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Testimony

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“The Role of FCRA in the Credit Granting Process”

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My name is David Moskowitz and I am the General Counsel for Wells Fargo Home Mortgage, headquartered in Des Moines, Iowa. Wells Fargo, our parent company, is a diversified financial services company, offering mortgage, securities, insurance, real estate services, online banking, institutional and retail banking products under the Wells Fargo brand through a number of separately incorporated affiliates to 15 million customers nationwide. Wells Fargo's headquarters is in San Francisco; the company has 130,000 employees, has mortgage offices nationwide, and has a retail banking presence in 23 states.

Thank you for the invitation to testify. I would like to share with you some of Wells Fargo Mortgage's experiences in providing products and services within the framework established by the Fair Credit Reporting Act.

Wells Fargo Home Mortgage works in concert with its other Wells Fargo business affiliates in providing financial services products to customers. Marketplace experience shows that consumers expect the financial services companies they do business with to know about their accounts, to respond quickly to their questions and to advise them about products and services that will help them reach their financial goals. The service consumers expect requires that Wells Fargo have integrated information systems to give customers what they want -- when, where and how they want it. Subject to the Fair Credit Reporting Act, Wells Fargo shares customer information internally to meet these goals.

Information Integration by Affiliates in the Same Corporate Family

Providing a new mortgage, refinancing an existing mortgage, meeting our contractual servicing requirements for investors and our customers requires information about their financial affairs. Applying inappropriate restrictions on transfers of information among affiliates would impede customer service.

The 1996 amendments to the Fair Credit Reporting Act recognize the value to customers of the ability to transfer information among affiliates. This ability is wholly consistent with consumer expectations that their questions will be answered and their needs will be met with a single call or a single e-mail message, whether their financial products are provided by a single company or several companies in the same affiliated group. To put it another way, customers do not care whether for technical, regulatory, or management reasons Wells Fargo chooses to organize itself into a particular series of affiliates of a holding company or subsidiaries of one bank. What customers do care about is the seamless delivery of the products Wells Fargo offers regardless of how we choose to distribute them.

In Wells Fargo's view it is consumer expectations and needs that should shape the public policy that regulates information use, not legal structure. Because of legal requirements that prohibited or restricted bank branching, Wells Fargo at one time owned numerous separately incorporated banks. The Riegle-Neal Act of 1994 allowed bank holding companies to consolidate banks into as few as a single charter. Today, for business reasons rather than legal reasons, Wells Fargo owns 28 separately chartered banks. But the number of separate banks that a holding company chooses to have should not affect public policy relating to information use. If a bank holding company conducts its banking business in a single bank entity that bank would have all the information about a customer who had deposits, a mortgage, a credit card and a home equity loan from that bank. As a single corporate entity, it could use this information without restriction to serve its customer.

If, on the other hand, the bank holding company chose to conduct its mortgage, credit card and home equity loan businesses in three separately incorporated banks and the law restricted the sharing of information among affiliates, a customer who supplied the same information for the same products to three affiliated institutions instead of a single institution would not receive the same level of service from its financial services company. To use customer information to provide the same level of service that could be provided by a single entity with the same information about the same customer, a holding company like Wells Fargo that provides services through multiple bank and non-bank charters would have to consolidate its operations into as few charters as legally possible. Because of the uncertainties of the outcome of the FCRA debate, institutions like Wells Fargo will likely change their corporate structures to reduce the number of separate entities rather than risk restrictions on information sharing among affiliates. It is our view the corporate structure should not be a factor in setting public policy regarding information use. The touchstone, instead, should be consumer expectation.

This is especially critical to our mortgage business. Since passage of the 1996 amendments to the Fair Credit Reporting Act, mortgage servicing has become more efficient. Wells Fargo customers have more channels through which they can apply for a mortgage and get assistance or conduct transactions related to a mortgage, as well as the complete array of financial products offered by Wells Fargo. With affiliate transfers and use of customer information, mortgage customers can make a mortgage payment at their local bank branch, obtain balances, get consolidated statements and get the support of 24-hour call centers that serve an entire affiliated enterprise.

Information Integration within the Corporate Family Benefits Consumers

It is Wells Fargo's goal to provide seamless service and product advice to its customers no matter which member of the Wells Fargo family of companies provides the particular product or service. With the FCRA framework, companies can do a better job of evaluating credit and market risk. This translates into better and lower cost services to customers. Wells Fargo can offer a variety of mortgage services and products, such as:

- **Quick turnaround on refinancings**. Wells Fargo Home Mortgage can quickly gather needed data from all Wells Fargo businesses with which the customer may have a relationship – either to refinance an existing Wells Fargo Mortgage or provide a new Wells Fargo mortgage to a customer of other Wells Fargo businesses. This facilitates a quick refinancing and often at lower cost.

- **Discount on closing costs for signing up with Wells Fargo's product line:** Wells Fargo Home Mortgage retail offices offer new mortgage customers a $300 discount on closing costs if the customer starts a package relationship with Wells Fargo Bank. The package would provide the customer with a bank account, a credit card, discounts on brokerage fees/Wells Trade and a free consultation with a financial consultant The benefit to a customer is an opportunity to have basic financial needs met by one financial services provider at a price that reflects the value of the overall relationship.

- **Referrals lead to new homeowners**. In California, 40-50% of Wells Fargo's mortgages originated this year are the result of referrals from Wells Fargo Banks to Wells Fargo Home Mortgage. Many are first-time homebuyers in Hispanic market areas. These referrals could not be accomplished without the ability to share information among affiliates.

- **Alternative financing options for customer**: a homebuilder in Oklahoma City, who is a customer of Wells Fargo Home Mortgage, wanted to take advantage of lower interest rates and re-finance his motor home. The Wells Fargo mortgage store in Oklahoma City could not help him, as it only provides financing for 1-4 family residential properties. However, by sharing the customer's financing question with the Wells Fargo Bank in Wichita Falls, TX (140 miles away), the Wichita Falls bank provided bank financing on the motor home, saving the customer hundreds of dollars a month in interest payments.

Actions by multiple states to enact their own state versions of the Fair Credit Reporting Act will frustrate customers that do routine transactions across state lines. Wells Fargo provides services to thousands of customers that may have accounts "domiciled" in one state, yet reside or do business with a Wells Fargo bank in another state. Nearly half a million Wells Fargo customers have made teller or ATM transactions out of state within the past 5 months. In California, of 3 million accounts, over 100,000 transact business at a Wells Fargo bank in a state other than where their account resides. In Texas, of 1 million accounts, 36,000 transact business in a border state. In Minnesota, of 750,000 accounts, 25,000 do business in a Wells Fargo bank in a neighboring state.

Uniform National Standard

Finally, Wells Fargo believes the current uniform national standard for information use, as provided by the 1996 amendments to the FCRA is vital and asks that this Congress provide clarity and stability by removing the sunset provisions that affect affiliate sharing and other segments of credit granting. Congress should also address identity theft and should grant authority to bank regulators to set new national standards for notices about information use to customers. The problem of identity theft and complicated notices about information use are frustrating to both customers and financial service providers.

The availability of financial services, such as mortgages for our customers, and the flows of information required to make those services available do not stop at state borders or corporate structures.

Thank you and I would be happy to answer any questions that you, Chairman Bachus, or the Subcommittee may have.