\$119,995

Executives: On September 27, 2016, Wells Fargo announced that its Board was initiating an investigation into Wells Fargo's retail banking practices and related matters. According to the press release that accompanied the announcement, "A Special Committee of Independent Directors will lead the investigation, working with the Board's Human Resources Committee and independent counsel Shearman & Sterling LLP. Chairman and CEO John Stumpf, a member of the Board, has recused himself from all matters related to the Independent Directors' investigation and deliberations.

"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 based on today's closing share price, and that he will forgo his salary during the pendency of the investigation. In addition, he will not receive a bonus for 2016. Carrie Tolstedt, until recently Head of Community Banking, has left the Company, and the Independent Directors have determined that she will forfeit all of her outstanding unvested equity awards, valued at approximately \$19 million based on today's closing share price. 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."¹³

On October 12, 2016, John Stumpf, who had been named CEO of Wells Fargo in June 2007 and took on the additional role of Chairman of the Board of Directors in January 2010, announced his retirement, effective immediately. He was replaced as CEO by Tim Sloan, who first joined Wells Fargo in 1987 and rose to President in November, 2015.¹⁴

WHY DID WELLS FARGO'S EMPLOYEES CREATE UNAUTHORIZED ACCOUNTS?

To date, Wells Fargo has not provided a definitive answer to this question. Both this Committee and members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs have posed several questions to Wells Fargo intended to better understand its incentive compensation schedules and how those schedules changed over time. Questions have also been posed

¹³ https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927

¹⁴ <https://www.wellsfargo.com/about/corporate/governance/sloan/>

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regarding the extent to which former employees may have been threatened with the loss of their jobs for failing to meet sales targets. Key information gained through those inquiries is summarized below and included in the appendices to this background paper. However, at the present time, it remains unclear how these incentives may have affected the behavior of the employees who engaged in the wrongdoing that is the subject of this oversight hearing and the ongoing investigations.

Incentive Compensation Practices

Lower-level Employees: "The actual incentive payouts based on sales-performance objectives (distinct from service and other performance objectives) declined from 2011 to 2015. The median incentive paid as a percentage of total salary for sales-related objectives for tellers, for example, declined from 4.6% in 2011 to 0.9% in 2015. Historically, the target incentive opportunity for overall performance objectives was approximately 3% of base compensation for tellers and approximately 10% of base compensation for personal bankers. All incentive plans were capped."¹⁵

Higher-level Employees: "Prior to our elimination of product sales goals, Regional Bank store managers in our retail branches earned incentive compensation based in part on the store's performance relative to store goals. If a particular store met its sales goal, the store manager would have been eligible for bonus compensation. The store manager would have been eligible for additional bonus compensation for exceeding the goal at various levels. For the purposes of context, between 2011 and 2014, the median incentive payout as a percentage of total salary earned by store managers based on sales-related performance objectives (versus incentive opportunities provided for service and other performance objectives) declined from 8.5% in 2011 to 4.0% in 2014. The median payout earned by district managers, who supervise store managers, also declined between 2011 and 2014, from 13.1% to 3.0%."¹⁶

Terminated Employees: "The average incentive compensation (sales and service-related) for the terminated team members was 3.3% 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."¹⁷

Incentive Compensation Offered in Wells Fargo's Other Divisions: Several business groups outside of Wells Fargo's Community Banking Division also offer incentive compensation plans to some of their team members. These groups include consumer lending, wealth and investment management, wholesale bank, insurance, and capital finance. Although Wells Fargo has discontinued sales-based incentive compensation within its Community Banking Division, it has not done so in any of the other divisions where incentives can be earned based on sales. According to the bank, "None of our incentive plans currently have minimum product-specific

¹⁵ Wells Fargo's written response to the U.S. Senate Committee on Banking, Housing, and Urban Affairs page 33.

¹⁶ Id., page 87.

¹⁷ Id., page 45.

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sales goals as a condition of eligibility for an incentive, but many of our plans have minimum revenue or volume production thresholds that must be met to qualify for an incentive. While some of these plans use production thresholds, many are predominately commission-based and have no product, revenue, or volume goals of 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.”¹⁸

Punishment for Failing to Meet Product Sales Goals

“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.”¹⁹

WHAT HAS WELLS FARGO DONE TO REMEDIATE THE DAMAGE AND PREVENT THE PROBLEM FROM REOCCURRING?

In connection the settlement agreements Wells Fargo reached with the CFPB, OCC, and LA City Attorney’s Office, Wells Fargo has refunded all \$2.6 million in fees it assessed on customers whose accounts may have been unauthorized. The company is also working to help identify customers who may have been harmed as a result of having unauthorized credit cards opened in their names.

According to Wells Fargo, “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.”²⁰

Wells Fargo has also taken a series of initial steps, pending the completion of the Independent Directors’ investigation into its sales practices. For example, Wells Fargo has eliminated product sales goals for retail bankers, branch managers, and district managers in its Community Banking division, effective October 1, 2016. It has also begun contacting accountholders, whenever it opens a new checking, savings, or credit card account in their name.

¹⁸ Id., pages 7-8.

¹⁹ Id., page 32.

²⁰ Id., page 92.

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ONGOING REGULATORY INVESTIGATIONS

In the weeks following the September, 2016 announcement Wells Fargo's settlements with the CFPB, OCC, and LA City Attorney, additional investigations into Wells Fargo were reported by the press. Among those reportedly investigating the bank include the United States Department of Justice; several state Attorneys General, including California Attorney General Kamala Harris; and the Securities and Exchange Commission. Details of these investigations are unavailable, due to their pending nature.

APPENDIX A

**WELLS FARGO'S WRITTEN RESPONSES TO
QUESTIONS POSED BY SENATOR STEVEN GLAZER,
CHAIRMAN OF THE CALIFORNIA SENATE BANKING
AND FINANCIAL INSTITUTIONS COMMITTEE**

Provided on October 29, November 6, and November 22, 2016

ANSWERS PROVIDED BY WELLS FARGO ON OCTOBER 29, 2016

Questions from California Senate Banking and Financial Institutions Committee:

1) Incentive compensation schedules:

a. Can we get comp schedules for 2009, 2011, 2013, and 2015?

Response: Below is a chart that identifies the primary positions in the Regional Bank, which is a line of business within the Community Banking division. It provides each position's median Full Time Equivalent (FTE) annual base pay for 2015. In addition, all team members classified as regular or part-time (i.e., those who are regularly scheduled to work 17.5 hours or more per week) are eligible for Wells Fargo-sponsored benefits, including tuition reimbursement, health insurance, dental insurance, vision insurance, life insurance, short and long term disability, paid parental leave, 401(k), and more.

Teller	CSSR	Personal Banker	Business Banking Specialist	Service Manager	Store Manager	Private Banker	District Manager
\$24,752	\$31,304	\$36,837	\$48,859	\$42,037	\$63,752	\$69,680	\$118,248

* Data based on active population as of 12/31.

** Median FTE Base Pay calculated as hourly rate X 2080.

b. Can we get a better idea of what percentage of a teller's or a Manager 1's total compensation is comprised of incentive comp, versus salary?

Response: As Wells Fargo previously announced, effective October 1, 2016, product sales goals for our Regional Bank team members in our bank branches and call centers have been eliminated. The chart below shows the median total incentive compensation as a percentage of total salary paid to team members in the Regional Bank group in 2015, as well as the median incentive compensation as a percentage of total salary that was based on sales-related performance objectives (versus incentive opportunities provided for service or other performance objectives).

	Teller	CSSR	Personal Banker 1	Personal Banker 2	Business Specialist	Service Manager	Store Manager
Total Incentive Compensation	2.1%	3.3%	4.4%	4.8%	2.0%	4.2%	6.8%
Sales Performance Objectives	0.9%	2.1%	3.2%	2.5%	1.3%	2.2%	4.8%

Wells Fargo is currently reviewing its compensation structures with respect to other Wells Fargo team members to ensure all incentive programs are properly aligned with the interests of our customers.

2) The involuntary terminations:

- a. **What is the geographic distribution of the fired employees, by state and, within California, by region)? (i.e., how many people and at what levels were fired where?)**

Response: Approximately 65% of the terminated team members were in Personal Banker positions or functionally similar roles and 17% were in Teller positions or functionally similar roles. Over 480 managers were terminated. Most of those were Store Managers, but five District Managers and one Area President—none of whom worked in California—were also terminated. A total of 1,421 team members were terminated for sales-practice violations in California, comprising about 26% of the 5,367 terminations for sales-practice violations made nationwide.

- b. **Related to this, what was the location of the one area president that was fired?**

Response: Of the approximately 5,300 team members terminated from 2011 to 2015 for sales-quality violations, the highest ranking Wells Fargo team member terminated held the position “Regional Banking Area President 2.” This Area President was based in New Jersey.

- c. **Were any exit interviews or other inquiries made by Wells to determine the motivations of the people who were fired? Does Wells know of any way we can determine why, exactly, the people who opened the fraudulent accounts did so?**

Response: The vast majority of team members in the Community Banking division did the right thing, but too many did not do the right thing. For example, investigations initiated in 2013 by the Corporate Investigations group resulted in the termination of 1,245 Community Banking team members for sales practice issues. That is 0.9% of the 129,570 team members who comprised Wells Fargo’s Community Banking team that year.

We do not believe any exit interviews were performed with respect to the terminated team members, so it is difficult to know why these team members violated their customers’ trust and Wells Fargo’s ethics policy. Generally speaking, team members would have been interviewed by Internal Investigations in connection with sales practice misconduct and had the opportunity to respond to the issues raised by those investigations. We continue to examine causes of sales practice misconduct.

- d. **Can we confirm what percentage of total involuntary terminations were represented by the terminations for unethical sales practices? (During our conversation, we backed into an estimate of about 1/3rd. Is that accurate?)**

Response: The approximately 5,300 terminations made for sales-quality violations represent approximately 11% of the total involuntary terminations over the time period within the Community Bank.

- e. **Can we learn how many of the people who were fired for unethical sales practices were fired for reasons having nothing to do with the opening of unauthorized accounts?**

Response: The definition of improper sales practice did cover a range of activities broader than opening unauthorized accounts and included, for example, bundling, delaying in opening an account, changing email addresses in connection with online banking enrollment, and changing phone numbers to avoid customer satisfaction surveys. Many of the terminations were unrelated to the opening of unauthorized accounts.

3) The PwC Investigation:

- a. **What were the reasons for choosing PwC (as opposed to another accounting firm) to conduct the internal investigation?**
- b. **During our conversation, Mr. Galasso indicated that PwC had done some prior work for Wells but was unsure of what that work entailed. What prior type of work did PwC do for Wells during the last five years or so, before it was hired to conduct the internal investigation into unauthorized accounts?**
- c. **Who is the lead person for PwC on the internal investigation, and has that person had any prior experience working for PwC or another accounting firm on Wells Fargo matters?**

Response: PricewaterhouseCoopers is a highly reputable accounting firm with which Wells Fargo has worked successfully in the past. For example, PwC had done some fair lending analysis for Wells Fargo and had consulted on other projects. PwC was therefore familiar with Wells Fargo's systems, and Wells Fargo had a high level of confidence in the integrity, thoroughness, and reliability of PwC's work. The lead person on the PwC investigation was Dr. Ric Pace. Dr. Pace had previously done work for Wells Fargo in connection with statistical reviews.

4) Financial costs of the unauthorized accounts to Wells Fargo:

- a. **Mr. Galasso quoted a figure of \$10 million as the cost of the unauthorized accounts but wasn't sure what costs went into that \$10M. Can we get more information on that? Were those costs all administrative, as Mr. Galasso speculated, or is the cost of incentive comp included in those costs?**

Response: The unauthorized accounts cost Wells Fargo more than \$10 million, far more than the income generated in fees. Specifically, with respect to the potentially unauthorized deposit accounts, \$2.2 million was generated in fees while they cost the bank \$8 million in administration costs, therefore resulting in \$5.8 million in total net cost to Wells Fargo. And for the potentially unauthorized credit cards, \$400,000 was generated in fees while the cost to the bank totaled over \$5 million in administration costs, resulting in approximately \$4.5 million in total net cost to Wells Fargo. Thus, the total net cost of the unauthorized accounts to Wells Fargo was approximately \$10 million.

After PwC completed its analysis, Wells Fargo promptly made direct deposits and issued checks to refund all fees, with interest. These refunds were issued, even if it could not be conclusively determined whether a particular account was actually unauthorized. Therefore, the cost to Wells Fargo of the unauthorized accounts greatly exceeded \$10 million.

- b. **How much revenue did Wells realize from its interactions with the State of California last year (i.e., all California state entities for whom it did work)?**

Can Wells provide us with an estimate of the financial cost of the State Treasurer's actions on the bank?

We do not currently have this information.

c. How much revenue does Wells realize from its interactions with local agencies in California annually? If possible, please provide a breakdown by agency.

We do not currently have this information.

ANSWERS PROVIDED BY WELLS FARGO ON NOVEMBER 6, 2016

1. When we asked for compensation schedules, we meant incentive compensation schedules. We are still hoping to obtain your incentive compensation schedules for the years listed. The Chair is interested in seeing how those schedules evolved over time.

Historically, the target incentive payment for overall performance objectives, not just sales-related objectives, was approximately 3% of base compensation for tellers and approximately 10% of base compensation for personal bankers.

