

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

June 28, 2022

The Honorable Marcia L. Fudge
Secretary
U.S. Department of Housing & Urban
Development
451 7th Street SW
Washington, DC 20410

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551

The Honorable Michael Hsu
Acting Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

The Honorable Martin J Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

Dear Secretary Fudge, Chair Powell, Director Chopra, Acting Chairman Gruenberg, and Acting Comptroller Hsu:

I write today to share my profound disappointment and significant concerns regarding the ongoing actions by one of America's largest megabanks, Wells Fargo. Wells Fargo has been under scrutiny by the Financial Services Committee and by your agencies in recent years for a myriad of reasons, including creating almost 3.5 million unauthorized consumer accounts, charging customers for auto insurance policies they did not need, ripping off veterans by overcharging them for refinance loans, and multiple class action suits regarding discrimination against people of color, people with disabilities, and other protected individuals. As I have made clear in the past, Congress has given regulators like yourselves significant tools to properly penalize Wells Fargo for its continuous wrongdoing, and based on Wells Fargo's recent behavior, I am writing to urge you to escalate penalties in a way that is reflective of its history of repeat offenses.

Wells Fargo previously reached a settlement with the Consumer Financial Protection Bureau (CFPB), Office of the Comptroller of the Currency (OCC), and the City and County of Los Angeles in 2016 regarding some of its practices,¹ but these penalties proved to be insufficient to

¹ CFPB, [Consumer Financial Protection Bureau Fines Wells Fargo \\$100 Million for Widespread Illegal Practice of Secretly Opening Unauthorized Accounts](#) (Sept. 8, 2016).

deter future offenses. In September 2017, I released a Democratic Committee staff report detailing further abusive practices by Wells Fargo and outlining where regulators could use the full suite of their authorities to curb a pattern of repeated unlawful behavior.² In 2018, the Federal Reserve, under then Chair Janet Yellen’s leadership, ordered that Wells Fargo keep its total assets below \$1.95 trillion until the bank improved its governance and risk controls.³ Soon after I took over as Chairwoman of the House Financial Services Committee, I convened a hearing with Wells Fargo’s then President and CEO Timothy J. Sloan to explore what progress had been made by the bank’s management in cleaning up their act.⁴ The answers from Mr. Sloan at our March 2019 hearing were not only lackluster, but as I learned later, inaccurate and misleading. The day after the hearing, we learned Wells Fargo’s board had outlandishly awarded Mr. Sloan with a pay increase and a \$2 million dollar bonus.⁵ I immediately called on Mr. Sloan to step down,⁶ and he resigned in disgrace a couple weeks later.⁷

By March 2020, Wells Fargo was still perpetuating consumer abuses, and after conducting an investigation, I released another staff report with Congressman Al Green, Chair of our Subcommittee on Oversight and Investigations, detailing the company’s mismanagement.⁸ I also notified the Department of Justice of a potential violation of the federal criminal statute prohibiting false statements to Congress as we learned in our investigation that such false statements⁹ were made by Mr. Sloan at our March 2019 hearing. Our March 2020 staff report was followed by two more hearings that month investigating Wells Fargo’s misconduct – one with Wells Fargo CEO Charles Scharf and another with Chairwoman Elizabeth Duke and Director James Quigley of Wells Fargo’s boards of directors, who both resigned in the wake of the report’s release. In 2021, Fed Chair Powell said that the asset cap would remain until the bank fixed its “widespread and pervasive” problems suggesting that Wells Fargo has a long way to go before it would be allowed to expand.¹⁰

Yet, we continue to learn that the megabank is far from achieving the vision that CEO Scharf put forward at his first townhall in 2020, when he stated: “Our work has tremendous impact upon people. We need to recognize that and make sure that we’re doing everything we can to operate the company to the highest standards of operational excellence.” While Wells Fargo has continued to rake in billions of dollars in profit – more than \$21 billion in 2021 alone¹¹ – and their CEO received a 20% increase in compensation to total more than \$24 million in 2021-- the

² House Financial Services Committee (FSC), [Waters Releases Staff Report on Pattern of Consumer Abuse from Wells Fargo](#) (Sept. 29, 2017). Also see [Waters Introduces Groundbreaking Legislation to Shut Down Abusive Megabanks Like Wells Fargo](#) (Oct. 4, 2017). Others have made similar arguments. For example, see David Dayen, [Give Wells Fargo the Corporate Death Penalty](#), The New Republic (Aug. 1, 2017); Maria Bustillos, [The Robber Bank - Can America ever rid itself of Wells Fargo?](#), Slate (Mar. 9, 2020); and Remarks by CFPB Director Rohit Chopra, [Reining in Repeat Offenders](#), 2022 Distinguished Lecture on Regulation, University of Pennsylvania Law School (Mar. 28, 2022).

³ FSC, [Waters Statement on Wells Fargo’s Asset Cap](#) (Apr. 9, 2020).

⁴ FSC hearing, [Holding Megabanks Accountable: An Examination of Wells Fargo’s Pattern of Consumer Abuses](#), (Mar. 12, 2019).

⁵ CNBC, [Wells Fargo CEO Tim Sloan got a pay raise to \\$18.4 million as problems mount, shares tumble](#) (Mar. 13, 2019).

⁶ FSC Press Release, [Waters Blasts Wells Fargo for Bonus to Sloan, Calls for his Removal](#) (Mar. 14, 2019).