Between 2011 and 2015, the median incentive payout as a percentage of total salary earned by store managers based on *sales-related performance objectives* alone (apart from incentive opportunities provided for service and other performance objectives) declined, from 8.5% in 2011 to 4.8% in 2015. The median payout earned by district managers, who supervise store managers, also declined, from 13.1% in 2011 to 4.4% in 2015.

2. You've provided us with information regarding the Regional Bank, which you state is a line of business within the Community Banking division. What else is in the Community Banking division besides the Regional Bank? Is there a reason why you didn't provide us with information regarding the entire Community Banking division? We're just trying to put the information you provided in context, and that's hard to do without getting a better understanding of how Wells' Community Banking division is organized.

The Regional Bank is by far the largest business group within the Community Banking division, but there are other business groups within Community Banking as well. These include Distribution Strategies and Services Group, Small Business supporting customers through Business Direct, Business Payroll, and Centralized Business Relationship Management, and Business Strategy Analytics and Initiatives. During much of the time period in question, the Community Banking division also included the Business Banking and Virtual Channels^[1] groups. Business Banking (with the exception of Centralized Business Relationship Management mentioned above) moved to the Wholesale division effective December 2015 and Virtual Channels moved to a newly created division, Payments, Virtual Solutions and Innovation, effective November 2016.

3. We understand that Wells has done away with product sales goals within its Regional Bank. Has Wells done away with product sales goals throughout its entire organization, or only within its Regional Bank? What about the other elements of the Community Banking division, the commercial banking division, the wealth management division, and the other divisions within Wells Fargo, N.A.?

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. All incentive compensation plans require ongoing compliance with Wells Fargo's Code of Ethics

^[1] The Virtual Channels group is responsible for Wells Fargo's digital, phone, and other remote channels' strategies and capabilities.

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.

4. Your answer to 2e seems inconsistent with what Bob McGahan told us on the phone last week, but perhaps I'm simply not understanding what Mr. McGahan said. I thought I understood him to say that about 90-95% of the terminations for unethical sales practices involved unauthorized accounts. Your response below says that many of the terminations were unrelated to the opening of unauthorized accounts. I'm just trying to reconcile the two statements.

The 5,367 terminated team members identified includes terminations not associated with unauthorized accounts. For example, the number includes team members who were terminated for changing customer phone numbers in order to avoid customer satisfaction surveys. It may also include some who were terminated for process violations with respect to the opening of authorized accounts.

5. During our first follow-up phone call, you stated that the \$10 million figure Wells is citing as the net cost of the unauthorized accounts does not include any incentive compensation payments paid to employees. However, you weren't 100% sure of that statement and offered to go back and confirm whether your assumption was correct. The specific question we asked was, "is Wells including any incentive compensation payments

**in its tally of administrative costs attributable to the opening of unauthorized accounts?"
Can you please get back to us on that question?**

The cost of the potentially unauthorized accounts to Wells Fargo was approximately \$10 million. These figures include costs incurred by Wells Fargo directly as a result of the opening of the accounts, such as the costs of generating and mailing statements, the cost of the credit cards themselves, and incentive compensation. They do not include costs such as overhead or compensation expenses that would have been incurred even if the accounts had not been opened.

Responses to Third Set of Questions from California Senator Glazer:

- 1. Are we correct in our understanding that Wells will automatically close a consumer demand deposit account if it is not funded within sixty days of opening?**

Response: With some exceptions, Wells Fargo's current system will generally close a consumer checking or savings account at the end of its monthly service period if it has a zero balance and has gone 62 days without a customer-initiated transaction. Additionally, certain categories of consumer demand deposit accounts, if unfunded and without such customer-initiated transactions, will generally close after a longer time period.

- 2. When did Wells adopt this policy?**

Response: This specific closure policy was implemented across the Regional Bank between 2012 and 2014. Other automatic closure processes existed prior to 2012.

- 3. Is it an industry norm?**

Response: We are not aware of the account closure protocols used by our competitors.

- 4. Is there a financial disadvantage to Wells from keeping an unfunded account open? (asked another way, would Wells derive any benefit from keeping an unfunded account open)?**

Response: In the current situation, fees associated with unauthorized accounts are far surpassed by the costs associated with opening and closing the unused accounts.

- 5. How many demand deposit accounts were closed automatically due to nonfunding during the 2011-2015 time period?**

Response: Please see our response to Question 1.

- 6. In an e-mail sent October 29th, you provided us with the median total incentive compensation as a percentage of total salary paid to team members in the Regional Bank group in 2015, as well as the median incentive compensation as a percentage of total salary that was based on sales-related performance objectives (versus incentive opportunities provided for service or other performance objectives). You provided those figures for the job classification "teller" up through "store manager." You did not provide us with those figures for Private Bankers or District Managers. Can you please do so now?**

Response: As Wells Fargo previously announced, effective October 1, 2016, product sales goals for our Regional Bank team members in our bank branches have been eliminated. The table below shows the median incentive compensation as a percentage of total salary that was based on sales-related performance objectives (versus incentive

opportunities provided for service and other performance objectives) paid in the Regional Bank for the period 2011 through 2015.

Position	2011	2012	2013	2014	2015
Teller	4.6%	2.7%	3.5%	2.5%	0.9%
CSSR	4.2%	2.8%	2.7%	1.7%	2.1%
Personal Banker 1	5.2%	2.3%	2.8%	3.0%	3.2%
Personal Banker 2	7.2%	2.6%	3.4%	2.3%	2.5%
Business Specialist	10.4%	5.8%	4.5%	1.8%	1.3%
Regional Bank Private Banker	5.8%	5.7%	7.4%	7.1%	6.5%
Service Manager	6.0%	2.2%	2.7%	3.3%	2.2%
Store Manager	8.5%	2.5%	4.8%	4.0%	4.8%
District Manager	13.1%	4.0%	7.5%	3.0%	4.4%

7. Finally, can you tell us what steps, if any, Wells Fargo has taken to hold people accountable for the unauthorized account openings, other than the 5,300 terminations and the actions involving John Stumpf and Carrie Tolstedt?

Response: The Independent Directors of the Board of Directors of Wells Fargo announced on September 27, 2016 that they have launched an independent investigation into the Company's retail banking sales practices and related matters. A Special Committee of Independent Directors is leading the investigation, working with the Board's Human Resources Committee and outside counsel.

The Independent Directors have taken a number of initial steps to promote accountability at the Company, including—as you allude to in the question—forfeiture of compensation from Mr. Stumpf and Ms. Tolstedt.

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.

APPENDIX B

**WELLS FARGO'S WRITTEN RESPONSE TO THE
UNITED STATES SENATE COMMITTEE ON BANKING,
HOUSING, AND URBAN AFFAIRS**

Provided to the California Senate Banking and Financial
Institutions Committee on November 18, 2016

Questions for Mr. John G. Stumpf, Chairman and CEO, Wells Fargo & Company, from Ranking Member Brown:

1) 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

Response: 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.

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Regional Bank Job Summary					
Job Title / Group	Avg. Headcount	FLSA Classification	Median Hourly Base Pay³	Median FTE Base Pay⁴	Avg. Annual Overtime Hours⁵
<i>SERVICE MANAGER (LO) 1</i>	3,318	<i>Non Exempt</i>	\$ 18.87	\$ 39,250	63.86
<i>SERVICE MANAGER (LO) 2*</i>	3,701	<i>Exempt</i>	N/A	\$ 46,176	
STORE MANAGERS	5,816	Exempt	N/A	\$ 65,021	
<i>RB STORE MANAGER (SAFE) 1*</i>	1,983		N/A	\$ 55,682	
<i>RB STORE MANAGER (SAFE) 2</i>	2,648		N/A	\$ 64,792	
<i>RB STORE MANAGER (SAFE) 3</i>	1,121		N/A	\$ 78,562	
<i>STORE MANAGER SENIOR (SAFE) 3</i>	65		N/A	\$ 92,227	
BUS BANKING SPECIALISTS	1,437	Non Exempt	\$ 23.73	\$ 49,358	46.13
<i>BUSINESS BANKING SPEC (SAFE)</i>	1,385		\$ 23.54	\$ 48,963	45.22
<i>SR BUSINESS BNKG SPEC (SAFE)</i>	52		\$ 25.44	\$ 52,915	64.89
PRIVATE BANKERS	1,687	Mixed		\$ 70,013	22.03
<i>RB PRIVATE BANKER UL (SAFE) 1</i>	76	<i>Non Exempt</i>	\$ 31.25	\$ 65,000	20.44
<i>RB PRIVATE BANKER (SAFE) 1</i>	1,100	<i>Non Exempt</i>	\$ 31.38	\$ 65,270	22.11
<i>RB PRIVATE BANKER (SAFE) 2</i>	505	<i>Exempt</i>	N/A	\$ 81,557	
<i>WM PRIVATE BANKER (SAFE) 3</i>	7	<i>Exempt</i>	N/A	\$ 94,078	
DISTRICT MANAGERS	596	Exempt	N/A	\$ 119,995	
<i>REGIONAL BKG DISTRICT MGR 1</i>	22		N/A	\$ 92,664	
<i>REGIONAL BKG DISTRICT MGR 2</i>	240		N/A	\$ 104,000	
<i>REGIONAL BKG DISTRICT MGR 3</i>	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;

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- 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;

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- 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;

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- 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.

- **The number of employees in each position;**

Response: 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.

- **The median salary of each salaried position;**

Response: Please see the response to the first bullet point of Question 1 above.

- **The median hourly wage of each hourly position;**

Response: 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, health care insurance, dental insurance, vision insurance, life insurance, short- and long-term disability, 401(k) plan, and paid parental leave.

- **Average overtime hours worked for each position; and**

Response: 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.

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- **Whether each position is considered to be exempt or nonexempt for FLSA purposes and the justification for any exemptions.**

Response: 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.

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Questions for Mr. John G. Stumpf, Chairman and CEO, Wells Fargo & Company, from Senator Menendez:

- 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.**

Response: "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 1999.⁶ 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.

- 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.**

Response: 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.

- 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?**

Response: Please see question 7, below.

⁶ Wells Fargo, 1999 Annual Report, at 7 (available online at http://www.wellsfargohistory.com/download/annualreports/1999annualreport_wf.pdf).

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- 4) **Has there been any attempt to quantify how many customers succumbed to pressure from bank employees to sign up for bank products they did not need or want? Will Wells Fargo attempt to identify these customers?**

Response: 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.

- 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.**

Response: 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.

- 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.**

Response: 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

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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.

- 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?**

Response to Questions 3 and 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% in 2011 to 0.9% in 2015. Historically, the target incentive payment for overall

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performance objectives, not just sales-related objectives, was approximately 3% of base compensation for tellers and the target for the majority of personal bankers was approximately 10% 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.

- 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?**

Response: 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.

- 9) Please provide the proportion of the employees terminated who are: racial/ethnic minorities, military/veterans, and persons with disabilities.**

Response: Of the 5,300 team members whose employments were terminated for sales-integrity violations from 2011 to 2015, 39% were white, 33% were Hispanic, 15% were black/African-American, 1.9% self-identified as veteran, and 0.7% self-identified as having a disability.

- 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?**

Response: Wells Fargo has long had internal processes in place for team members to raise issues or concerns through multiple channels, including managers, HR, Compliance, and/or the EthicsLine. We encourage team members to speak up if they experience or witness something that makes them feel uncomfortable and have measures in place to protect team members from retaliation. The EthicsLine provides team members with a confidential way to report possible violations of Wells Fargo's Code of Ethics and Business Conduct or any laws, rules, or regulations. Team members have the option to remain anonymous through the EthicsLine. It is available to all team members (U.S. and international) 24 hours a day, seven days a week, via toll-free telephone or online web reporting. The EthicsLine has been operated and staffed by a third-party vendor since its inception in 2004, and translation services are available. This process helps ensure team member confidentiality and preserves anonymity when requested.

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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 ten calendar days to provide additional information or answer any questions relating to their report. To further protect the integrity of the confidential hotline, the vendor does not record any data related to the incoming telephone calls or web reports. Team members who self-identify are advised that since they provided their name and contact information, Wells Fargo now has the option to contact them directly if needed. They are also told they can call the EthicsLine at any time to provide additional information.

Interview specialists with the EthicsLine vendor listen, ask clarifying questions if necessary, and then write a summary report of the call. The summary is then provided to Wells Fargo's Office of Global Ethics and Integrity for assessment and referral to the appropriate review team.

Wells Fargo takes measures to protect team members from retaliation, including maintaining confidentiality during the review process. Specifically:

- All reports of suspected unethical or illegal activities are taken seriously and measures are in place to ensure concerns are promptly evaluated and reviewed.
- The review of concerns in many cases will require a fact-finding that may involve interviews with individuals 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

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against for reporting an issue are instructed to report it as soon as possible to their supervisor or manager, HR Advisor team, or Corporate Employee Relations, to ensure that a prompt review is conducted and, where appropriate, corrective action is taken. Team members can also report retaliation concerns via the EthicsLine.

Wells Fargo has additional safeguards to prevent any form of retaliation, including the fact that Wells Fargo's Human Resources personnel are typically consulted in every termination decision. Additionally, team members whose employments have been terminated may utilize Wells Fargo's termination review process to request to have that decision reviewed by a Corporate Employee Relations professional who was not previously consulted in the termination decision.

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

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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.

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Questions for Mr. John G. Stumpf, Chairman and CEO, Wells Fargo & Company, from
Senator Reed:

- 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?

Response: 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* unauthorized, and approximately 1.5 million deposit accounts *could have* experienced simulated funding, that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. PwC *did not* conclude that 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 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% 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.

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- 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?

Response: 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:⁷

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 ⁸ (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 ⁹ (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	1,700,000	6,500,036	850,000	3,395	18,550	9,071,981

⁷ Wells Fargo, 2016 Proxy Statement, at 57 (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm>).

⁸ 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/).

⁹ Mr. Stumpf agreed to forfeit this award. See *Id.*

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Name and Principal Position	Salary (\$)	Stock Awards (\$)	Non-Equity Incentive Comp. (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Comp. (\$)	Total (\$)
<i>Senior Executive Vice President & CFO</i>		(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)				
Timothy J. Sloan <i>President & COO</i>	2,000,000	8,000,084 (approximately 6,500,000 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 1,500,000 consists of Restricted Share Rights which will	1,000,000	20,054	18,550	11,038,688

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Name and Principal Position	Salary (\$)	Stock Awards (\$)	Non-Equity Incentive Comp. (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Comp. (\$)	Total (\$)
		vest over four years beginning on the first anniversary of the grant date)				
David M. Carroll <i>Senior Executive Vice President (Wealth and Investment Management)</i>	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
Avid Modtjabai <i>Senior Executive Vice President (Consumer Lending)</i>	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	850,000	9,254	18,550	9,077,840

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Name and Principal Position	Salary (\$)	Stock Awards (\$)	Non-Equity Incentive Comp. (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Comp. (\$)	Total (\$)
		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)				
Carrie L. Tolstedt <i>Senior Executive Vice President (Community Banking)</i>	1,700,000	6,500,036 ¹⁰ (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

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

¹⁰ The Independent Directors determined in September, 2016 that Ms. Tolstedt would forfeit all outstanding equity awards.

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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?

Response: 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.

- 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?**

Response: Wells Fargo has policies, procedures, and internal controls that are reasonably designed to comply with applicable anti-money laundering laws and regulations.

- 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.**

Response: 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 town halls. Specifically, Mr. Stumpf addressed the unauthorized accounts issues during a town hall meeting following the December 2013 *Los Angeles Times* story. During that town hall, Mr. Stumpf informed team members 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[.]¹¹

¹¹ Hollywood, FL, Town Hall, February 5, 2014 (Transcript on file).

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Here's my ask of you and for everybody listening today. If you believe that your team, your boss, your boss' boss somehow is putting pressure on you to sell things that your customers don't want, don't need, raise your hand. . . . And if you're not comfortable doing that, there's an anonymous . . . ethics line, [or you can] talk to somebody in HR. We want to do the right thing. We're in the long-term business.

- 6) **As of September 20, 2016, is it still possible that unauthorized customer accounts may be opened by Wells Fargo employees?**
- 7) **What changes have you made to better protect the identification information of your customers so that unauthorized accounts are never opened again?**

Response to Questions 6-7: 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% 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.

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- 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.

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Questions for Mr. John G. Stumpf, Chairman and CEO, Wells Fargo & Company, from Senator Merkley:

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.

- 1) After the 2008 lawsuit, are you aware of any more instances and/or cases where Wells Fargo was accused of engaging in reordering?
- 2) If so, please list the instances and/or cases.

Response to Questions 1-2: Many banks, including Bank of America, Capital One, Citibank, Citizens Bank, HSBC Bank, JP Morgan 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.

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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.

- 3) During your tenure, has Wells Fargo ever enrolled customers in overdraft protection without their knowledge or authorization?
- 4) If yes, how many customers were opted-in to overdraft protection without their authorization?

Response to Questions 3-4: 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* unauthorized. Please see our Response to Sen. Reed’s Question 1 for additional details.

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Questions for Mr. John G. Stumpf, Chairman and CEO, Wells Fargo & Company, from
Senator Sasse:

1) I'd like to discuss how this scandal impacted Nebraska.

- a. **Of the roughly 5,300 employees who were fired, how many of them worked in Nebraska?**

Response: 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.

- 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?**

- 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?**

Response to Question 1, subparts (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.

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- 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.**

Response: The majority held personal banker (51%) or teller (23%) 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.

- e. **How many of those accounts classified as potentially fraudulent were opened in Nebraska?**
- 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?**

Response to Question 1, subparts (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* unauthorized, and approximately 1.5 million deposit accounts *could have* experienced simulated funding, that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. PwC *did not* conclude that 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 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.

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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.

2) I'd like to ask about Carrie Tolstedt's role in the fraudulent accounts scandal.

- a. When was Ms. Tolstedt first informed about Wells Fargo employees who were fired for creating fraudulent accounts? Please provide a specific date.**

Response: Wells Fargo cannot determine for certain the first time Ms. Tolstedt was told that a team member's employment was terminated for committing a sales violation. Like any large employer, Wells Fargo constantly monitors sales-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.

- 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?**
- c. How much of Ms. Tolstedt's total, lifetime compensation (in any form), as of September 20, 2016, was eligible for clawback?**
- d. How much of Ms. Tolstedt's total, lifetime compensation (in any form) was earned from 2011 through 2016?**
- 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?**

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Response to Question 2, subparts (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.¹²

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.¹³

Ms. Tolstedt's total compensation from 2011 to 2015, as reported in accordance with SEC rules, is provided in the table below:¹⁴

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

¹² Wells Fargo, September 27, 2016 Form 8-K (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm>).

¹³ 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/).

¹⁴ 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 57 (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm>).

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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 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.¹⁵ 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

¹⁵ 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/).

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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 table¹⁶ describes these policies:

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 Policy¹⁷	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	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

¹⁶ Wells Fargo, 2016 Proxy Statement, at 47-48 (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm>).

¹⁷ Adopted June 15, 2009 and extended February 2010.

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Policy/Provision	Trigger for Clawback or Recoupment	Compensation Subject to Recovery	Impacted Population
	<p>manage, in a timely manner and as reasonably expected, risks material to the Company or the executive's business group,</p> <p>An award was based on materially inaccurate performance metrics, whether or not the executive was responsible for the inaccuracy, or</p> <p>The Company or the executive's business group suffers a material downturn in financial performance or suffers a material failure of risk management.</p>		
<p>Clawback Provisions Included in All Equity-Based Awards</p>	<p>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.</p>	<p>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</p>	<p>All team members who receive equity awards under the LTICP</p>

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.

- f. **On what specific date did Ms. Tolstedt (or any other Wells Fargo employee) first inform you of any item relating to the fraudulent accounts scandal?**

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Response: It is our understanding that, from time to time, because of Mr. Stumpf's position, individuals would contact him directly and complain about issues and that Mr. Stumpf did receive complaints about sales-practice issues over the years. When Mr. Stumpf received such complaints, our understanding is that his practice was to forward them to the appropriate internal team, such as Human Resources, to address.

Mr. Stumpf has said that he recalls learning of the increase in the number of reports of sales-practice issues in late 2013.

Please note that the Independent Directors of Wells Fargo's Board of Directors have launched an investigation into sales-practice issues, and that investigation is ongoing.

3) It has been reported that Wells Fargo is going to end sales goals for its retail products by the end of the year.

a. Please describe the new system that will replace these sales goals.

Response: 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.

b. Will any employee compensation be contingent on this new system?

Response: 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.

c. Will employees who fail to meet the criterion under this new system be fired?

Response: 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.

d. Will product sales be considered as a part of this new system?

Response: No. Regional Bank team members who serve retail customers in bank branches will not be evaluated on product sales goals going forward.

e. What steps will Wells Fargo take to ensure that the new system does not incentivize the creation of fraudulent accounts?

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Response: 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.

4) I'd like to discuss the geographic distribution of the potentially fraudulent accounts.

- a. 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?**

Response: Approximately 9% 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% worked in zip codes located in the City of Los Angeles.

- 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?**

Response: Approximately 16% 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% worked in the Southwest region.

- c. What factors contributed to the geographic distribution of the fraud?**

Response: 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.

- d. Did Wells Fargo evaluate the potential for geographic diversity in terms of the ability to meet product sales goals?**

Response: Yes. From 2011 to 2016, product sales goals varied by store year-to-year and across regions.

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e. Did Wells Fargo adjust the product sales goals to match each region?

Response: 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.

5) I'd like to discuss the employees who were fired for creating fraudulent accounts.

a. Starting in 2009, when was the first employee fired for creating fraudulent accounts? Please provide a specific date.

b. Starting in 2009, when were the first 100 employees fired for creating fraudulent accounts? Please provide a specific date.

c. Starting in 2009, when were the first 1,000 employees fired for creating fraudulent accounts? Please provide a specific date.

Response to Question 5, subparts (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% of Wells Fargo's total population of Community Banking team members.

d. How many employees were fired for failing to meet sales quotas during the 2011 through 2015 period covered by the CFPB's fine?

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?

Response to Question 5, subparts (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.

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- 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.

Response: 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% in 2011 to 0.9% in 2015. Historically, the target incentive opportunity for overall performance objectives was approximately 3% of base compensation for tellers and the target for the majority of personal bankers was approximately 10% of base compensation. All incentive plans were capped.

- g. What was the position of the highest ranking Wells Fargo employee who was fired in connection with this scandal?

Response: 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."

- h. Please provide a percentage breakdown of the position held by each of the fired employees before they were fired.

Response: Approximately 65% of the terminated team members were in Personal Banker positions or functionally similar roles and 7% were in Teller positions. In addition, we terminated the employment of over 480 team members in supervisory positions, including store managers and persons up to three levels above bankers and tellers, when investigations have found that those team members engaged in or directed improper sales practices or exhibited excessive pressure and did not respond promptly and decisively to change their behavior.

- 6) I'd like to follow up on Senator Toomey's questioning about Wells Fargo's SEC filings.

- a. 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?
- 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?

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- 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?**
- 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?**

Response to Question 6, subparts (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 Tolsted'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. . . ." ¹⁸ 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" ¹⁹ We will continue to review developments related to sales

¹⁸ See Wells Fargo, September 28, 2016 Form 8-K (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm>).

¹⁹ See Wells Fargo, November 3, 2016 Form 10-Q at 67 (available online at <https://www.sec.gov/Archives/edgar/data/72971/000007297116001340/wfc-9302016x10q.htm>).

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practices matters and make additional disclosures as the facts and circumstances warrant.

7) I'd like to discuss the compensation that Wells Fargo provided to its customers that were impacted by the fraudulent accounts scandal.

a. 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?

Response: 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.

b. How soon after learning about these inappropriate fines did Wells Fargo compensate their customers for this fraud?

Response: 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.²⁰ These refunds were issued without determining that any particular account was unauthorized.

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?

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?

Response to Question 7, subparts (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.

²⁰ Refunds were not made if the amount paid by the customer plus interest was less than \$1.00.

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We asked PwC to analyze approximately 82 million deposit accounts for instances of potential simulated funding and approximately 11 million credit card accounts for instances of lack of authorization. The accounts reviewed were opened between 2011 and 2015. Of the accounts reviewed, PwC found that approximately 623,000 consumer and business credit card accounts *could have been* unauthorized, and approximately 1.5 million deposit accounts *could have* experienced simulated funding, that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. In other words, PwC *did not* 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 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* 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.

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(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.

- e. Is Wells Fargo aware of a material amount of fraudulent accounts created in the names of customers prior to 2009?**
- f. What constraints would prevent Wells Fargo from compensating customers for losses associated with fraudulent accounts, from actions dating back prior to 2009?**
- g. Does Wells Fargo plan to reach back earlier than 2009 to refund customers for loss associated with their fraudulent accounts scandal? Why or why not?**

Response to Question 7, subparts (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

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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.

8) I'd like to discuss Wells Fargo's interactions with law enforcement officials and regulators.

- a. Please provide the specific date that Wells Fargo first discussed the fraudulent accounts scandal with the Consumer Financial Protection Bureau (CFPB).**
- b. Does the CFPB have any employees embedded in Wells Fargo? If so, how many?**

Response: The CFPB has 4 employees who are resident on-site. In addition, additional CFPB employees may be on site at Wells Fargo when they are engaged in conducting examinations of our consumer businesses.

- c. When (if at all) did Wells Fargo first provide the CFPB with internal documents relating to the fraudulent accounts scandal?**

Response to Question 8, subparts (a, 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.

- 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).**
- e. Does the OCC have any employees embedded in Wells Fargo? If so, how many?**

Response: Several OCC employees are embedded at Wells Fargo.

- f. When (if at all) did Wells Fargo first provide the OCC with internal documents relating to the fraudulent accounts scandal?**

- g. Please provide the specific date that Wells Fargo first discussed the fraudulent accounts scandal with the Office of the Los Angeles City Attorney.**

Response: 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.

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- h. When (if at all) did Wells Fargo first provide the OCC with internal documents relating to the fraudulent accounts scandal?**

Response to Question 8, subparts (d, f, 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.

- 9) I'd like to discuss the fraudulent accounts that were created by Wells Fargo.**

- a. What standards did the independent audit consult in identifying the fraudulent accounts?**

Response: Please see the response to Question 7, subparts (c-d) above.