⁷ NPR, [Wells Fargo CEO Quits In Wake Of Consumer Financial Scandals](#) (Mar. 28, 2019).

⁸ FSC, [In Advance of Wells Fargo Hearings, Waters and Green Release Investigative Report Exposing Failures of Megabank’s Management, Board, and Regulators](#) (Mar. 4, 2020).

⁹ FSC Press Release, [Waters Alerts DOJ to Inaccurate and Misleading Testimony by Tim Sloan](#) (Mar. 10, 2020).

¹⁰ [Fed’s Powell says Wells Fargo asset cap to stay in place until problems fixed | Reuters](#)

¹¹ Wells Fargo, [Notice of Annual Meeting and Proxy Statement](#) (2022).

megabank’s misdeeds continue.¹² For example, on September 9, 2021, the OCC imposed several restrictions on Wells Fargo along with a \$250 million civil money penalty.¹³ The agency found the megabank violated its 2018 consent order and found material deficiencies regarding the megabank’s home lending loss mitigation activities, including mortgage servicing and loan modification decisions, operational practices, and inadequate risk management and auditing of such activities, which resulted in errors that negatively affected borrowers and impaired Wells Fargo’s ability to provide full and timely remediation for harmed consumers.¹⁴

Moreover, *Bloomberg* has revealed large disparities in Wells Fargo’s mortgage refinancing operations. By sheer volume, Wells Fargo was the largest bank mortgage provider to Black homeowners in 2020, and helped more Black customers refinance their homes than any other bank. However, “only 47% of Black homeowners who completed a refinance application with Wells Fargo in 2020 were approved, compared with 72% of White homeowners... While Black applicants had lower approval rates than White ones at all major lenders, the data show, Wells Fargo had the biggest disparity and was alone in rejecting more Black homeowners than it accepted.”¹⁵ Consumers and homeowners deserve to be treated with respect and it is their civil right under the Fair Housing Act and the Equal Credit Opportunity Act to access credit equally and fairly, regardless of the color of their skin. Wells Fargo has continued to dismantle the little trust that the public has in it and must be held accountable to the full extent of the law.

Additionally, *The New York Times* reports that Wells Fargo staff have inflated their diversity, equity, and inclusion data by conducting “fake” interviews with women and candidates of color.¹⁶ According to the article, the interviews “seemed to be more about helping Wells Fargo record its diversity efforts on paper—partly in anticipation of possible regulatory audits—rather than hiring more women or people of color.”¹⁷ Recently, *The New York Times* also reported that federal prosecutors are investigating these “sham” interviews and if federal laws were violated.¹⁸ To be clear, commitments to diversity, equity, and inclusion are not stunts to be taken advantage of by megabanks; diversity, equity, and inclusion encompass aspects of both moral and legal obligations that financial institutions hold. It is unacceptable that Wells Fargo would mislead applicants and the public.

The need for warnings and “cost of doing business fines” have long passed. The asset cap imposed by now-Treasury Secretary Janet Yellen has failed to force the bank to change its behavior. Despite Mr. Scharf’s leadership, Wells Fargo continues to display a troubling pattern of bad behavior with an inability to competently redress such patterns. Wells Fargo and other mega-financial institutions must face real consequences to curb their recidivism. I previously introduced legislation directing the banking regulators to use their severe authorities to immediately stop Wells Fargo from harming customers, and I plan to do so again. My

¹² Accountable.US, [Wells Fargo, JPMorgan Chase and Bank of America’s CEOs Saw “Double-Digit” Pay Increases, Lived Lavish Lifestyles, and Downplayed the Effects of Inflation, All While their Banks Made \\$3.76 Billion from “Exploitative” Overdraft and Non-Sufficient Funds Fees in 2021 and Spent Nearly \\$5 Billion in Misconduct Settlements Since 2020](#) (May 10, 2022).

¹³ OCC, [OCC Assesses \\$250 Million Civil Money Penalty, Issues Cease and Desist Order Against Wells Fargo](#) (Sept. 9, 2021).

¹⁴ *Id.*

¹⁵ Bloomberg, [Wells Fargo Rejected Half its Black Applicants in Mortgage Refinancing Boom](#) (Mar. 11, 2022).

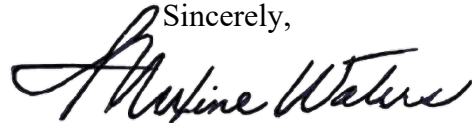
¹⁶ New York Times, [At Wells Fargo, a Quest to Increase Diversity Leads to Fake Job Interviews](#) (May 19, 2022).

¹⁷ *Id.*

¹⁸ New York Times, [Federal Prosecutors Open Criminal Inquiry of Wells Fargo’s Hiring Practices](#) (June 9, 2022).

legislation will improve oversight and governance of megabanks while ensuring repeat offenders like Wells Fargo can no longer abuse their customers or lie to the public. I am also calling on the CFPB, OCC, FDIC, Federal Reserve, and HUD to take immediate action to end this pattern and practice of egregious consumer abuses at Wells Fargo and finally hold this repeat offender accountable.

Sincerely,

A handwritten signature in black ink that reads "Maxine Waters". The signature is written in a cursive, flowing style with a large initial "M".

Maxine Waters
Chairwoman

cc: The Honorable Patrick McHenry, Ranking Member