- 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 \$1000?**

Response: 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.

- c. Of the fraudulent accounts, roughly what percentage of them were canceled within 3 days?**
- d. Of the fraudulent accounts, roughly what percentage of them were canceled within a week?**
- e. Of the fraudulent accounts, roughly what percentage of them were canceled after a month?**

Response to Question 9, subparts (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.

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- f. **Did any of these fraudulent accounts ever contain or were billed for more than \$1? If so, roughly, what percentage of accounts?**
- 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?**
- h. **Did any of these fraudulent accounts ever contain or were billed for more than \$100? If so, roughly what percentage of accounts?**
- i. **Did any of these fraudulent accounts ever contain or were billed for more than \$1000? If so, roughly what percentage of accounts?**
- 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?**

Response to Question 9, subparts (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.

- 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?**

Response: Wells Fargo has policies, procedures, and internal controls that are reasonably designed to comply with its legal obligations to monitor, detect, and report suspicious activities. Under federal law, Suspicious Activity Reports ("SARs"), and any information that would reveal the existence of a SAR, are confidential, 31 U.S.C. § 5318(g)(2)(A)(i) and 12 C.F.R. § 21.11(k).

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Questions for Mr. John G. Stumpf, Chairman and CEO, Wells Fargo & Company, from Senator Warner:

- 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?**
- 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?**
- 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?**
- 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?**

Response to Questions 1-4: 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* unauthorized, and approximately 1.5 million deposit accounts *could have* experienced simulated funding, that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. In other words, PwC *did not* 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

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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* experienced simulated funding and approximately 19,000 credit card accounts in Virginia *could have been* 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* 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.

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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.

5) Did you refer any of these individuals to law enforcement? If not, why not?

Response: Wells Fargo has policies, procedures, and internal controls that are reasonably designed to comply with its legal obligations to monitor, detect, and report suspicious activities. Under federal law, Suspicious Activity Reports (“SARs”), and any information that would reveal the existence of a SAR, are confidential, 31 U.S.C. § 5318(g)(2)(A)(i) and 12 C.F.R. § 21.11(k).

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?

Response: 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% 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.

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- 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.

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?**

Response: 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 five years have included 483 managers, up to three levels above bankers and tellers, when investigations have found that managers engaged in or directed improper sales practices or exhibited excessive pressure and did not respond promptly and decisively to change their behavior. 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

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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.

Lastly, 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.

- 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% derived from cross-selling?**

Response: For the terminated team members, the average incentive compensation (sales and service) was 3.3% 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.

- 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?**

- 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?**

Response to Questions 9-10: 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

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based upon the Board's determinations following its investigation.²¹ Ms. Tolstedt has agreed to not exercise any outstanding stock options previously awarded by Wells Fargo until the completion of that investigation.

- 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?**

Response: The Independent Directors of the Board of Directors of Wells Fargo announced on September 27, 2016 that they have launched an independent investigation into the Company's retail banking sales practices and related matters, 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.²²

- 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?**

Response: 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 question that we view the actions of certain of our team members to be wholly unacceptable and wrong.

²¹ Wells Fargo, September 27, 2016 Form 8-K, (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm>).

²² 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/).

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Questions for Mr. John G. Stumpf, Chairman and CEO, Wells Fargo & Company, from Senator Warren:

1) Fees Charged as a Result of the Creation of Fraudulent Accounts

- 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.
- b. What records does Wells Fargo have of the number and amount of fees charged on unused accounts between 2011 and 2015?

Response to Question 1, subparts (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 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,

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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.

- c. **Please provide the annual revenue that Wells Fargo gained from deposit and credit card account fees for 2011-2015.**

Response: 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

2) 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."²³ And as a June 2016 report from the National Employment Law Project, "Banking on the Hard Sell,"²⁴ 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

²³ E. Scott Reckard, "Wells Fargo's pressure-cooker sales culture comes at a cost," *Los Angeles Times* (December 21, 2013) (available <http://www.latimes.com/business/la-fi-wells-fargo-sale-pressure-20131222-story.html>).

²⁴ 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 <http://www.nelp.org/content/uploads/NELP-Report-Banking-on-the-Hard-Sell.pdf>).

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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 across many of the different business groups within Wells Fargo, including the insurance, mortgage, and retail banking groups.²⁵

These and other allegations raise a number of questions about Wells Fargo's treatment of its bank tellers and associates.

- 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?**

Response: Wells Fargo's policy is 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.

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

²⁵ 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>).

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contacting the EthicsLine; or by reaching out to Human Resources (HR). The HR 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 HR professionals, provide further support to managers to help fulfill Wells Fargo's responsibilities to comply with FLSA and fulfill all time keeping requirements.

- 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)?**
- c. For the group of employees that Wells Fargo paid above this salary threshold, how many and what percentage were classified as overtime exempt?**
- 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?**
- 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?**
- f. What percentage of fired employees were classified as overtime exempt?**

Response to subparts 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).

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3) Customer Restitution

- a. How will Wells Fargo be providing restitution to customers affected by wrongdoing in these cases?
- b. What is the criteria for determining which customers do or do not qualify for restitution?

Response to Question 3, subparts (a-b): Wells Fargo is working very hard to remediate harm that may have been caused to our customers. To that end, pursuant to the Consumer Financial Protection Bureau (CFPB) and Office of the Comptroller of the Currency (OCC) Consent Orders, Wells Fargo 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* unauthorized, and approximately 1.5 million deposit accounts *could have* experienced simulated funding, that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. In other words, PwC *did not* 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.

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open, inactive credit card accounts identified by PwC (i.e., the customers with accounts that could have been unauthorized) to determine whether they want these credit cards. Approximately 25 percent 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.

- c. How many customers will be receiving restitution?**
- d. What is the total amount of restitution that these customers will receive?**

Response to Question 3, subparts (c-d): Please see the response to Question 3, subparts (a-b) above. 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.

4) Disclosure and Board Discussion of Problems at Wells Fargo

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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.

Response: 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.

5) Wells Fargo's Culture of "Cross-Selling"

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.'"

- a. Was the "cross-sell goal" at the time eight banking products per household?**
- b. Was this goal set at eight because "it rhymed with 'great'"?**

Response to Question 5, subparts (a-b): While over 25% 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

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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.

6) 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.²⁶

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 thereafter").²⁷ Wells Fargo Advisors was ranked 16th, solidly within the Top 30 recidivist firms cited by SLCG.²⁸ SLCG found that nearly 9% 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.²⁹

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."³⁰ 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:

- 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**

²⁶ 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/~lmedia/B76C81EFE39B4EDB9A4B4D8B34D0B0F7.pdf>) to reconcile competing estimates of misconduct within the brokerage industry.

²⁷ Craig McCann, Chuan Qin, and Mike Yan, pg. 6.

²⁸ Craig McCann, Chuan Qin, and Mike Yan, pg. 32.

²⁹ Craig McCann, Chuan Qin, and Mike Yan, pg. 32.

³⁰ 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>).

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broker misconduct and a description of how Wells Fargo Advisors factor a potential hires' past misconduct into its overall decision to hire a candidate?

- b. Does Wells Fargo Advisors hire brokers with records of misconduct, and if so, why?**

Response to Question 6, subparts (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.

- c. A description of how Wells Fargo Advisors compensates its brokers.**

Response: Please see response to question 6, subpart (f), below.

- 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.**

Response: 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.

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- **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 on-site 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

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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.
- e. A description of the disciplinary process that Wells Fargo Advisors initiates, should it find any of its brokers guilty of misconduct.

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Response: 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.

- 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?**

Response to Question 6, subparts (c, 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 senior-most 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 towards 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

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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 towards incenting client-focused behaviors and outcomes.

7) Wells Fargo Campus Card Program

- 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.³¹ 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.

- 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?**

³¹U.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>).

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Response: 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.

- ii. **Has Wells Fargo established any sales targets to employees regarding enrollment in student checking accounts?**

Response: The Wells Fargo Campus Card Program did not establish any student checking account sales targets.

- iii. **How many accounts have been opened by students enrolled in institutions with contracts with Wells Fargo, by year from 2007 to the present?**

- b. **According to a study by the Consumer Financial Protection Bureau, nearly 40% of individuals aged 18-25 incurred an overdraft, with 11% incurring more than 10 overdrafts on an annualized basis, making these young consumers, often college students, a lucrative segment for big banks.³² 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?**

Response to Question 7, subparts (a)(iii) and (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 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.

- c. **In 2013, the Consumer Financial Protection Bureau called on financial institutions to publicly disclose their secret contracts with colleges. Has Wells**

³² 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).

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Fargo made these agreements available to students and their families on an easily-accessible website? If so, where? If not, why not?

- 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.**

Response to Question 7, subparts (c) and (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>.

- 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.**

- 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.**
- ii. How many private student loan customers have signed up for other accounts at Wells Fargo since 2009?**
- 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?**
- 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.**

Response to Question 7, subparts (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.

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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.

- 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 college higher interest rates.**
- i. How many borrowers—by school—are in each of these student loan programs?**
 - ii. Please provide the aggregate demographic information of borrowers in each of these student loan programs, by school.**
 - iii. Please provide the average interest rate for borrowers in each of these student loan programs by FICO band.**

Response to Question 7, subparts (e)(i-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

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8) Wells Fargo Student Loan Business Segment

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.³³ 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.”³⁴

- 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).
- 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)?
- 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.

Response to Question 8, subparts (a)(i-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

³³Consumer 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/>).

³⁴Consumer 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/>).

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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 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.

- 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.**

- 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?**

Response: 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% 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.

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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% of Wells Fargo's annual private student loan business and less than 3% when excluding consolidation/refinancing of existing student loan debt.

- 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?**

Response: 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.

- 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.**

Response: 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.

- 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.**

- i. **How many private student loans has Wells Fargo provided principal reduction?**
- ii. **What is the total amount of principal forgiveness that has been provided?**
- iii. **What are the detailed criteria for loan modifications with principal reduction?**

Response to Question 8, subpart (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.

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Today, over 97% 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%, and, only if "affordability" is not reached through interest rate reductions, by extending the loan term up to an additional five 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.

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- 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% or greater reduction in income since time of origination, unexpected ongoing increases in household expenses >10% of income (not including debt payments), temporary disability, etc. See the answer to Question 8, subpart (c)(iv) below for more detail.

iv. Are loan modifications available to borrowers who are not yet in distress? If so, please provide the criteria for providing loan modifications.

Response: 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 two years to determine if any changes have occurred.
 - For student borrowers who are in their first two 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

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- 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.
- 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

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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.

- 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.
- 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?
- 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?

Response to Question 8, subparts (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 one 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

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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

<u>Year</u>	<u>Avg. Balance</u>	<u>Default Balance</u>	<u>%</u>	<u>Avg. Loans</u>	<u>Default Loans</u>	<u>%</u>	<u>Avg. Borr.</u>	<u>Default Borr.</u>	<u>%</u>
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 YTD	\$ 529,848,505	\$ 14,550,262	2.75%	98,161	2,937	2.99%	29,111	875	3.01%
2016	\$ 159,508,128	\$ 2,205,121	1.38%	27,950	380	1.36%	6,469	126	1.95%

The non-management members of the Board of Directors do not receive bonuses.

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Questions for Mr. John G. Stumpf, Chairman and CEO, Wells Fargo & Company, from Senators Brown, Reed, Schumer, Menendez, Tester, Warner, Merkley, Warren, Heitkamp and Donnelly:

- 1) **As was requested of you at the hearing, what is the precise date in 2013 when you became aware of these issues in the Community Banking Division? How was this information conveyed to you, and by whom?**

Response: It is our understanding that, from time to time, because of Mr. Stumpf's position, individuals would contact him directly and complain about issues and that Mr. Stumpf did receive complaints about sales-practice issues over the years. When Mr. Stumpf received such complaints, our understanding is that his practice was to forward them to the appropriate internal team, such as Human Resources, to address.

Mr. Stumpf has said that he recalls learning of the increase in the number of reports of sales-practice issues in late 2013.

Please note that the Independent Directors of Wells Fargo's Board of Directors have launched an investigation into sales-practice issues, and that investigation is ongoing.

- 2) **As was asked at the hearing, what is the precise date when the Board of Directors became aware? How was this information conveyed to the Board, and by whom? Please provide a list of the dates of the Board meetings when this matter was discussed, as well as which Board members were in attendance at these meetings.**
- 3) **At the hearing, you were asked whether any Board members or executives had fraudulent accounts opened in their names. Please provide any names and titles.**

Response to Questions 2-3: From at least 2011 forward, the Board's Audit and Examination Committee received periodic reports on the activities of Wells Fargo's Internal Investigations group (which investigates issues involving team members), as well as information on EthicsLine and suspicious activity reporting. Among other things, several of those reports discussed increases in sales integrity issues or in notifications to law enforcement in part relating to the uptick in sales integrity issues. Some reporting discussed reasons for increases in sales integrity investigations and reporting, which included improved controls, tightening existing controls, and enhancements to better facilitate referrals of potential sales integrity violations to Internal Investigations.

Later, the Risk Committee began to receive reports from management of noteworthy risk issues, which included, among other risks, sales conduct and practice issues affecting customers and management's efforts to address those risks. The Board's Human Resources Committee also received reports from management that it was monitoring sales integrity in Community Banking. Sales integrity issues also were discussed periodically with the Board.

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- 4) **At the hearing, you stated that you did not learn of the systemic fraud occurring at Wells Fargo until late 2013, after interventions at lower levels of the company had failed to stem the creation of fraudulent accounts. Please provide a detailed timeline, from 2007 to 2015, of when different segments of Wells Fargo learned that employees were creating fraudulent accounts and what actions those segments took address the problem, including which Wells Fargo employees (such as senior executives) and federal and state regulators they informed of the problem.**

Response: Prior to the summer of 2011, it was Wells Fargo's practice to address individual instances of alleged unauthorized accounts as they were brought to its attention by customers or bank team members. In 2012, the task of dealing with such complaints was assigned to the risk management function within Community Banking, which initiated a number of efforts to proactively monitor sales-integrity issues—which might include unauthorized accounts, but might also involve opening accounts that are a poor fit for the customer. This monitoring included tracking metrics such as how many accounts were funded within the first 30 days, how many accounts were closed within the first 30 days after opening, and how frequently accounts were downgraded from a higher value account type to a lower value account type. In April 2012, a report called the Quality of Sales Report Card was created to assist managers to monitor how their bankers were performing on these measures.

In 2013, Wells Fargo conducted its first data analysis intended to identify bankers who were opening accounts in which money was initially deposited, but then removed and no further account activity occurred. This analysis was conducted out of concern that bankers might be trying to manipulate the sales-integrity metrics—particularly the rate of accounts funded within the first 30 days, by “simulating” funding of the accounts through transfers of funds. Based on the findings from this analysis, Wells Fargo's Corporate Investigations conducted an intensive investigation in the Los Angeles/Orange County region, resulting ultimately in the termination of several team members. The fact of this investigation, and some of the terminations, were what was publicized in the *Los Angeles Times* article on October 3, 2013. Wells Fargo's investigation continued into 2014 and resulted in further terminations.

Based on the information learned from this initial proactive analysis, Wells Fargo began to implement changes to its policies and procedures in 2014 to attempt to mitigate the occurrence of sales-practices violations. Wells Fargo's efforts to further refine its policies and procedures and to investigate instances of sales-practices violations continued up until, and after, the Los Angeles City Attorney lawsuit was filed in May 2015. A third-party consulting firm, PricewaterhouseCoopers (PwC), was engaged in September 2015 to conduct a massive data-driven analysis of deposit and credit card accounts going back to May 2011. The results of this analysis for checking and savings accounts and credit cards were available in 2016.

- 5) **Does Wells Fargo have any information indicating that company employees created bank accounts or credit card accounts without customer consent prior to 2009? If so,**

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how did the company obtain this information? When was the first reported case, and how many cases that occurred prior to 2009 have been discovered? Have you reported those cases to federal financial regulators?

- 6) **At the hearing, Wells Fargo announced that it would expand its “remediation review” to bank accounts and credit card accounts created in 2009 and 2010.³⁵ As was asked at the hearing, we have received reports of company employees creating false accounts before 2009, why have you limited your remediation review to 2009-2015? What steps will Wells Fargo take to ensure that customers with fraudulent accounts created before 2009 are compensated?**

Response to Questions 5-6: As is the case with any large organization involved in sales, Wells Fargo has never been immune to issues of sales-practice violations or related incidents of unethical behavior on the part of some of our team members.

We appreciate and share your concern that any and all customers who may have been impacted should be identified. Therefore, we are continuing to examine whether there are ways to identify unauthorized accounts opened prior to 2009. As an important initial step, we are notifying all of our consumer and small business Community Banking customers with a checking, savings, credit card, or line of credit account of this issue; we are also inviting and encouraging them to speak with a Wells Fargo representative if they have any questions or concerns about their accounts. Please also note that the Independent Directors of Wells Fargo's Board of Directors have launched an investigation into these issues, and that investigation is ongoing.

Lastly, we would note again that pursuant to the CFPB and the OCC Consent Orders, Wells Fargo will retain the services of an independent consultant and develop redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments.

- 7) **As was asked at the hearing, are you confident that this type of fraudulent activity does not exist in other Wells business lines? Have you discovered other types of misconduct involving other products aside from credit cards or basic banking (such as misconduct related to applications for mortgages or personal or other loans, or lines of credit, insurance, or other investment areas)? If so, how did the company obtain this information? When was the first reported case, how many cases have been discovered, and what is the nature of these cases? Have you reported those cases to federal financial regulators?**

³⁵ Wells Fargo, “Wells Fargo Chairman and CEO John Stumpf Outlines a Series of New Actions to Strengthen Culture and Rebuild Trust of Customers and Team Members at Senate Banking Committee Hearing (press release)” (September 20, 2016) (online at https://www.wellsfargo.com/about/press/2016/new-actions-strengthen-culture_0920.content).

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Response: We believe that the activity at issue here was limited to certain team members within the Community Banking Division.

- 8) **Have you discovered misconduct relating to additional criminal or other misbehavior with the false accounts (such as bank employees using improperly created credit cards accounts for illegal purchases)? If so, how did the company obtain this information? When was the first reported case, how many cases have been discovered, and what is the nature of these cases? Have you reported those cases to federal financial regulators?**

Response: Although Wells Fargo can never be fully certain that it has identified all team member misconduct, the Company has increased its monitoring and compliance efforts to identify further misconduct. In addition, Wells Fargo has made significant changes to its policies and practices to prevent misconduct, enhance oversight, expand customer transparency, and improve the customer experience. We would like to highlight the following points:

- We have named a new head of our retail banking business.
- We have also changed the retail banking business's risk management processes. This is consistent with the reorganization of enterprise functions we have conducted across the Company to create a stronger risk and control foundation that allows senior team members across the Company to provide more independent, credible challenges to how we operate.
 - To this end, we are transitioning a number of control functions out of the lines of business, which includes Community Banking, and centralizing them within Wells Fargo's independent corporate Risk function, which will be responsible for sales-practice oversight, as well as establishing an independent Sales Practices Office.
- We have eliminated product sales goals for all Regional Bank team members who serve customers in our retail branches.
- We have made system and process enhancements, including sending automated confirmation emails to our customers every time a new personal or small business checking account or a savings account is opened; and acknowledgements are also sent for credit card applications. We are also working to improve multi-factor authentication to protect our customers' information, and signatures are captured electronically approximately 99% of the time for new checking, savings, and credit card applications. In addition, we are closing automatically inactive new deposit accounts that, after 62 days, have a zero balance, without assessing a monthly fee.
- This year alone, we have committed more than \$50 million to enhanced quality assurance monitoring.
- We have expanded an independent third-party mystery shopper program, adding risk professionals to provide greater oversight, and expanding our customer complaint servicing and resolution process.

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- We are surveying team members to understand their views on our Company's approach to ethics and integrity.
 - We also have commenced the process with our regulators to engage an independent consultant to review sales practices in Community Banking. In addition, we will be engaging external consultants to review sales practices across the Company.
 - And we will be engaging outside independent culture experts to help us understand where we have cultural weaknesses that need to be strengthened or fixed.
- 9) **At the hearing you indicated that you met with Ms. Tolstedt weekly, but you did not answer how often you talked with her. How often did you have conversations with Ms. Tolstedt? At any point in your regular conversations or meetings did she raise concerns with you about the firms' cross-selling focus, sales goals, firings related to unauthorized accounts, or other related matters? When did she first raise these concerns with you?**
- 10) **You testified that it was in 2013 that the discussion with Ms. Tolstedt on this topic made an impression upon you. Does this mean that she raised this with you earlier and it did not make an impression? Please explain.**
- 11) **Did you ask Ms. Tolstedt when she first learned about this wrongdoing? If so, when did you ask her? If you asked her, what information did Ms. Tolstedt provide you to when you asked? Did you ever ask her why she waited so long before bringing this to the attention of other members of senior management? What did she say?**

Response to Questions 9-11: It is our understanding that, from time to time, because of Mr. Stumpf's position, individuals would contact him directly and complain about issues and that Mr. Stumpf did receive complaints about sales-practice issues over the years. When Mr. Stumpf received such complaints, our understanding is that his practice was to forward them to the appropriate internal team, such as Human Resources, to address.

Mr. Stumpf has said that he recalls learning of the increase in the number of reports of sales-practice issues in late 2013.

Additionally, Wells Fargo cannot determine for certain the first time Ms. Tolstedt was told that a team member's employment was terminated for committing a sales violation. Like any large employer, Wells Fargo monitors sales-integrity and integrity issues so that, as issues came up that needed to be addressed, Ms. Tolstedt would be informed about those issues. The ongoing investigation by the Independent Directors of the Board of Directors and others is looking carefully at this question.

Again, please note that the Independent Directors of Wells Fargo's Board of Directors have launched an investigation into sales-practice issues, and that investigation is ongoing.

- 12) **Please provide the committee with all communication between you and Ms. Tolstedt on this topic for which a record exists from 2007 forward. By way of illustration, this**

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should include communication regarding gaming, pinning, bundling, simulated funding, employee terminations, internal complaints, lawsuits, etc.

- 13) **As was requested in the hearing, please provide a timeline of Wells' first contact, and subsequent interactions, with the CFPB, OCC, and Los Angeles City Attorney's office. Please provide copies of the documents Wells Fargo produced to the CFPB, OCC, the Los Angeles prosecutor, and PWC in connection with this matter.**

Response to Questions 12-13: As Comptroller Curry testified before the Senate Banking Committee on September 20, 2016, Wells Fargo management meets regularly with the Office of the Comptroller of the Currency (OCC), our prudential regulator, about a variety of issues. Wells Fargo immediately cooperated with the OCC upon its first contact with the bank concerning these issues. Ultimately that involved addressing Matters Requiring Attention (MRAs) the OCC imposed as well as providing relevant documents in 2015.

Wells Fargo's General Counsel notified the CFPB of the Los Angeles City Attorney's lawsuit at or about the time it was filed in May of 2015. The CFPB requested information shortly after Wells Fargo notified the Bureau of the lawsuit. In June and July 2015, Wells Fargo provided information to the CFPB.

The City Attorney filed its complaint in May 2015. Wells Fargo did not have substantive conversations with the City Attorney's office prior to that time.

- 14) **Please provide the committee with all reports prepared internally or by third parties to evaluate policies and practices that led to these activities, the extent of these activities, as well as any reports to understand and address customer harm, including the PwC, Accenture and Skadden studies**
- 15) **Please provide the committee with all minutes and all materials related to these activities (including, but not limited to any report prepared by the investigations, compliance, bank secrecy /anti-money laundering, audit or human resources functions) provided to members of the Compensation, Risk, and Audit and Exam Committees, as well as the full board, for all meetings for the period 2007 to the present.**
- 16) **Please provide the committee with any communication that the Board of Directors, any committee of the Board or any individual Board member had with any government enforcement agency, any institution personnel or other Board member, regarding any matter relating to the activities.**
- 17) **Please identify the positions held by the personnel in the corporate General Counsel's office and other senior management offices that are involved with complaints by employees, former employees and customers that are filed in court and are subject to negotiation or arbitration and that allege or refer to the activities associated with the misuse of customer personal information or the opening of**

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unauthorized accounts as well as any other practices used to further those activities, including but not limited to sales incentives and those practices described as pinning, sandbagging, bundling, gaming, or like actions.

- 18) Please describe the role and level of involvement that such personnel (and the General Counsel's office and other senior management offices to which they belong) have in monitoring, hiring outside counsel, directing, negotiating or the decision making in those matters, and how such matters are reported up to the General Counsel, senior management and Board members.

Response to Questions 14-18: The issues described above would be handled by a range of Wells Fargo team members depending on the nature of the allegations raised. Wells Fargo's Office of General Counsel monitors all legal claims against the bank and makes appropriate staffing decisions, including the use of outside counsel, when required.

- 19) When asked whether you have referred any of your personnel to law enforcement between when you learned about this issue until the present, you said that you did when it was required. Can you please specify the number of employees that you have referred, their names and titles, the agencies to which they have been referred, and the violations for which they were referred?

- 20) Please provide the number of Suspicious Activity Reports (SARs) related to these activities that were filed for each year from 2007 to the present.

Response to Questions 19-20: Wells Fargo has policies, procedures, and internal controls that are reasonably designed to comply with its legal obligations to monitor, detect, and report suspicious activities. Under federal law, Suspicious Activity Reports ("SARs"), and any information that would reveal the existence of a SAR, are confidential, 31 U.S.C. § 5318(g)(2)(A)(i) and 12 C.F.R. § 21.11(k).

- 21) As was requested at that hearing, when did you begin to disclose in SEC filings that you had this potentially material adverse set of circumstances that could damage your reputational value?

Response to Question 21: Each quarter, we look at the relevant and appropriate facts available to us to determine whether a legal matter is material and should be disclosed in our public filings. Discerning materiality is not a mechanical exercise but rather is a determination based on judgments informed by the facts and circumstances known at the time the determination is made.

Based on the facts and circumstances as we knew them at the time, we concluded that the sales-practices investigations by the Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency (OCC), and the Los Angeles City Attorney were not material. This was a considered determination based upon what we understood at the time these investigations were occurring.

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As part of our ongoing review process, we continued to evaluate the ongoing developments since the announcement of the settlements to determine whether any filings or disclosures should be made. In conjunction with our Form 8-K filing on September 28, 2016 announcing our former CEO John Stumpf's and our former Community Banking head Carrie Tolstedt's forfeiture of their unvested equity awards, we determined that it was appropriate to disclose the relevant legal developments that had occurred *since* the announcement of the settlements. As noted in our Form 8-K, these included "formal or informal inquiries, investigations or examinations" from "[f]ederal, state, and local government agencies, including the United States Department of Justice, and state attorneys general and prosecutors' offices, as well as Congressional committees. . . ." ³⁶ Furthermore, our Form 10-Q filing on November 3, 2016 contained additional disclosures concerning sales practices matters, including an update to our legal actions disclosures and the addition of a new risk factor summarizing the legal developments and related events that had occurred since the announcement of the settlements and noting the potential that "negative publicity or public opinion resulting from these matters may increase the risk of reputational harm to our business . . ." ³⁷ We will continue to review developments related to sales practices matters and make additional disclosures as the facts and circumstances warrant.

Employees

22) Please provide the Committee with information on the following items for each year from 2007 to the present for the Community Banking Group and all of Wells Fargo, broken out by position (e.g. tellers, bankers, branch managers, district managers, regional managers, and senior management):

- a. the number of employees terminated for engaging in, encouraging or tolerating such activities;
- b. the number of employees who were terminated because they did not meet sales quotas;
- c. the number of employees who resigned or retired or were asked or instructed to resign or retire for engaging in, encouraging or tolerating such activities;
- d. the number of employees who were subject to internal disciplinary measures for engaging in, encouraging or tolerating such activities;

³⁶ See Wells Fargo, September 28, 2016 Form 8-K (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm>).

³⁷ See Wells Fargo, November 3, 2016 Form 10-Q at 67 (available online at <https://www.sec.gov/Archives/edgar/data/72971/000007297116001340/wfc-9302016x10q.htm>).

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e. the median pay by position.

Response: Below is a table that provides the median Full Time Equivalent (FTE) base pay for positions within the Regional Bank from 2007 through September 1, 2016. In addition, all salaried and hourly team members classified as regular or part-time (i.e., those who are regularly scheduled to work 17.5 hours or more per week) are eligible for Wells Fargo-sponsored benefits, including tuition reimbursement, health care insurance, dental insurance, vision insurance, life insurance, short- and long-term disability, 401(k) plan, and paid parental leave.

Regional Bank Job Summary: 2007-2016 Median FTE Base Pay										
Job Grouping	2007†	2008†	2009	2010	2011	2012	2013	2014	2015	2016
Tellers	\$22,672	\$22,880	\$23,920	\$23,566	\$23,858	\$23,920	\$23,920	\$24,274	\$24,752	\$26,187
Customer Sales & Service Representatives	\$29,931	\$30,638	\$31,200	\$30,014	\$30,950	\$30,514	\$30,992	\$31,200	\$31,304	\$31,533
Personal Bankers	\$35,006	\$35,173	\$38,002	\$36,046	\$36,005	\$35,984	\$36,005	\$36,712	\$36,837	\$38,501
Service Managers	\$36,754	\$37,981	\$38,002	\$38,896	\$39,499	\$39,998	\$40,498	\$41,330	\$42,037	\$42,848
Store Managers	\$56,659	\$58,802	\$58,198	\$60,008	\$59,987	\$60,008	\$60,570	\$62,400	\$63,752	\$65,021
Business Banking Specialists	\$47,174	\$49,150	\$49,150	\$49,150	\$49,504	\$49,982	\$49,150	\$49,130	\$48,859	\$49,358
Private Bankers	\$62,962	\$65,562	\$62,296	\$64,314	\$63,066	\$64,522	\$65,354	\$67,392	\$69,680	\$70,013
District Managers	\$98,322	\$102,315	\$100,152	\$105,934	\$109,262	\$111,155	\$113,256	\$114,899	\$118,248	\$119,995

† 2007 and 2008 data excludes legacy Wachovia team members (pre-Wachovia merger).

* Data based on active population as of 12/31 of each respective year (2016 as of 9/1).

** Median FTE Base Pay calculated as hourly rate X 2080.

23) Please provide the committee with any documentation related to sales quality metrics used by compliance, marketing, or any other unit within the Community Banking Division to evaluate employees' performance. Please provide documentation of how these metrics changed between 2007 and the present

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- 24) Please also provide copies of written policies or procedures that outline how Wells Fargo disciplined employees that did not meet their sales quotas from 2007-2015. Finally, please provide your plans for making these employees whole.**

Response to Question 22, subparts (a-d) and Questions 23-24: From 2011 to 2015, approximately 5,300 team members were terminated for certain sales-integrity violations. The majority of the terminated team members held banker, management, or other functionally similar positions. Approximately 1,000 were terminated each year. For example, investigations by the Corporate Investigations group in 2013 resulted in the termination of 1,245 Community Banking team members. That is approximately 1% of Wells Fargo's total population of Community Banking employees.

Approximately 65% of the terminated team members were in Personal Banker positions or functionally similar roles and 7% were in Teller positions. In addition, we terminated the employment of over 480 team members in supervisory positions, including store managers and persons up to three levels above bankers and tellers, when investigations have found that those team members engaged in or directed improper sales practices or exhibited excessive pressure and did not respond promptly and decisively to change their behavior. All of these team members were terminated for sales-integrity violations, not for failing to meet product sales quotas.

Wells Fargo cannot quantify with any degree of confidence how many team members were disciplined solely for not meeting sales goals. Wells Fargo has safeguards in place to help ensure that managers remain focused on assessing team members' overall performance in helping customers succeed financially, not just whether they meet an individual sales goal. This includes a strong performance management program, which provides for coaching and feedback to help team members succeed and involvement of Human Resources in disciplinary decisions.

Wells Fargo team members who believe they were disciplined for not meeting sales goals can raise those concerns through a number of different channels, including through their management chain, Human Resources, or the EthicsLine. Moreover, Wells Fargo has established a process to enable former team members who contact the Company today to request a review of their termination, even if they did not utilize the Company's termination appeal and review processes at the time of their departure. Former team members who did utilize the Company's appeal processes in the past will be provided with an additional review. Former team members who express interest in reemployment and are deemed to be eligible for reemployment through this review process will be able to work with a special recruiting team to assist in exploring opportunities at Wells Fargo.

- 25) Please provide the states and zip codes of the Wells Fargo branches where each of the 5,300 employees were terminated.**

Response: Wells Fargo team members' employments were terminated in the following states (and District of Columbia):

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Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
Florida
Georgia
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oregon
Pennsylvania
South Carolina
South Dakota
Tennessee
Texas
Utah
Virginia
Washington
Washington, DC
Wisconsin

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Wyoming

Please see Appendix I for the list of zip codes of the affected branches.

- 26) What was Wells Fargo's policy on the employees who reported concerns to their managers, human resources division or used the hotline and were fired? Please share with the Banking Committee any internal memos, or pertinent exchanges, outlining the strategy for firing employees who raised concerns.**
- 27) At the hearing, you indicated that employee ethics complaints were handled by an outside firm and to resolve an issue an employee would not be confronted by his or her supervisor. Please provide a detailed description of the ethics complaint process in 2007, and any subsequent changes to it.**

Response to Questions 26-27: It has never been a policy or practice of Wells Fargo to terminate team members who voiced their concerns to managers, the human resources division, or through the ethics hotline. We are aware that certain former team members are making these allegations and we take them very seriously. We are currently investigating the issue.

Wells Fargo has long had internal processes in place for team members to raise issues or concerns through multiple channels, including managers, HR, Compliance and/or the EthicsLine. We encourage team members to speak up if they experience or witness something that makes them feel uncomfortable and have measures in place to protect team members from retaliation. The EthicsLine provides team members with a confidential way to report possible violations of Wells Fargo's Code of Ethics and Business Conduct or any laws, rules or regulations. Team members have the option to remain anonymous through the EthicsLine. It is available to all team members (U.S. and international) 24 hours a day, seven days a week, via toll-free telephone or online web reporting. The EthicsLine has been operated and staffed by a third-party vendor since its inception in 2004, and translation services are available. This process helps ensure team member confidentiality and preserves anonymity when requested.

All team members who call the EthicsLine are provided with an EthicsLine ID that is associated with their EthicsLine Report. Team members who elect to remain anonymous are asked to either call back to the EthicsLine or log into the EthicsLine Web Portal in 10 calendar days to provide additional information or answer any questions relating to their report. To further protect the integrity of the confidential hotline, the vendor does not record any data related to the incoming telephone calls or web reports. Team members who self-identify are advised that since they provided their name and contact information, Wells Fargo now has the option to contact them directly if needed. They are also told they can call the EthicsLine at any time to provide additional information.

Interview specialists with the EthicsLine vendor listen, ask clarifying questions if necessary, and then write a summary report of the call. The summary is then provided to

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Wells Fargo's Office of Global Ethics and Integrity for assessment and referral to the appropriate review team.

Wells Fargo takes measures to protect team members from retaliation, including maintaining confidentiality during the review process. Specifically:

- All reports of suspected unethical or illegal activities are taken seriously and measures are in place to ensure concerns are promptly evaluated and reviewed.
- The review of concerns in many cases will require a fact-finding that may involve interviews with individuals the Company determines may have information relevant to the underlying issue or concern. However, management of any review and updates regarding facts, progress and outcomes are limited to only those who have a legitimate business need to know.
- It may be possible in some cases for the researcher / investigator to determine the identity of the team member due to the nature of the issue reported and the information shared by the team member. However, the researcher / investigator would not ask the team member to self-identify as the person who made the EthicsLine Report.

In no circumstances is the team member told the specifics about any corrective action taken against another team member as it is not Wells Fargo's practice to discuss confidential information regarding one team member with another. Wells Fargo will only share information regarding the review, including any corrective action taken, with those who have a legitimate business need to know.

Wells Fargo's Nonretaliation Policy, which is available to all team members in the Team Member Handbook and reiterated in the Code of Ethics and Business Conduct, mandates that no team member may be retaliated against for providing information in good faith about suspected unethical or illegal activities, including fraud, securities law, or regulatory violations, or possible violations of any Wells Fargo policies. Retaliatory behavior has always been, and continues to be, grounds for corrective action, up to and including termination of employment. Team members who believe that they or someone else has been retaliated against for reporting an issue are instructed to report it as soon as possible to their supervisor or manager, HR Advisor team, or Corporate Employee Relations, to ensure that a prompt review is conducted and, where appropriate, corrective action is taken. Team members can also report retaliation concerns via the EthicsLine.

Wells Fargo has additional safeguards to prevent any form of retaliation, including the fact that Wells Fargo's Human Resources personnel are typically consulted in every termination decision. Additionally, team members whose employments have been terminated may utilize Wells Fargo's termination review process to request to have that decision reviewed by a Corporate Employee Relations professional who was not previously consulted in the termination decision.

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To further strengthen our program and foster an environment where all team members feel comfortable escalating matters without fear of retaliation, we are making improvements to the program, including:

- Enhancing our Company-wide standards to ensure a consistent team member experience and safeguards, regardless of the type of issue reported or which group is conducting the research or investigation.
- Reinforcing our standards and processes that protect team members from retaliation. This will include requiring that the appropriate review unit evaluating the underlying issues or concerns must provide a reminder of the Company's Nonretaliation Policy to all individuals interviewed or contacted as part of the review, as well as all managers who may be part of any corrective action decisions arising out of the review.
- Ensuring that reports of suspected unethical or illegal activities are evaluated, investigated, and appropriately escalated in a timely and confidential manner by continually monitoring and refining our EthicsLine research and investigative processes. This will include the adoption of Speak Up, Investigative, and Nonretaliation Standards to help guide the research and investigative process.
- Creating additional training, communications, and resources to help team members understand their responsibilities under the Code of Ethics and Business Conduct and related policies, the importance of speaking up, and what to do when faced with an ethical dilemma.

With respect to allegations from former team members who claim that their employment was terminated or they were demoted after refusing to open unauthorized accounts and/or after reporting concerns to the EthicsLine, we are reviewing each of the situations. As described above, team members have the option to raise concerns anonymously, so Wells Fargo likely will not have records identifying former team members who raised concerns anonymously through the EthicsLine. Nevertheless, Wells Fargo is taking steps to review such termination/demotion decisions where possible and has engaged outside consultants to help us with this review. Moreover, Wells Fargo has established a process to enable former team members who contact the Company today to request a review of their termination, even if they did not utilize the Company's termination appeal and review processes at the time of their departure. Former team members who did utilize the Company's appeal processes in the past will be provided with an additional review. Former team members who express interest in reemployment and are deemed to be eligible for reemployment through this review process will be able to work with a special recruiting team to assist in exploring opportunities at Wells Fargo.

- 28) During your testimony, you consistently cited your participation in "Town Hall" style meetings to explain how you communicated to employees that they should not, under any circumstances, create false accounts for customers in order to meet sales quotas. Please provide transcripts from all Town Hall-style meetings that you**

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participated in from 2011 to 2015. Please demarcate all areas of those transcripts in which you clearly state that employees should not be defrauding customers.

Response: Mr. Stumpf addressed the unauthorized accounts issues during a town hall meeting following the December 2013 *Los Angeles Times* story. During that town hall, Mr. Stumpf informed team members he “want[ed] to address” the issues discussed in the article “head on.” Of note, he said:

Our culture is about service. We want to help our customers succeed financially, and we're not in the product pushing business. Think of . . . yourselves [] no matter what business you're in, whether you help those who service our external customers or if you serve them directly, I think of all of us as being financial physicians. We meet our customers . . . and we have a conversation with them. And we listen carefully for their needs. And once we discover a need, we then through our skill set, understanding, and experience, our value-add, we offer a product or a service or a series of products and services to help them. We don't try to sell them something that they don't need or don't want. . . .

Here's my ask of you and for everybody listening today. If you believe that your team, your boss, your boss' boss somehow is putting pressure on you to sell things that your customers don't want, don't need, raise your hand. . . . And if you're not comfortable doing that, there's an anonymous . . . ethics line, [or you can] talk to somebody in HR. We want to do the right thing. We're in the long-term business.³⁸

29) Were fraudulent accounts created in one branch location from the account information of customers of another branch? Did employees establish accounts or claim to sell additional products to customers in another state?

Response: Wells Fargo customers frequently utilize multiple branches and will themselves open accounts at different locations at different times. Some potentially unauthorized accounts were opened at different locations than other accounts owned by the same customer, but we are not aware whether that is due to customer choice or banker conduct. We are not aware of unauthorized accounts being opened in states other than those where the customer banked, however, our internal review is ongoing.

30) Did employees establish accounts or claim to sell additional products for minor children?

³⁸ Hollywood, FL, Town Hall, February 5, 2014 (Transcript on file).

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Response: Wells Fargo does not currently know the extent to which unauthorized accounts were opened in the name of minor children, however, our internal review is ongoing.

We would note that the Consumer Financial Protection Bureau (CFPB) and Office of the Comptroller of the Currency (OCC) Consent Orders both require Wells Fargo to retain the services of an independent consultant and to develop redress and reimbursement plans that will identify the population of consumers who may have been affected by improper sales practices.

- 31) During your testimony, you denied that the Wells Fargo incentive structure was responsible for the widespread fraudulent activity at your bank. Further, you and your colleagues at the bank have stated that the 5,300 fired employees acted without guidance from management and were rogue employees. In comparison, little has been reported on the bonuses or incentive structures for regional and branch managers. What bonuses did Wells Fargo pay to regional and branch managers for successful (either meeting or exceeding their sales quotas) cross-selling numbers?**

Response: Prior to our elimination of product sales goals, Regional Bank store managers in our retail branches earned incentive compensation based in part on the store's performance relative to store goals. If a particular store met its sales goal, the store manager would have been eligible for bonus compensation. The store manager would have been eligible for additional bonus compensation for exceeding the goal at various levels. For the purposes of context, between 2011 and 2014, the median incentive payout as a percentage of total salary earned by store managers based on sales-related performance objectives (versus incentive opportunities provided for service and other performance objectives) declined from 8.5% in 2011 to 4.0% in 2014. The median payout earned by district managers, who supervise store managers, also declined between 2011 and 2014, from 13.1% to 3.0%.

Consumer Harm

- 32) Please provide a state-by-state list of the number Wells Fargo customers that you have determined may have been harmed by this misconduct.**

Response: We asked PwC to analyze approximately 82 million deposit accounts for instances of potential simulated funding and approximately 11 million credit card accounts for instances of lack of authorization. The accounts reviewed were opened between 2011 and 2015. Of the accounts reviewed, PwC found that approximately 623,000 consumer and business credit card accounts *could have been* unauthorized, and approximately 1.5 million deposit accounts *could have* experienced simulated funding, that is, the unauthorized deposit and withdrawal of funds intended to create the false appearance that the account was being used by the customer. PwC *did not* conclude that these accounts

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were unauthorized and/or experienced simulated funding; it just could not rule out these possibilities.

Below is the state-by-state list of the number of deposit and credit card accounts that PwC identified, within the total of approximately 2.1 million accounts identified. Although PwC identified accounts in all 50 states, for the reasons discussed it is not clear that unauthorized credit card accounts were actually opened and/or deposit accounts experienced simulated funding in all 50 states:

State	Number of Accounts Identified by PwC (Credit & Deposit)
Alabama	22,795
Alaska	5,970
Arizona	178,972
Arkansas	1,310
California	897,972
Colorado	64,481
Connecticut	11,497
Delaware	4,255
Florida	117,752
Georgia	55,579
Hawaii	805
Idaho	14,316
Illinois	4,890
Indiana	5,222
Iowa	12,630
Kansas	1,296
Kentucky	629
Louisiana	862
Maine	217
Maryland	15,391
Massachusetts	1,142
Michigan	2,891
Minnesota	31,238
Mississippi	2,355
Missouri	1,191
Montana	8,352
Nebraska	12,348
Nevada	53,675
New Hampshire	217
New Jersey	95,921
New Mexico	18,847
New York	24,048

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State	Number of Accounts Identified by PwC (Credit & Deposit)
North Carolina	38,722
North Dakota	1,939
Ohio	1,579
Oklahoma	761
Oregon	35,202
Pennsylvania	79,918
Rhode Island	192
South Carolina	23,327
South Dakota	4,803
Tennessee	3,534
Texas	149,857
Utah	41,686
Vermont	144
Virginia	41,703
Washington	38,861
Washington, DC	2,433
West Virginia	341
Wisconsin	8,922
Wyoming	2,317

33) As requested at the hearing, please provide the proportion of customers who were harmed by Wells' misconduct who are: elderly, racial/ethnic minorities, and military/veterans.

34) Please provide the number of customers identified by the PwC study as having had a fraudulent account opened by age cohort: 0-17; 18-30, 31-40, 41-50, 51-60, 61-70, 71-80, 81-90, 91+

Response to Questions 33-34: Wells Fargo collects date of birth data and our initial review indicates that elderly customers were not overrepresented among the population of customers who may have had an unauthorized deposit account opened in their name.

Of the 2.1 million accounts that PwC identified, 5,089 accounts were associated with customers who are identified in the Defense Manpower Data Center (DMDC) as being active duty, reserve, or National Guard. In other words, less than 0.3% of the accounts identified by PwC were associated with customers who are identified in the DMDC.

We do not collect data concerning race or ethnicity during the application process.

35) Please provide the committee with a list of the written policies for 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, and 2015 that Wells Fargo provided to consumers upon

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their opening of a bank account or credit card account that explain the fees associated with those accounts.

- 36) Will Wells Fargo be providing any non-monetary compensation (such as free credit reporting, ID protection, or discounted or free Wells Fargo services) to customers? Please explain.
- 37) Does Wells Fargo have a policy for assisting customers who had their identification stolen and faced significant costs due to actions taken by Wells Fargo employees? Please explain.
- 38) You indicated at the hearing that you would consult with your team as to any data limitations that would prevent you from identifying customers harmed earlier than 2009. What are the results of those conversations? How far back can Wells Fargo conduct an examination similar to the one conducted by PwC?

Response: We appreciate and share your concern that any and all customers who may have been impacted should be identified. Therefore, we are continuing to examine ways to discern if any unauthorized accounts were opened prior to 2009. As an important initial step, we are notifying all of our consumer and small business Community Banking customers with a checking, savings, credit card, or line of credit account of this issue; we are also inviting and encouraging them to speak with a Wells Fargo representative if they have any questions or concerns about their accounts. Please also note that the Independent Directors of Wells Fargo's Board of Directors have launched an investigation into these issues, and that investigation is ongoing.

Further, we would note again that pursuant to the CFPB and the OCC Consent Orders, Wells Fargo will retain the services of an independent consultant and develop redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments.

- 39) As requested during the hearing, please provide specific information related to overdraft protection products, including sales goals related to overdraft, the number of consumers who overdraw their accounts, the number of overdraft protection products sold without customer knowledge, and dollar amount of overdraft fees charged to consumers related to this episode.

Response: Wells Fargo is committed to providing only those services that our customers need or want. Overdraft protection is one of those services. Customers are encouraged to contact us if they have any issues or concerns.

- 40) During the hearing you were asked how Wells Fargo's cross selling and sales targets compare to its competitors. Please provide your understanding of this answer.

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Response: Wells Fargo is not aware of the degree to which our competitors use cross-sell strategies.

Restoring the Credit Scores of Wells Fargo Customers

- 41) Has Wells Fargo contacted and instructed Transunion, Equifax and Experian, and any other credit bureaus, to determine and remediate any possible harm resulting from the opening of, and activity on, unauthorized credit cards? Please provide the date(s) of any outreach by Wells Fargo to these bureaus, the instructions and information provided to the bureaus, and the proposed remediation for those customers who may have suffered harm.
- 42) Your credit restoration plan provides Wells Fargo with the opportunity to push new products onto customers, urge them to hold on to credit cards they may or may not have wanted, and gather additional information from customers unrelated to closing fraudulent accounts—opportunities that benefit Wells Fargo, not affected customers. Please provide a copy of the scripts that your company will use to contact affected customers, highlighting any instance in which Wells Fargo attempts to convince customers to purchase new products or retain (potentially unwanted) accounts.
- 43) Senator Tester asked you how you planned to identify and provide restitution to customers whose credit ratings were negatively impacted because of Wells Fargo employees' actions against its customers, including but not limited to transactions with other financial institutions. You stated that you would call each of Wells' credit card customers to identify any who have been harmed and "have [y]our team come back and report to you how we're working on it." Please provide a detailed explanation of how Wells Fargo plans to identify and provide remediation to these customers, and to other customers who may not have had credit cards, but whose credit may have been harmed due to other products.
- 44) How will you confirm that inaccurate information on your customers' credit files has been removed? It's one thing to say they're removing the inaccurate info, it's another to ensure the bureaus go ahead and actually remove it.

Response to Questions 35-37, 41-44: Wells Fargo is working very hard to remediate harm that may have been caused to our customers. To that end, pursuant to the CFPB and OCC Consent Orders, Wells Fargo will retain the services of an independent consultant and develop redress and reimbursement plans to identify the population of consumers who may have been affected by improper sales practices. We fully expect that, once approved by our regulators, the redress and reimbursement plans will encompass various forms of harm, including harm related to credit bureau inquiries, and that Wells Fargo will issue and track reimbursement payments.

Wells Fargo is contacting credit card customers for the purpose of determining whether they want their credit cards and to help us identify customers who may have an

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unauthorized credit card account. We are not using these calls to promote other products or services. Our script simply informs customers that we are calling them about an inactive account and asks whether they want the account.

For those customers who want the credit card, the account will remain open. For any customer who does not want their credit card, Wells Fargo is closing the account and correcting credit bureau reporting. This means we are removing the account from the customers' credit reports going forward and suppressing the existence of the inquiry so that it is not viewable to other lenders or requestors (the Fair Credit Reporting Act prohibits us removing the inquiry altogether and it will still be visible to customers pulling their own credit reports).

Moreover, we are in the process of determining how many customers obtained a credit product, with Wells Fargo or another company, during the time period in which their credit score may have been impacted by an unauthorized credit inquiry or existence of the trade line. While it may be difficult to calculate the precise impact for every customer, our intent is to err on the side of the customer and compensate them for impacts to their other credit accounts. This could include impacts on pricing, line or loan size, or credit decision. We have allocated significant resources to this effort and are working with the credit bureaus to develop a plan for submission to our regulators.

Going forward, Wells Fargo is voluntarily expanding its review of accounts to include 2009 and 2010. Wells Fargo also provides resources to help customers request free credit reports and is offering a no-cost mediation option to impacted customers to help identify and remediate any other forms of harm.

Ultimately, if any customer has any questions or concerns regarding his or her accounts—regardless of when those accounts were opened—he or she is invited to contact us so that Wells Fargo can address those questions or concerns.

Senior Executive Compensation

- 45) Please provide any Board or Compensation Committee minutes describing (1) discussion of the pending Wells Fargo settlement and any impact it had on Ms. Tolstedt's decision to retire, (2) discussion of termination or any other penalty for Ms. Tolstedt in relation to her role in the Wells Fargo actions that resulted in the CFPB settlement; (3) the impact of Ms. Tolstedt's decision to retire on her final compensation.
- 46) Fortune magazine reported that the decision to allow Ms. Tolstedt to retire rather than terminating her resulted in her retaining an extra \$45 million in compensation. Is this report accurate? If not, which portions are incorrect? How much did Ms. Tolstedt earn or retain as compensation because of her retirement that she would not have been allowed to earn or retain if she had been terminated?

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47) What are the criteria that the Board will use to determine all elements of Ms. Tolstedt's 2016 compensation?

Response to Questions 45-47: Ms. Tolstedt has left Wells Fargo. She has agreed to not exercise any outstanding stock options previously awarded by Wells Fargo until the completion of the Board of Directors' investigation and that, at the conclusion of this investigation, the Board (or the Independent Directors of the Board or the Human Resources Committee, through Board delegation) will have the authority to determine the extent to which such options will be forfeited.³⁹

The Board's Independent Directors have determined that all of Ms. Tolstedt's unvested equity compensation, valued at approximately \$19 million, would be forfeited, and that she would not receive a bonus for 2016 or any retirement enhancements or severance package in connection with her separation from Wells Fargo. No incentive compensation was granted to Ms. Tolstedt as a result of her separation from the Company, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her separation. Ms. Tolstedt could be subject to further compensation and other actions based upon the results of the Independent Directors' investigation.⁴⁰

Wells Fargo has multiple recoupment or clawback policies and provisions in place that are applicable to Wells Fargo's current and former executive officers, including Ms. Tolstedt.

Policy/Provision	Trigger for Clawback or Recoupment	Compensation Subject to Recovery	Impacted Population
Unearned Compensation Recoupment Policy	Misconduct by an executive that contributes to the Company having to restate all or a significant portion of its financial statements.	Any bonus or incentive compensation that was based on achievement of financial results that were restated downward.	Executive Officers
Extended Clawback Policy ⁴¹	Incentive compensation was based on materially inaccurate financial information or other materially inaccurate performance metric criteria, whether or not the executive was responsible.	Incentive compensation that was based on materially inaccurate financial information or other materially inaccurate performance metric criteria.	Executive Officers and certain other highly compensated employees
Performance-Based Vesting Conditions	<ul style="list-style-type: none"> Misconduct which has or might reasonably be 	Restricted Share Rights ("RSR") awards and	Executive Officers

³⁹ Wells Fargo, "Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters (press release)" (Sept. 27, 2016) (available online at https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927/).

⁴⁰ Wells Fargo, September 27, 2016 Form 8-K, (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516722259/d266244d8k.htm>).

⁴¹ Adopted June 15, 2009 and extended February 2010.

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Policy/Provision	Trigger for Clawback or Recoupment	Compensation Subject to Recovery	Impacted Population
	<p>expected to have reputational or other harm to the Company or any conduct that constitutes "cause,"</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p>	<p>Other team members in receipt of RSRs as part of annual incentive/bonus awards.</p>
<p>Clawback Provisions Included in All Equity-Based Awards</p>	<p>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</p>	<p>All equity awards granted under the LTICP, whether vested or unvested, for which the applicable Company clawback or recoupment</p>	<p>All team members who receive Wells Fargo equity</p>

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Policy/Provision	Trigger for Clawback or Recoupment	Compensation Subject to Recovery	Impacted Population
	<p>agreements for equity-based compensation grants since 2009.</p> <p>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.</p>	<p>policy or legal requirement is triggered.</p>	<p>awards under the LTICP</p>

The Board (or the Independent Directors or the Human Resources Committee, through Board delegation) will assess the relevant facts and circumstances, the award terms, and Wells Fargo's recoupment and clawback policies to determine whether to cancel or clawback any more of Ms. Tolstedt's incentive compensation.

48) You stated at the hearing that you are "not an expert in compensation" and that you do not sit on the Wells Fargo Board's compensation committee. To help us better understand your role, as Chairman of the Board, in contributing to compensation decisions, please provide a description of the process by which your board makes decisions related to compensation and supply any written policies or guidance on the role of board members and Chairman on these matters. Specifically, please comment on Wells Fargo's most recent proxy statement which states on page 51 that part of Ms. Tolstedt's incentive compensation award was determined based on your assessment of her 2015 performance.

Response: In deciding executive compensation, the Human Resources Committee of the Board of Directors (HRC) is guided by four compensation principles that have historically governed its pay decisions for named executives:

1. Pay for Performance: Link compensation to Company, business line, and individual performance so that superior performance results in higher compensation and inferior performance results in lower compensation;
2. Foster Risk Management Culture: Structure compensation to promote a culture of prudent risk management consistent with the Company's Vision and Values;
3. Attract and Retain Top Executive Talent: Offer competitive pay to attract, motivate, and retain industry executives with the skills and experience to drive superior long-term Company performance; and

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4. Encourage Creation of Long-Term Stockholder Value: Use performance-based long-term stock awards with meaningful and lasting share retention requirements to encourage sustained stockholder value creation.

In 2015, the HRC maintained the overarching compensation structure for named executives that it had used in the past, including the relative balance between annual fixed compensation and annual variable "at-risk" compensation. The HRC also continued to weight long-term over annual compensation, and equity over cash compensation. Within this framework, the HRC awarded the following primary elements of compensation to the Company's named executive officers for 2015: base salary, annual incentive, and long-term equity-based incentive.

In 2015, Ms. Tolstedt's 2015 annual incentive award was determined by the HRC based on a broad set of factors, including the Company's financial performance, the Company's progress on key strategic priorities, compensation of similarly situated executives in the Labor Market Peer Group (where such information was available), success in achieving strategic objectives in the Community Banking division, Ms. Tolstedt's ability to operate as a member of a team, Ms. Tolstedt's success against her objectives for 2015, which included the financial performance of her respective business line and a risk and other qualitative assessment of how those results were achieved, as well as the recommendations of Mr. Stumpf based on his assessment of her 2015 performance.⁴²

The HRC awarded Ms. Tolstedt long-term incentive compensation in the form of performance shares granted in February 2015 and RSRs granted in July 2015. In granting the 2015 Performance Shares and establishing their terms, the HRC considered the appropriateness of this award structure in the context of multiple factors including applicable regulatory guidance, the quality of the Company's performance from a risk management perspective, and the need for continued leadership over the three-year performance period. The HRC determined the dollar value of the Performance Share grants, taking into account individual experience and responsibilities, to provide an opportunity to realize variable compensation commensurate with performance and with the intention that total compensation be competitive with total compensation for comparable positions and performance at peers. The HRC granted the July 2015 RSRs following a mid-year evaluation of the senior executives' compensation and contributions to the Company's strong performance as part of an overall, balanced mix of competitive pay and to provide an incentive for those executives to continue their strong and effective leadership, consistent with the Company's compensation principles to pay for performance, to attract, retain, and motivate top executive talent, and to encourage the creation of long-term stockholder value.⁴³

⁴² Wells Fargo, 2016 Proxy Statement, at 38-39, 52 (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm>).

⁴³ Wells Fargo, 2016 Proxy Statement, at 53-54 (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm>).

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49) A recent CNNMoney report indicated that you received millions of dollars in compensation for increasing the number of “primary consumer, small business, and banking checking consumers” and for “reinforcing a culture of risk management and accountability at the company.”⁴⁴ Please provide details on all bonuses or incentive pay that you have received, based on performance related to “cross-selling,” increasing the number of consumers or consumer accounts. For each year, provide the total value of all such incentives received, and the criteria that qualified you for such incentives.

Response: As part of their investigation, the Independent Directors and the Human Resources Committee will review the extent to which Mr. Stumpf’s compensation was based on performance related to cross-selling or upon metrics that included unauthorized accounts.

50) Please describe your full compensation package and benefits plan, including base salary, incentive compensation, and any retirement benefits such as a 10b5-1 plan, including the dollar values of such packages and benefits.

Response: In 2015, Mr. Stumpf received the following compensation.⁴⁵

Salary (\$)	Stock Awards (\$)	Non-Equity Incentive Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
2,800,000	12,500,054 ⁴⁶	4,000,000	N/A	18,550	19,318,604
	(dollar value on date of grant of 2015 Performance Shares at “target”— actual will be determined in the first quarter of 2018)	(833,333 of which was paid in Restricted Share Rights that vest over three years) ⁴⁷			

⁴⁴ <http://money.cnn.com/2016/09/22/investing/wells-fargo-ceo-john-stumpf-200-million/index.html?iid=hp-stack-dom>.

⁴⁵ Wells Fargo, 2016 Proxy Statement, at 57 (available online <https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm>).

⁴⁶ Mr. Stumpf agreed to forfeit this award. See Wells Fargo, “Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters (press release)” (Sept. 27, 2016) (available online at https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927/).

⁴⁷ Mr. Stumpf agreed to forfeit this award. See *Id.*

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Salary (\$)	Stock Awards (\$)	Non-Equity Incentive Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
	and may range from zero to 150% of the target shares, depending on Company performance)				

Mr. Stumpf participated in, and other Wells Fargo executives participate in the same benefit programs generally available to all team members, including health, disability, and other benefit programs, which include the Company 401(k) Plan (with a company match and potential discretionary profit sharing contribution) and, for team members hired prior to July 1, 2009, the Company's qualified Cash Balance Plan (frozen in July 2009). The Company matched up to 6% of eligible participants' certified compensation during 2015 and, in January 2016, the Human Resources Committee of the Board of Directors authorized a discretionary profit sharing contribution of 1% of each eligible participant's certified compensation under the Company 401(k) Plan based on the Company's 2015 performance.

Certain executives, together with team members whose covered compensation exceeds IRC limits for qualified plans, also participated in nonqualified Supplemental 401(k) and Supplemental Cash Balance Plans prior to those plans being frozen in July 2009. Following the freezing of the plans, the Company no longer makes additional contributions for participants in these plans, although additional investment income continues to accrue to participants' individual accounts at the rates provided for in the plans. Certain executives and certain other highly compensated team members also can participate in our Deferred Compensation Plan. Effective January 1, 2011, the Company amended this plan to provide for supplemental Company matching contributions for any compensation deferred into the Deferred Compensation Plan by a plan participant, including Mr. Stumpf, that otherwise would have been eligible (up to certain IRS limits) for a matching contribution under the Company's 401(k) Plan.⁴⁸

The HRC has intentionally limited perquisites to executive officers. In 2015, for security or business purposes, the Company provided a car and driver to Mr. Stumpf and from time to time to certain other executives, primarily for business travel and occasionally for

⁴⁸ Wells Fargo, 2016 Proxy Statement, at v, 55-56 (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm>).

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commuting. In addition, the HRC may from time to time approve security measures if determined to be in the business interests of our Company for the safety and security of our executives and other team members. In 2012, the HRC approved residential security measures for certain executives and, in 2015, the Company paid for the cost of regular maintenance for the previously installed home security systems for certain of our executives. From time to time the Company may pay the cost for a named executive's spouse to attend a Wells Fargo business-related event where spousal attendance is expected. All perquisites for Mr. Stumpf during 2015 did not exceed \$10,000.⁴⁹

The Company does not provide our executives with 10b5-1 plans, and none of our executive officers participate in a 10b5-1 plan related to Wells Fargo common stock.

51) As was requested of you at the hearing, please provide information on all senior executives at Wells Fargo who suffered any financial consequence as a result of the practices at issue here.

Response: The Independent Directors of the Board of Directors of Wells Fargo announced on September 27, 2016 that they have launched an independent investigation into the Company's retail banking sales practices and related matters. A Special Committee of Independent Directors is leading the investigation, working with the Board's Human Resources Committee and independent counsel.

The Independent Directors have taken a number of initial steps they believe are appropriate to promote accountability at the Company. They have agreed with Mr. Stumpf that he will forfeit all of his outstanding unvested equity awards, valued at approximately \$41 million. In addition, he will not receive a bonus for 2016.

Ms. Tolstedt has left Wells Fargo. She has agreed to not exercise any outstanding stock options previously awarded by Wells Fargo until the completion of the Board of Directors' investigation and that, at the conclusion of this investigation, the Board (or the Independent Directors of the Board or the Human Resources Committee, through Board delegation) will have the authority to determine the extent to which such options will be forfeited.

On September 27, 2016, the Board announced that the Independent Directors had determined that Ms. Tolstedt would forfeit all of her unvested equity awards, valued at approximately \$19 million, and that she will not receive a bonus for 2016 and will not receive any retirement enhancements or severance package in connection with her separation from Wells Fargo. No incentive compensation was granted as a result of

⁴⁹ Wells Fargo, 2016 Proxy Statement, at v, 55-56, 59 (available online at <https://www.sec.gov/Archives/edgar/data/72971/000119312516506771/d897049ddef14a.htm>).

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Ms. Tolstedt's separation, and none of her equity awards will be "triggered" or otherwise increased or accelerated by her separation.⁵⁰

These initial actions will not preclude additional steps being taken with respect to Mr. Stumpf, Ms. Tolstedt or other employees as a consequence of the information developed in the investigation.

Forced Arbitration and Secret Settlements

- 52) Please provide a copy of the current basic customer agreement and any other customer agreements that have been in place since 2007 for Wells Fargo customers that open credit cards or bank accounts.**
- 53) Between 2007 and September 2016, how many customer complaints related to the allegations in the CFPB settlement were settled via the arbitration process? (i.e., how many total cases were heard?) In how many cases did the arbitrator rule for the customer and in how many did the arbitrator rule for Wells Fargo?**
- 54) In cases where the arbitrator ruled for the customer, what remediation was made to customers? What was the average settlement amount?**
- 55) In cases where customers took cases to arbitration, did secrecy clauses prevent them from making any information about their grievances public?**
- 56) Did Wells Fargo disclose to investors or the public any cases where arbitrators ruled in favor of customers in these cases? How and when did the company do so?**
- 57) Between 2007 and 2016, did Wells Fargo settle any cases related to the allegations in this settlement outside the arbitration system? If so, how many cases were settled in this fashion? Please explain.**
- 58) As was requested at the hearing, will Wells Fargo commit to permitting customers bringing disputes related to these actions to bring their claims in court, rather than forcing them into arbitration?**

Response to Questions 52-58: Wells Fargo believes that the use of arbitration is a fair and efficient process that serves the needs of both parties. Nevertheless, Wells Fargo is offering a no-cost mediation program to customers, in addition to arbitration. We believe these options provide a fair and efficient means of remediating any harm.

⁵⁰ Wells Fargo, "Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters (press release)" (Sept. 27, 2016) (available online at https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927/).